STATE OF MINNESOTA

SEVENTY-FIFTH SESSION—1988

NINETY-THIRD DAY

SAINT PAUL, MINNESOTA, MONDAY, APRIL 25, 1988

The House of Representatives convened at 2:00 p.m. and was called to order by Robert E. Vanasek, Speaker of the House.

Prayer was offered by Representative Mary Murphy from District 8A, a member and lector of St. Raphael's Church, Northwest Hermantown, Minnesota.

The roll was called and the following members were present:

Anderson, G.	Frerichs	Krueger	Omann	Seaberg
Anderson, R.	Greenfield	Larsen	Onnen	Segal
Battaglia	Gruenes	Lasley	Orenstein	Shaver
Bauerly	Gutknecht	Lieder	Osthoff	Skoglund
Beard	Hartle	Long	Otis	Solberg
Begich	Haukoos	Marsh	Ozment	Sparby
Bennett	Heap	McDonald	Pappas	Stanius
Bertram	Himle	McEachern	Pauly	Steensma
Boo	Hugoson	McKasy	Pelowski	Sviggum
Brown	Jacobs	McLaughlin	Peterson	Swenson
Burger	Jaros	McPherson	Poppenhagen	Thiede
Carlson, D.	Jefferson	Milbert	Price	Tjornhom
Carlson, L.	Jennings	Miller	Quinn	Tompkins
Carruthers	Jensen	Minne	Quist	Trimble
Clark	Johnson, A.	Morrison	Redalen	Tunheim
Clausnitzer	Johnson, R.	Munger	Rest	Uphus
Cooper	Johnson, V.	Murphy	Rice	Valento
Dauner	Kahn	Nelson, C.	Richter	Vellenga
Dawkins	Kalis	Nelson, D.	Riveness	Voss
DeBlieck	Kelly	Nelson, K.	Rodosovich	Wagenius
Dempsey	Kelso	Neuenschwander	Rose	Waltman
DeRaad	Kinkel	O'Connor	Rukavina	Welle
Dille	Kludt	Ogren	Sarna	Wenzel
Dorn	Knickerbocker	Olsen, S.	Schafer	Winter
Forsythe	Knuth	Olson, E.	Scheid	Wynia
Frederick	Kostohryz	Olson, K.	Schreiber	Spk. Vanasek

A quorum was present.

Bishop, Blatz and Simoneau were excused.

Reding was excused until 8:30 p.m.

The Chief Clerk proceeded to read the Journal of the preceding day. Larsen moved that further reading of the Journal be dispensed

with and that the Journal be approved as corrected by the Chief Clerk. The motion prevailed.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House File was introduced:

Segal introduced:

H. F. No. 2827, A bill for an act relating to human services; requiring a study of the effectiveness and adequacy of night attendants at state licensed residential facilities.

The bill was read for the first time and referred to the Committee on Health and Human Services.

The following Conference Committee Reports were received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 2245

A bill for an act relating to education; providing aids for education and the distribution of tax revenues; increasing the basic formula allowance; setting the general education levy; modifying the transportation aid and levy formulas; creating an American Indian education council; requiring a study of Indian education; requiring the development of a new model for secondary vocational instruction; modifying the community education formulas; offering free admission to secondary school to eligible persons at least 21 years of age; creating education district revenue; encouraging integrated learning environments; making technical corrections to the cooperative secondary facilities grant act; providing for the sale of permanent school fund lands; requiring the signing of an education statement; requiring certain changes in the state high school league; creating a task force on school district reorganization; changing the capital expenditure formulas; appropriating money; amending Minnesota Statutes 1986, sections 92.06, subdivision 4; 92.14, by adding a subdivision; 92.67, subdivision 5; 120.06, by adding a subdivision; 120.075, subdivisions 1a, 3, and by adding a subdivision; 120.0751, subdivision 1, and by adding a subdivision; 120.0752, subdivision 1, and by adding a subdivision; 120.74, subdivision 1; 121.11, subdivision 12; 121.15, subdivisions 6, 7, and by adding a subdivision; 121.612, by adding a subdivision; 121.88, by adding subdivisions; 123.35, subdivision 8; 123.3514, by adding a subdivision; 124.17, by adding a subdivision; 124.18, subdivision 2; 124.214, subdivision 2; 124.225, by adding a subdivision; 124.245, by adding a subdivision; 124.271, by adding subdivisions; 124.2711, by adding a subdivision; 124A.036, subdivision 2; 126.14, subdivision 1; 126.151; 126.56,

subdivision 2; 129.121, subdivision 2, and by adding subdivisions; 260.015, subdivision 19; 275.125, by adding subdivisions; Minnesota Statutes 1987 Supplement, sections 92.46, subdivision 1; 92.67, subdivisions 1, 3, and 4; 120.0752, subdivision 3; 120.101, subdivisions 5 and 9; 120.17, subdivision 1; 121.612, subdivision 3; 121.87, subdivision 1a; 123.3515, subdivisions 1, 2, 3, 5, 6, 9, and by adding a subdivision; 124.214, subdivision 3; 124.223; 124.225, subdivision 4b; 124.26, subdivision 1b; 124.271, subdivision 2b; 124.2711, subdivision 1; 124.494, subdivisions 5 and 6; 124.573, subdivision 2b, and by adding subdivisions; 124A.036, subdivision 5; 124A.22, subdivisions 2, 3, and 6; 124A.23, subdivisions 1, 2, 3, and by adding subdivisions; 124A.24; 124A.25, subdivisions 2, 4, and by adding a subdivision; 125.185, subdivision 4; 126.22, subdivisions 2, 3, 4, and by adding a subdivision; 126.666, by adding a subdivision; 126.70, subdivision 2a; 129.121, subdivision 1; 129B.11, subdivisions 1 and 2, and by adding a subdivision; 275.125, subdivisions 5 and 8; Laws 1987, chapter 398, article 1, section 27, subdivision 3; article 2, section 13, subdivision 2; article 3, section 39, subdivision 8; article 5, section 2, subdivision 12; article 6, section 19, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 120; 121; 122; 124; 124A; 126; 129B; 145; repealing Minnesota Statutes 1986, section 124.245, subdivision 4; Minnesota Statutes 1987 Supplement, sections 121.11, subdivision 16; 124.244; 124.245, subdivisions 3, 3a, and 3b; 124A.27, subdivision 10; and 275.125, subdivisions 6e and 11c.

April 25, 1988

The Honorable Robert Vanasek
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

We, the undersigned conferees for H. F. No. 2245, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 2245 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

GENERAL EDUCATION REVENUE

Section 1. Minnesota Statutes 1987 Supplement, section 124A.22, subdivision 2, is amended to read:

Subd. 2. [BASIC REVENUE.] The basic revenue for each district equals the formula allowance times the actual pupil units for the school year. The formula allowance is ~~$2,735~~ $2,755 for the 1988-1989 school year. The formula allowance is $2,800 for fiscal year 1990.

Sec. 2. Minnesota Statutes 1987 Supplement, section 124A.22, is amended by adding a subdivision to read:

Subd. 7. [DEFINITIONS FOR 1988-1989 SUPPLEMENTAL REVENUE.] (a) The definitions in this subdivision apply only to subdivision 8.

(b) "1987-1988 revenue" means the sum of the following categories of revenue for a district for the 1987-1988 school year:

(1) basic foundation revenue, tier revenue, and declining pupil unit revenue, according to Minnesota Statutes 1986, as supplemented by Minnesota Statutes 1987 Supplement, chapter 124A, plus any reduction to second tier revenue, according to Minnesota Statutes 1986, section 124A.08, subdivision 5;

(2) teacher retirement and FICA aid, according to Minnesota Statutes 1986, sections 124.2162 and 124.2163;

(3) chemical dependency aid, according to Minnesota Statutes 1986, section 124.246;

(4) gifted and talented education aid, according to Minnesota Statutes 1986, section 124.247;

(5) interdistrict cooperation aid and levy, according to Minnesota Statutes 1986, sections 124.272 and 275.125, subdivision 8a;

(6) arts education aid, according to Minnesota Statutes 1986, section 124.275;

(7) summer program aid and levy, according to Minnesota Statutes 1986, sections 124A.03 and 124A.033;

(8) programs of excellence grants, according to Minnesota Statutes 1986, section 126.60; and

(9) liability insurance levy, according to Minnesota Statutes 1986, section 466.06.

For the purpose of this subdivision, intermediate districts and other employing units, as defined in Minnesota Statutes 1986, section 124.2161, shall allocate the amount of their teacher retire-

ment and FICA aid for fiscal year 1988 among their participating school districts.

(c) "Minimum allowance" for a district means:

(1) the district's 1987-1988 revenue, according to subdivision 1; divided by

(2) the district's 1987-1988 actual pupil units, adjusted for the change in secondary pupil unit weighting from 1.4 to 1.35 made by Laws 1987, chapter 398; plus

(3) $70.

Sec. 3. Minnesota Statutes 1987 Supplement, section 124A.22, is amended by adding a subdivision to read:

Subd. 9. [DEFINITIONS FOR SUPPLEMENTAL REVENUE.] (a) The definitions in this subdivision apply only to subdivision 8.

(b) "1987-1988 revenue" means the sum of the following categories of revenue for a district for the 1987-1988 school year:

(1) basic foundation revenue, tier revenue, and declining pupil unit revenue, according to Minnesota Statutes 1986, as supplemented by Minnesota Statutes 1987 Supplement, chapter 124A, plus any reduction to second tier revenue, according to Minnesota Statutes 1986, section 124A.08, subdivision 5;

(2) teacher retirement and FICA aid, according to Minnesota Statutes 1986, sections 124.2162 and 124.2163;

(3) chemical dependency aid, according to Minnesota Statutes 1986, section 124.246;

(4) gifted and talented education aid, according to Minnesota Statutes 1986, section 124.247;

(5) arts education aid, according to Minnesota Statutes 1986, section 124.275;

(6) summer program aid and levy, according to Minnesota Statutes 1986, sections 124A.03 and 124A.033;

(7) programs of excellence grants, according to Minnesota Statutes 1986, section 126.60; and

(8) liability insurance levy, according to Minnesota Statutes 1986, section 466.06.

For the purpose of this subdivision, intermediate districts and other employing units, as defined in Minnesota Statutes 1986, section 124.2161, shall allocate the amount of their teacher retirement and FICA aid for fiscal year 1988 among their participating school districts.

(c) "Minimum allowance" for a district means:

(1) the district's 1987-1988 revenue, according to subdivision 1; divided by

(2) the district's 1987-1988 actual pupil units, adjusted for the change in secondary pupil unit weighting from 1.4 to 1.35 made by Laws 1987, chapter 398; plus

(3) $105.

Sec. 4. Minnesota Statutes 1987 Supplement, section 124A.23, subdivision 1, is amended to read:

Subdivision 1. [GENERAL EDUCATION MILL RATE.] The commissioner of revenue shall establish the general education mill rate and certify it to the commissioner of education by ~~August~~ September 1 of each year for levies payable in the following year. The general education mill rate shall be a rate, rounded up to the nearest tenth of a mill, that, when applied to the adjusted assessed valuation for all districts, raises the amount specified in this subdivision. The general education mill rate for the ~~1989~~ 1990 fiscal year shall be the rate that raises ~~$1,079,000,000~~ $1,100,580,000. The general education mill rate certified by the commissioner of revenue ~~must~~ may not be changed due to changes or corrections made to a district's adjusted assessed valuation after the mill rate has been certified.

Sec. 5. Minnesota Statutes 1987 Supplement, section 124A.23, subdivision 4, is amended to read:

Subd. 4. [GENERAL EDUCATION AID.] A district's general education aid is the sum of the following amounts:

(1) the product of (i) the difference between the general education revenue, excluding supplemental revenue, and the general education levy, ~~multiplied~~ times (ii) the ratio of the actual amount levied to the permitted levy;

(2) the product of (i) the difference between the supplemental revenue and the supplemental levy, times (ii) the ratio of the actual amount levied to the permitted levy; and

(3) shared time aid according to section 124A.02, subdivision 21.

Sec. 6. Minnesota Statutes 1987 Supplement, section 124A.23, subdivision 5, is amended to read:

Subd. 5. [USES OF REVENUE.] (a) General education revenue may be used during the regular school year and the summer for general and special school purposes.

(b) General education revenue may not be used:

(1) for premiums for motor vehicle insurance protecting against injuries or damages arising from the operation of district-owned, leased, or controlled vehicles to transport pupils for which state aid is authorized under section 124.223; or

(2) for any purpose for which the district may levy according to section 275.125, subdivision 5e.

Sec. 7. Minnesota Statutes 1987 Supplement, section 124A.24, is amended to read:

124A.24 [GENERAL EDUCATION LEVY EQUITY.]

If a district's general education levy is determined according to section 124A.23, subdivision 3, an amount must be deducted from state aid authorized in this chapter and chapter 124, receivable for the same school year, and from other state payments receivable for the same school year authorized in sections 273.115; 273.116; 273.123, subdivision 6; 273.13, subdivision 15a; and Laws 1983, chapter 342, article 8, section 8. The aid in section 124.646 must not be reduced.

The amount of the deduction equals the difference between:

(1) the general education mill rate, according to section 124A.23, times the district's adjusted assessed valuation used to determine the general education aid for the same school year; and

(2) the district's general education revenue for the same school year, according to section 124A.22.

However, for fiscal year 1989, the amount of the deduction shall be one-fourth of the difference between clauses (1) and (2); for fiscal year 1990, the amount of the deduction shall be one-third of the difference between clauses (1) and (2); for fiscal year ~~1990~~ 1991, the amount of the deduction shall be one-half of the difference between clauses (1) and (2); ~~and~~ for fiscal year 1992, the amount of the deduction shall be four-sixths of the difference between clauses (1) and (2); and for fiscal year ~~1991~~ 1993, the amount of the deduction shall be ~~three-fourths~~ five-sixths of the difference between clauses (1) and (2).

Sec. 8. Minnesota Statutes 1987 Supplement, section 124A.27, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENT.] An amount equal to ~~1.85~~ 2.20 percent of the basic revenue under section 124A.22, subdivision 2, shall be reserved and may be used only to provide one or more of the programs enumerated in this section. The school board shall determine which programs to provide, the manner in which they will be provided, and the extent to which other money may be used for the programs. Except for the requirements of sections 124A.28 and 124A.29, the remaining general education revenue under section 124A.22 and supplemental revenue under section 124A.25 may be used to provide one or more of the programs enumerated in this section.

Sec. 9. Minnesota Statutes 1987 Supplement, section 124A.28, subdivision 1, is amended to read:

Subdivision 1. [USE OF THE REVENUE.] The compensatory education revenue under section 124A.22, subdivision 3, may be used ~~only~~ to meet the ~~special~~ educational needs of pupils whose educational achievement is below the level that is appropriate for pupils of their age. These needs may be met by providing at least some of the following:

(1) remedial instruction in reading, language arts, and mathematics to improve the achievement level of these pupils;

(2) additional teachers and teacher aides to provide more individualized instruction to these pupils;

(3) summer programs that enable these pupils to improve their achievement or that reemphasize material taught during the regular school year;

(4) in-service education for teachers, teacher aides, principals, and other personnel to improve their ability to recognize these pupils and provide appropriate responses to the pupils' needs;

(5) for ~~instruction of~~ instructional material for these pupils~~,~~ including: textbooks, workbooks, periodicals, pamphlets, photographs, reproductions, filmstrips, prepared slides, prerecorded video programs, sound recordings, desk charts, games, study prints and pictures, desk maps, models, learning kits, blocks and cubes, flashcards, instructional computer software programs, pencils, pens, crayons, notebooks, duplicating fluids, and papers;

(6) programs to reduce truancy, encourage completion of high school, enhance self-concept, provide health services, provide nutrition services, provide a safe and secure learning environment,

provide coordination for pupils receiving services from other governmental agencies, provide psychological services to determine the level of social, emotional, cognitive, and intellectual development, and provide counseling services, guidance services, and social work services; and

(7) bilingual programs, bicultural programs, and programs for pupils of limited English proficiency.

Sec. 10. Minnesota Statutes 1987 Supplement, section 124A.28, is amended by adding a subdivision to read:

Subd. 3. [ANNUAL EXPENDITURE REPORT.] Each year a district that receives compensatory education revenue shall submit a report identifying the expenditures it incurred in providing compensatory education to the pupils described in subdivision 1. The report must conform to uniform financial and reporting standards established for this purpose.

Sec. 11. [COST OF LIVING STUDY.]

The legislative audit commission is encouraged to direct the legislative auditor to conduct a study of the differences among the costs of living in communities throughout the state and the effect that these differences have on educational expenditures by school districts. The study shall include an analysis of at least the following factors: food, housing, real estate taxes, utilities, transportation, medical costs, median income of families, median home values, median rental costs, and median monthly salaries for representative occupations.

Sec. 12. [INSTRUCTIONS TO THE DEPARTMENT OF EDUCATION FOR 1988 LEVY LIMITATIONS.]

Notwithstanding sections 1 and 2, and any other law to the contrary, the department of education shall determine, for the 1988-1989 school year only, levies under chapter 124A as they were authorized under Laws 1987, chapter 398, article 1.

Sec. 13. [APPROPRIATIONS.]

There is appropriated from the general fund to the department of education the sum of $6,903,400 for general education aid for the 1988-1989 school year. This sum is added to the sum appropriated in Laws 1987, chapter 398, article 1, section 26, subdivision 2.

Sec. 14. [REPEALER.]

Notwithstanding any law enacted in 1988 that amends Minnesota Statutes 1987 Supplement, section 124A.27, subdivision 10, Minne-

sota Statutes 1987 Supplement, section 124A.27, subdivision 10, is repealed. Section 2 is repealed June 30, 1989.

Sec. 15. [EFFECTIVE DATE.]

Section 3 is effective for revenue for the 1989-1990 school year and thereafter.

ARTICLE 2

TRANSPORTATION

Section 1. Minnesota Statutes 1986, section 120.73, subdivision 1, is amended to read:

Subdivision 1. A school board is authorized to require payment of fees in the following areas:

(a) In any program where the resultant product, in excess of minimum requirements and at the pupil's option, becomes the personal property of the pupil;

(b) Admission fees or charges for extra curricular activities, where attendance is optional;

(c) A security deposit for the return of materials, supplies, or equipment;

(d) Personal physical education and athletic equipment and apparel, although any pupil may personally provide it if it meets reasonable requirements and standards relating to health and safety established by the school board;

(e) Items of personal use or products which a student has an option to purchase such as student publications, class rings, annuals, and graduation announcements;

(f) Fees specifically permitted by any other statute, including but not limited to section 171.04, clause (1);

(g) Field trips considered supplementary to a district educational program;

(h) Any authorized voluntary student health and accident benefit plan;

(i) For the use of musical instruments owned or rented by the district, a reasonable rental fee not to exceed either the rental cost to

the district or the annual depreciation plus the actual annual maintenance cost for each instrument;

(j) Transportation of pupils to and from extra curricular activities conducted at locations other than school, where attendance is optional;

(k) Transportation of pupils to and from school for which aid is not authorized under section 124.223, clause (1), and for which levy is not authorized under section 275.125, subdivision 5e, if a district charging fees for transportation of pupils establishes guidelines for that transportation to ensure that no pupil is denied transportation solely because of inability to pay;

(l) Motorcycle classroom education courses conducted outside of regular school hours; provided the charge shall not exceed the actual cost of these courses to the school district.

Sec. 2. Minnesota Statutes 1986, section 120.74, subdivision 1, is amended to read:

Subdivision 1. A school board is not authorized to charge fees in the following areas:

(a) Textbooks, workbooks, art materials, laboratory supplies, towels;

(b) Supplies necessary for participation in any instructional course except as authorized in sections 120.73 and 120.75;

(c) Field trips which are required as a part of a basic education program or course;

(d) Graduation caps, gowns, any specific form of dress necessary for any educational program, and diplomas;

(e) Instructional costs for necessary school personnel employed in any course or educational program required for graduation;

(f) Library books required to be utilized for any educational course or program;

(g) Admission fees, dues, or fees for any activity the pupil is required to attend;

(h) Any admission or examination cost for any required educational course or program;

(i) Locker rentals;

(j) Transportation of pupils (1) ~~to and from school as authorized pursuant to section 123.39 or~~ (2) for which state transportation aid is authorized pursuant to section 124.223 or (2) for which a levy is authorized under section 275.125, subdivision 5e.

Sec. 3. Minnesota Statutes 1987 Supplement, section 123.39, subdivision 1, is amended to read:

Subdivision 1. The board may provide for the ~~free~~ transportation of pupils to and from school, and to schools in other districts for grades and departments not maintained in the district, including high school, at the expense of the district, when funds are available therefor and if agreeable to the district to which it is proposed to transport the pupils, for the whole or a part of the school year, as it may deem advisable, and subject to its rules. Every driver shall possess all the qualifications required by the rules of the state board of education. In any school district, the board shall arrange for the attendance of all pupils living two miles or more from the school through suitable provision for transportation or through the boarding and rooming of the pupils who may be more economically and conveniently provided for by that means. The board shall provide transportation to and from the home of a handicapped child not yet enrolled in kindergarten when special instruction and services under section 120.17 are provided in a location other than in the child's home. When transportation is provided, scheduling of routes, establishment of the location of bus stops, manner and method of transportation, control and discipline of school children and any other matter relating thereto shall be within the sole discretion, control, and management of the school board. The district may provide for the transportation of pupils or expend a reasonable amount for room and board of pupils whose attendance at school can more economically and conveniently be provided for by that means or who attend school in a building rented or leased by a district within the confines of an adjacent district.

Sec. 4. Minnesota Statutes 1987 Supplement, section 124.223, is amended to read:

124.223 [TRANSPORTATION AID AUTHORIZATION.]

School transportation and related services for which state transportation aid is authorized are:

(1) [TO AND FROM SCHOOL; BETWEEN SCHOOLS.] Transportation or board of resident elementary pupils who reside one mile or more from the public schools which they could attend; transportation or board of resident secondary pupils who reside two miles or more from the public schools which they could attend; transportation to~~,~~ and from schools the resident pupils attend according to a program approved by the commissioner of education, or between the schools the resident pupils attend ~~pursuant to a program approved~~

~~by the commissioner of education~~ for instructional classes; transportation of resident elementary pupils who reside one mile or more from a nonpublic school actually attended; transportation of resident secondary pupils who reside two miles or more from a nonpublic school actually attended; but with respect to transportation of pupils to nonpublic schools actually attended, only to the extent permitted by sections 123.76 to 123.79; transportation of pupils who are custodial parents to and from the provider of child care services for the pupil's child, within the attendance area of the school the pupil attends;

For the purposes of this clause, a district may designate a licensed day care facility or the residence of a relative as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian and if that facility or residence is within the attendance area of the school the pupil attends~~.~~;

(2) [OUTSIDE DISTRICT.] Transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school; the pupils may attend a classified secondary school in another district and shall receive board and lodging in or transportation to and from a district having a classified secondary school at the expense of the district of the pupil's residence;

(3) [SECONDARY VOCATIONAL CENTERS.] Transportation to and from a state board approved secondary vocational center for secondary vocational classes for resident pupils of any of the districts who are members of or participating in programs at that center;

(4) [HANDICAPPED.] Transportation or board and lodging of a handicapped pupil when that pupil cannot be transported on a regular school bus, the conveying of handicapped pupils between home and school and within the school plant, necessary transportation of handicapped pupils from home or from school to other buildings, including centers such as developmental achievement centers, hospitals and treatment centers where special instruction or services required by section 120.17 are provided, within or outside the district where services are provided, and necessary transportation for resident handicapped pupils required by section 120.17, subdivision 4a. Transportation of handicapped pupils between home and school shall not be subject to any distance requirement for children not yet enrolled in kindergarten or to the requirement in clause (1) that elementary pupils reside at least one mile from school and secondary pupils reside at least two miles from school in order for the transportation to qualify for aid;

(5) [BOARD AND LODGING; NONRESIDENT HANDICAPPED.] When necessary, board and lodging for nonresident handicapped pupils in a district maintaining special classes;

(6) [SHARED TIME.] Transportation from one educational facility to another within the district for resident pupils enrolled on a shared time basis in educational programs ~~approved by the commissioner of education~~, and necessary transportation required by section 120.17, subdivision 9, for resident handicapped pupils who are provided special instruction and services on a shared time basis;

(7) [FARIBAULT STATE ACADEMIES.] Transportation for residents to and from the Minnesota state academy for the deaf or the Minnesota state academy for the blind;

(8) [SUMMER INSTRUCTIONAL PROGRAMS.] Services described in clauses (1) to (7), (9), and (10) when provided in conjunction with a summer program eligible for aid and levy under sections 124A.03 and 124A.033;

(9) [COOPERATIVE ACADEMIC AND VOCATIONAL.] Transportation to, from or between educational facilities located in any of two or more school districts jointly offering academic classes ~~approved by the commissioner~~ or secondary vocational classes not provided at a secondary vocational center ~~which are approved by the commissioner~~ for resident pupils of any of these districts; and

(10) [NONPUBLIC SUPPORT SERVICES.] Necessary transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123.935.

Sec. 5. Minnesota Statutes 1987 Supplement, section 124.225, subdivision 8a, is amended to read:

Subd. 8a. [AID.] (a) ~~For the 1986-1987 and 1987-1988 school years, a district's transportation aid shall equal the sum of its basic transportation aid pursuant to subdivision 8b, its nonregular transportation aid pursuant to subdivision 8i, and its nonregular transportation levy equalization aid pursuant to subdivision 8j, minus its contracted services aid reduction pursuant to subdivision 8k, minus the amount raised by 2.25 mills times the adjusted assessed valuation which is used to compute the transportation levy limitation for the levy attributable to that school year. A district may levy less than the amount raised by 2.25 mills. Transportation aid shall be computed as if the district had levied the amount raised by 2.25 mills.~~

~~(b)~~ For the 1988-1989 school year and thereafter, a district's transportation aid is equal to the sum of its basic transportation aid under subdivision 8b, its nonregular transportation aid under subdivision 8i, and its nonregular transportation levy equalization aid under subdivision 8j, minus its contracted services aid reduction under subdivision 8k, and minus its basic transportation levy

limitation for the levy attributable to that school year under section 275.125, subdivision 5.

~~(c)~~ (b) If the total appropriation for transportation aid for any fiscal year is insufficient to pay all districts the full amount of aid earned, the department of education shall reduce each district's aid in proportion to the number of resident pupils in average daily membership in the district to the state total average daily membership, and shall reduce the ~~aid entitlement~~ transportation levy of off-formula districts in the same proportion.

Sec. 6. Minnesota Statutes 1987 Supplement, section 275.125, subdivision 5, is amended to read:

Subd. 5. [BASIC TRANSPORTATION LEVY.] Each year, a school district may levy for school transportation services an amount not to exceed the amount raised by the basic transportation mill rate times the adjusted assessed valuation of the district for the preceding year. The commissioner of revenue shall establish the basic transportation mill rate and certify it to the commissioner of education by ~~August~~ September 1 of each year for levies payable in the following year. The basic transportation mill rate shall be a rate, rounded up to the nearest hundredth of a mill, that, when applied to the adjusted assessed valuation of taxable property for all districts, raises the amount specified in this subdivision. The basic transportation mill rate ~~for the 1987 payable 1988 levies and~~ for transportation ~~aid~~ for the ~~1988-1989 school~~ 1990 fiscal year shall be the rate that raises ~~$71,256,100~~ $72,681,200. The basic transportation mill rate certified by the commissioner of revenue must not be changed due to changes or corrections made to a district's adjusted assessed valuation after the mill rate has been certified.

Sec. 7. Laws 1987, chapter 398, article 2, section 13, subdivision 2, is amended to read:

Subd. 2. [TRANSPORTATION AID.] For transportation aid there is appropriated:

$90,477,000 1988,

~~$87,334,800~~ $87,419,800 . . . . . 1989.

The appropriation for aid for fiscal year 1988 includes $12,194,300 for aid for fiscal year 1987 payable in fiscal year 1988 and $78,282,700 for fiscal year 1988 payable in fiscal year 1988.

The appropriation for aid for fiscal year 1989 includes $13,814,600 for aid for fiscal year 1988 payable in fiscal year 1989 and ~~$73,520,200~~ $73,605,200 for fiscal year 1989 payable in fiscal year 1989.

The appropriations are based on aid entitlements of $92,097,200 for fiscal year 1988 and ~~$86,494,300~~ $86,594,300 for fiscal year 1989.

Sec. 8. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] There is appropriated from the general fund to the department of education the sum indicated in this section for the fiscal year ending June 30 in the year designated.

Subd. 2. [TRANSPORTATION AID FOR OPEN ENROLLMENT.] For transportation of pupils attending nonresident districts according to Minnesota Statutes 1987 Supplement, section 123.3515, there is appropriated:

$50,000 ..... 1988.

An unexpended balance in fiscal year 1988 does not cancel but is available for fiscal year 1989.

Sec. 9. [EFFECTIVE DATE.]

Section 8 is effective the day following final enactment.

ARTICLE 3

SPECIAL PROGRAMS

Section 1. Minnesota Statutes 1987 Supplement, section 120.17, subdivision 3b, is amended to read:

Subd. 3b. [PROCEDURES FOR DECISIONS.] Every district shall utilize at least the following procedures for decisions involving identification, assessment, and educational placement of handicapped children:

(a) Parents and guardians shall receive prior written notice of:

(1) any proposed formal educational assessment or proposed denial of a formal educational assessment of their child;

(2) a proposed placement of their child in, transfer from or to, or denial of placement in a special education program; or

(3) the proposed provision, addition, denial or removal of special education services for their child;

(b) The district shall not proceed with the initial formal assess-

ment of a child, the initial placement of a child in a special education program, or the initial provision of special education services for a child without the prior written consent of the child's parent or guardian. The refusal of a parent or guardian to consent may be overridden by the decision in a hearing held pursuant to clause (d) at the district's initiative;

(c) Parents and guardians shall have an opportunity to meet with appropriate district staff in at least one conciliation conference if they object to any proposal of which they are notified pursuant to clause (a). The conciliation process shall not be used to deny or delay a parent or guardian's right to a due process hearing. If the parent or guardian refuses efforts by the district to conciliate the dispute with the school district, the requirement of an opportunity for conciliation shall be deemed to be satisfied;

(d) Parents, guardians, and the district shall have an opportunity to obtain an impartial due process hearing initiated and conducted in the school district where the child resides, if the parent or guardian continues to object to:

(1) a proposed formal educational assessment or proposed denial of a formal educational assessment of their child;

(2) the proposed placement of their child in, or transfer of their child to a special education program;

(3) the proposed denial of placement of their child in a special education program or the transfer of their child from a special education program;

(4) the proposed provision or addition of special education services for their child; or

(5) the proposed denial or removal of special education services for their child.

At least five calendar days before the hearing, the objecting party shall provide the other party with a brief written statement of the objection and the reasons for the objection.

The hearing shall take place before an impartial hearing officer mutually agreed to by the school board and the parent or guardian. If the school board and the parent or guardian are unable to agree on a hearing officer, the school board shall request the commissioner to appoint a hearing officer. The hearing officer shall not be a school board member or employee of the school district where the child resides or of the child's school district of residence, an employee of any other public agency involved in the education or care of the child, or any person with a personal or professional interest which

would conflict with the person's objectivity at the hearing. A person who otherwise qualifies as a hearing officer is not an employee of the district solely because the person is paid by the district to serve as a hearing officer. If the hearing officer requests an independent educational assessment of a child, the cost of the assessment shall be at district expense. The proceedings shall be recorded and preserved, at the expense of the school district, pending ultimate disposition of the action.

(e) The decision of the hearing officer pursuant to clause (d) shall be rendered not more than 45 calendar days from the date of the receipt of the request for the hearing. A hearing officer may grant specific extensions of time beyond the 45-day period at the request of either party. The decision of the hearing officer shall be binding on all parties unless appealed to the hearing review officer by the parent, guardian, or the school board of the district where the child resides pursuant to clause (f).

The local decision shall:

(1) be in writing;

(2) state the controlling facts upon which the decision is made in sufficient detail to apprise the parties and the hearing review officer of the basis and reason for the decision;

(3) state whether the special education program or special education services appropriate to the child's needs can be reasonably provided within the resources available to the responsible district or districts;

(4) state the amount and source of any additional district expenditure necessary to implement the decision; and

(5) be based on the standards set forth in subdivision 3a and the rules of the state board.

(f) Any local decision issued pursuant to clauses (d) and (e) may be appealed to the hearing review officer within ~~15~~ 30 calendar days of receipt of that written decision, by the parent, guardian, or the school board of the district where the child resides.

If the decision is appealed, a written transcript of the hearing shall be made by the school district and shall be accessible to the parties involved within five calendar days of the filing of the appeal. The hearing review officer shall issue a final decision based on an impartial review of the local decision and the entire record within 30 calendar days after the filing of the appeal. The hearing review officer shall seek additional evidence if necessary and may afford the parties an opportunity for written or oral argument; provided any

hearing held to seek additional evidence shall be an impartial due process hearing but shall be deemed not to be a contested case hearing for purposes of chapter 14. The hearing review officer may grant specific extensions of time beyond the 30-day period at the request of any party.

The final decision shall:

(1) be in writing;

(2) include findings and conclusions; and

(3) be based upon the standards set forth in subdivision 3a and in the rules of the state board.

(g) The decision of the hearing review officer shall be final unless appealed by the parent or guardian or school board to the court of appeals. The judicial review shall be in accordance with chapter 14.

(h) The commissioner of education, having delegated general supervision of special education to the appropriate staff, shall be the hearing review officer except for appeals in which:

(1) the commissioner has a personal interest in or specific involvement with the student who is a party to the hearing;

(2) the commissioner has been employed as an administrator by the district that is a party to the hearing;

(3) the commissioner has been involved in the selection of the administrators of the district that is a party to the hearing;

(4) the commissioner has a personal, economic, or professional interest in the outcome of the hearing other than the proper administration of the federal and state laws, rules, and policies;

(5) the appeal challenges a state or local policy which was developed with substantial involvement of the commissioner; or

(6) the appeal challenges the actions of a department employee or official.

For any appeal to which the above exceptions apply, the state board of education shall name an impartial and competent hearing review officer.

In all appeals, the parent or guardian of the handicapped student or the district that is a party to the hearing may challenge the impartiality or competence of the proposed hearing review officer by applying to the state board of education.

(i) Pending the completion of proceedings pursuant to this subdivision, unless the district and the parent or guardian of the child agree otherwise, the child shall remain in the child's current educational placement and shall not be denied initial admission to school.

(j) The child's school district of residence, if different from the district where the child actually resides, shall receive notice of and may be a party to any hearings or appeals pursuant to this subdivision.

Sec. 2. Minnesota Statutes 1987 Supplement, section 124.17, subdivision 1, is amended to read:

Subdivision 1. [PUPIL UNIT.] Pupil units for each resident pupil in average daily membership shall be counted according to this subdivision.

(a) A handicapped prekindergarten pupil who is enrolled for the entire ~~school~~ fiscal year in a program approved by the commissioner and has an individual education plan that requires up to 437 hours of assessment and education services in the ~~school~~ fiscal year is counted as one-half of a pupil unit. If the plan requires more than 437 hours of assessment and education services, the pupil is counted as the ratio of the number of hours of assessment and education service to 875, but not more than one.

(b) A handicapped prekindergarten pupil who is enrolled for less than the entire ~~school~~ fiscal year in a program approved by the commissioner is counted as the greater of (1) one-half times the ratio of the number of instructional days from the date the pupil is enrolled to the date the pupil withdraws to the number of instructional days in the school year, or (2) the ratio of the number of hours of assessment and education service required in the ~~school~~ fiscal year by the pupil's individual education program plan to 875, but not more than one.

(c) A prekindergarten pupil who is assessed but determined not to be handicapped is counted as the ratio of the number of hours of assessment service to 875.

(d) A handicapped kindergarten pupil who is enrolled in a program approved by the commissioner is counted as the ratio of the number of hours of assessment and education services required in the ~~school~~ fiscal year by the pupil's individual education program plan to 875, but not more than one.

(e) A kindergarten pupil who is not included in paragraph (d) is counted as one-half of a pupil unit.

(f) A pupil who is in any of grades one to six is counted as one pupil unit.

(g) ~~For the 1987-1988 school year, a pupil who is in any of grades seven to 12 is counted as 1.4 pupil units. For the 1988-1989 and later school years,~~ A pupil who is in any of grades seven to 12 is counted as 1.35 pupil units.

Sec. 3. Minnesota Statutes 1986, section 124.48, subdivision 2, is amended to read:

Subd. 2. [REPORT TO LEGISLATURE.] By December 1 of each even-numbered year, the state board of education shall report to the education committees of the legislature about the status of Indian scholarships ~~and the~~, recipients, and the status of academic programs and student services for American Indian people in post-secondary institutions that enroll recipients of American Indian scholarships.

Sec. 4. Minnesota Statutes 1986, section 126.151, is amended to read:

126.151 [VOCATIONAL EDUCATION STUDENT ORGANIZATIONS.]

Subdivision 1. [ACTIVITIES OF THE ORGANIZATION.] Any ~~pupil~~ student enrolled in a vocational technical education program approved by the state ~~board~~ boards of education and vocational technical education may belong to a vocational student organization ~~which~~ that is operated as an integral part of the vocational program. The commissioner of education and the state director of vocational technical education may provide necessary technical assistance and leadership ~~to these organizations~~ at the state level for administration of approved vocational student organizations and fiscal accounts, including administration of state and national conferences.

Subd. 2. [ACCOUNTS OF THE ORGANIZATION.] The state boards of education and vocational technical education may retain dues and other money collected on behalf of students participating in approved vocational student organizations and may deposit the money in separate accounts. The money in these accounts shall be available for expenditures for state and national activities related to specific organizations. Administration of money collected under this section is not subject to the provisions of chapters 15, 16A, and 16B, and may be deposited outside the state treasury. Money shall be administered under the policies of the applicable state board or agency relating to post-secondary vocational student organizations and is subject to audit by the legislative auditor. Any unexpended money shall not cancel but may be carried forward to the next fiscal year.

Sec. 5. Minnesota Statutes 1986, section 126.45, is amended to read:

126.45 [CITATION.]

Sections 126.45 to 126.55 may be cited as the American Indian ~~language and culture~~ education act of 1988.

Sec. 6. Minnesota Statutes 1986, section 126.46, is amended to read:

126.46 [DECLARATION OF POLICY.]

The legislature finds that a more adequate education is needed for American Indian ~~pupils~~ people in the state of Minnesota. The legislature recognizes the unique educational and culturally-related academic needs of American Indian people. The legislature also is concerned about the lack of American Indian teachers in the state. Therefore, pursuant to the policy of the state to ensure equal educational opportunity to every individual, it is the purpose of sections 126.45 to 126.55 to provide for ~~the establishment of~~ American Indian ~~language and culture~~ education programs specially designed to meet these unique educational or culturally-related academic needs or both.

Sec. 7. Minnesota Statutes 1986, section 126.47, is amended to read:

126.47 [DEFINITIONS.]

Subdivision 1. For the purposes of sections 126.45 to 126.55, the ~~words, phrases, and~~ terms defined in this section ~~shall~~ have the meanings given ~~to~~ them.

Subd. 2. "American Indian child" means any child, living on or off a reservation, who is enrolled or eligible for enrollment in a federally recognized tribe.

Subd. 3. "Advisory task force" means the state advisory task force on American Indian ~~language and culture~~ education programs.

Subd. 4. "Participating school" ~~means any nonsectarian nonpublic, tribal, or alternative school offering a curriculum reflective of American Indian culture which is funded by and participates in the programs in sections 126.45 to 126.55~~ and "American Indian school" mean a school that:

(1) is not operated by a school district; and

(2) is eligible for a grant under Title IV of the Indian Education Act for the education of American Indian children.

Sec. 8. Minnesota Statutes 1986, section 126.49, subdivision 1, is amended to read:

Subdivision 1. [AMERICAN INDIAN LANGUAGE AND CULTURE EDUCATION LICENSES.] The board of teaching shall grant initial and continuing teaching licenses in American Indian language and culture education that bear the same duration as other initial and continuing licenses. The board shall grant licenses to persons who present satisfactory evidence that they:

(a) Possess competence in an American Indian language or possess unique qualifications relative to or knowledge and understanding of American Indian history and culture; or

(b) Possess a bachelor's degree or other academic degree approved by the board or meet such requirements as to course of study and training as the board may prescribe, or possess such relevant experience as the board may prescribe.

This evidence may be presented by affidavits, resolutions, or by such other methods as the board may prescribe. Individuals may present applications for licensure on their own behalf or these applications may be submitted by the superintendent or other authorized official of a school district ~~or a nonsectarian nonpublic, tribal, or alternative school offering a curriculum reflective of,~~ participating school, or an American Indian ~~culture~~ school.

Sec. 9. [126.501] [RECRUITING AND RETAINING INDIAN TEACHERS.]

This section applies to a school board of a school district in which there are at least ten American Indian children enrolled. The school board shall actively recruit teacher applicants who are American Indian from the time it is reasonably expected that a position will become available until the position is filled or September 1, whichever is earlier. Notwithstanding section 125.12, subdivisions 4, 6a, or 6b, 125.17, subdivisions 3 and 11, any other law to the contrary, or any provision of a contract entered into after the effective date of this section to the contrary, when placing a teacher on unrequested leave of absence, the board may retain a probationary teacher or a teacher with less seniority in order to retain an American Indian teacher.

Sec. 10. Minnesota Statutes 1986, section 126.51, subdivision 1, is amended to read:

Subdivision 1. [PARENT COMMITTEE.] School boards and ~~par-~~

~~ticipating~~ American Indian schools shall provide for the maximum involvement of parents of children enrolled in ~~American Indian language and culture~~ education programs ~~pursuant to sections 126.45 to 126.55~~, including language and culture education programs, programs for elementary and secondary grades, special education programs, and support services. Accordingly, ~~before implementing a program, each~~ the school ~~district and participating~~ board of a school district in which there are ten or more American Indian children enrolled and each American Indian school shall establish a parent ~~advisory~~ committee ~~for that program~~. If a committee of parents of American Indian children has been or is established according to federal, tribal, or other state law, that committee shall serve as the committee required by this section and shall be subject to, at least, the requirements of this section.

The parent committee shall develop its recommendations in consultation with the curriculum advisory committee required by section 126.666, subdivision 2. This committee shall afford parents the necessary information and the opportunity effectively to express their views concerning all aspects of ~~the~~ American Indian ~~language and culture~~ education ~~program~~ and the educational needs of the American Indian children ~~residing within the district's or school's attendance boundaries~~ enrolled in the school or program. The committee shall also address the need for adult education programs for American Indian people in the community. The ~~district~~ school board or ~~participating~~ American Indian school shall ensure that ~~the program is~~ programs are planned, operated, and evaluated with the involvement of and in consultation with parents of children ~~eligible to be~~ served by the ~~program~~ programs.

Sec. 11. Minnesota Statutes 1986, section 126.51, is amended by adding a subdivision to read:

Subd. 1a. [RESOLUTION OF CONCURRENCE.] By September 15 and June 15 of each school year, the school board or American Indian school shall submit to the department of education a copy of a resolution adopted by the parent committee. The copy must be signed by the chair of the committee and must state whether the committee concurs with the educational programs for American Indian children offered by the school board or American Indian school. If the committee does not concur with the educational programs, the reasons for nonconcurrence and recommendations shall be submitted with the resolution.

Sec. 12. Minnesota Statutes 1986, section 126.51, subdivision 2, is amended to read:

Subd. 2. [MEMBERSHIP.] The ~~committees~~ committee shall be composed ~~solely~~ of parents of children eligible to be enrolled in American Indian ~~language and culture~~ education programs; secondary students eligible to be served; American Indian language and

culture education teachers and aides; American Indian teachers; counselors; adult American Indian people enrolled in educational programs; and representatives from community groups; ~~provided, however, that~~. A majority of each committee shall be parents of children enrolled or eligible to be enrolled in the ~~corresponding program, and that~~ programs. The number of parents of American Indian and non-American Indian children shall reflect approximately the proportion of children of those groups enrolled in the ~~program~~ programs.

Sec. 13. Minnesota Statutes 1986, section 126.51, subdivision 4, is amended to read:

Subd. 4. [ALTERNATE COMMITTEE.] If the organizational membership or the board of directors of ~~a participating~~ an American Indian school consists ~~solely~~ of parents of children attending the school ~~whose children are eligible to be enrolled in American Indian language and culture education programs~~, that membership or board may serve also as the parent ~~advisory~~ committee.

Sec. 14. Minnesota Statutes 1986, section 126.52, is amended to read:

126.52 [STATE BOARD OF EDUCATION DUTIES.]

Subd. 5. [COMMUNITY INVOLVEMENT.] The state board shall provide for the maximum involvement of the state ~~advisory task force~~ committees on American Indian ~~language and culture~~ education, parents of American Indian children, secondary students eligible to be served, American Indian language and culture education teachers, American Indian teachers, teachers' aides, representatives of community groups, and persons knowledgeable in the field of American Indian ~~language and culture~~ education, in the formulation of policy and procedures relating to the administration of sections 126.45 to 126.55.

Subd. 8. [TECHNICAL ASSISTANCE.] The state board shall provide technical assistance to school districts, ~~participating~~ schools and ~~post secondary~~ post-secondary institutions for preservice and in-service training for American Indian ~~language and culture~~ education teachers and teacher's aides, teaching methods, curriculum development, testing and testing mechanisms, and the development of materials for American Indian ~~language and culture~~ education programs.

Subd. 9. [APPLICATION FOR FUNDS.] The state board shall apply for ~~grants or funds~~ money which ~~are, or~~ may ~~become,~~ be available under federal programs for American Indian ~~language and culture~~ education, including funds for administration, demonstration projects, training, technical assistance, planning and evaluation.

Subd. 11. [RULES.] The state board, upon the receipt of recommendations by the ~~advisory task force~~ appropriate state committees, may promulgate rules providing for standards and procedures appropriate for the implementation of and within the limitations of sections 126.45 to 126.55.

Sec. 15. Minnesota Statutes 1986, section 126.531, is amended to read:

126.531 [~~ADVISORY TASK FORCE~~ COMMITTEES ON AMERICAN INDIAN ~~LANGUAGE AND CULTURE~~ EDUCATION PROGRAMS.]

Subdivision 1. The state board of education ~~may~~ shall create ~~an~~ one or more American Indian ~~language and culture~~ education ~~advisory task force~~ committees. ~~If created,~~ Members shall include representatives of tribal bodies, community groups, parents of children eligible to be served by the programs, American Indian administrators and teachers, persons experienced in the training of teachers for American Indian ~~language and culture~~ education programs, persons involved in programs for American Indian children in ~~nonsectarian nonpublic, urban, community, tribal or alternative~~ American Indian schools, and persons knowledgeable in the field of American Indian ~~language and culture~~ education. Members shall be appointed so as to be representative of significant segments of the population of American Indians.

Subd. 2. ~~The advisory task force~~ Each committee on American Indian ~~language and culture~~ education programs shall advise the state board in the administration of its duties under sections 126.45 to 126.55 and other programs for the education of American Indian people, as determined by the state board.

Subd. 3. ~~The advisory task force~~ Each committee shall ~~expire and the terms, compensation and removal of members shall be as provided for in~~ be reimbursed for expenses according to section 15.059, subdivision 6. The state board shall determine the membership terms and the duration of each committee.

Sec. 16. Laws 1987, chapter 398, article 3, section 39, subdivision 7, is amended to read:

Subd. 7. [AMERICAN INDIAN SCHOLARSHIPS.] For American Indian scholarships, according to Minnesota Statutes, section 124.48, there is appropriated:

$1,581,800 1988,

$1,581,800 ..... 1989.

At least $50,000 of the appropriation for fiscal year 1989 must be used for scholarships for students who are enrolled in teacher preparation programs.

The state board of education, with the advice of the Minnesota Indian scholarship committee, shall develop a scholarship program for American Indian people to become teachers. The program may involve incentives for students, such as loans that are forgiven, in part, upon completing three years of teaching. If requested, the higher education coordinating board shall assist the state board or the committee in developing the program. The program plan shall be reported to the education committees of the legislature by January 1, 1989.

Any unexpended balance remaining in the first year does not cancel but is available for fiscal year 1989.

Sec. 17. Laws 1987, chapter 398, article 3, section 39, subdivision 8, is amended to read:

Subd. 8. [AMERICAN INDIAN POST-SECONDARY PREPARATION GRANTS.] For Indian post-secondary preparation grants, according to Minnesota Statutes, section 124.481, there is appropriated:

$781,400 1988,

~~$781,400~~ $856,400 ..... 1989.

Sec. 18. [INDIAN SCHOOL COUNCIL.]

Subdivision 1. [INTENTION.] It is the intention of the legislature to establish opportunities for American Indian control of Indian education through Indian public schools, an urban Indian school district or districts, or other means.

Subd. 2. [INDIAN SCHOOL COUNCIL.] (a) An Indian school council composed of 15 members is established to develop recommendations for Indian public schools, an urban Indian school district or districts, or other means of achieving Indian control of Indian education. The state board of education shall appoint two of its members to serve on the council. The board of independent school district No. 625, St. Paul, and the board of special school district No. 1, Minneapolis, shall each appoint one of its members to serve on the council. The remaining members must be appointed by the governor, with the assistance of the Indian affairs council, as provided in section 3.922, subdivision 6, clause (6).

(b) The council chair must be elected by the members of the council. Minnesota Statutes, section 15.059, subdivisions 3 and 4,

apply to compensation and removal of members of the council. The council terminates on June 1, 1989. If requested by the council, the department of education and the Indian affairs council must provide assistance.

Subd. 3. [RECOMMENDATIONS.] (a) The council shall make recommendations about each of the items in this subdivision. It may make recommendations about additional options or issues.

(b) It shall consider the governance and administration of schools or programs for Indian education, including participation by Minnesota tribal governments in the governance and administration.

(c) It shall consider methods of forming schools or programs, including, but not limited to:

(1) forming a school within an existing school district with a separate governing board, similar to Minnesota Statutes, chapter 128B;

(2) forming a school district by dividing an existing district;

(3) forming a special purpose school district superimposed on one or more existing school districts, similar to Minnesota Statutes, chapter 136D; or

(4) forming a state school, similar to Minnesota Statutes, chapter 128A or 129C.

The structure may be similar to but different from any other existing school or school district.

(d) It shall consider a governing board or boards that may be appointed or elected, but which, in any case, shall include significant democratic participation by tribal governments and parents or guardians. The appointing authority or authorities must be specified for appointed members. The election process, including the qualification of voters, must be specified for elected members. The initial board members may be selected by a different method than subsequent board members.

(e) It shall consider financing, including:

(1) property taxes that may be levied by a school district, if formed; distributed on an equitable basis by the school district in which the school is located; or distributed on an equitable basis by each of the school districts in which the enrolled pupils reside;

(2) state aid for general education, special education, transporta-

tion, capital expenditures, community education, adult basic and continuing education, grants, and other special programs; and

(3) federal sources of funding.

(f) The council shall consider the educational programs to be offered and specify particular state aids that would be necessary. It shall specify from whom and to whom property taxes and state aid are to be paid.

(g) It shall consider ways to acquire and maintain facilities and equipment, including leasing existing facilities and equipment.

(h) It shall consider administration and staffing needs.

(i) It shall consider curriculum needs, including serving as a state resource center for Indian education.

(j) It shall consider student admission requirements, policies, and procedures.

(k) It shall consider how and where to provide transportation.

Subd. 4. [COUNCIL STAFF AND FACILITIES.] The department of education shall provide space within its facilities for council meetings. The department of education, through the Indian education section, shall provide support services. The council may contract for or employ professional and nonprofessional staff. The professional staff may be individuals currently employed by the state or on leave of absence from a school district. A current employee of a school district who contracts with, or is employed by, the council may request an extended leave of absence under section 125.60. The school board must grant the leave and Minnesota Statutes, section 125.60, governs the rights and duties of the employee and school board. The council may contract with consultants and for legal services, as needed.

Subd. 5. [REPORT TO LEGISLATURE.] By December 1, 1988, the council shall report its recommendations to the state board of education and the education committees of the legislature.

Sec. 19. [APPROPRIATION FOR INDIAN SCHOOL COUNCIL.]

There is appropriated from the general fund to the Indian school council, $100,000 for fiscal year 1989 for the council to perform its duties.

For fiscal year 1989 only, a complement of two is authorized for the council. The complement may include one full-time professional, one half-time professional, and one half-time support staff.

Sec. 20. [APPROPRIATION FOR GRANTS FOR INDIAN TEACHERS.]

There is appropriated $71,000 from the general fund to the state board of education for fiscal year 1989 for a grant to assist American Indian people to become teachers and to provide additional education for American Indian teachers. The state board may award a joint grant to the University of Minnesota, Duluth, and independent school district No. 709, Duluth, for a cooperative program. To obtain the joint grant, a joint application must be submitted to the state board of education. The application must be developed with the participation of the district parent advisory committee, established according to Minnesota Statutes, section 126.51, and the Indian advisory committee at the University of Minnesota, Duluth.

The application must set forth the in-kind services to be provided by the University of Minnesota, Duluth. The coordination and mentorship services to be provided by grants to the University of Minnesota, Duluth, and independent school district No. 709 must also be set forth in the application. It must contain recommended criteria for selecting individual scholarship recipients and criteria for scholarship amounts, that may include tuition, fees, books, and living expenses for ten months. The portion of the scholarship attributable to living expenses may be in the form of a loan to be forgiven if the recipient teaches in independent school district No. 709, Duluth, for five years. If, however, the recipient is placed on unrequested leave of absence by independent school district No. 709, Duluth, the loan may be forgiven if the recipient teaches in another Minnesota school district for an amount of time that, when added to the amount of time taught in Duluth, equals five years. The loan forgiveness program must be developed in consultation with the higher education coordinating board.

Only the following American Indian people may receive scholarships:

(1) students entering the University of Minnesota, Duluth, who intend to become teachers in Minnesota;

(2) teacher aides who are employees of independent school district No. 709, Duluth, and who intend to obtain a teaching license; and

(3) licensed employees of independent school district No. 709 who begin a master of education program.

The joint application shall be submitted to the Minnesota Indian scholarship committee for review and comment.

The state board may award a joint grant in the amount it

determines appropriate. Scholarship money shall be included in the amount of the joint grant.

Sec. 21. [1987 SPECIAL EDUCATION DEFICIENCY.]

$6,000,000 is appropriated from the general fund to the department of education for fiscal year 1988 for the deficiency in the amount appropriated for special education for fiscal year 1987 by Laws 1985, First Special Session chapter 12, article 3, section 28, subdivision 2. The department of education shall reduce the amount of the levy certified by 1988 each school district, according to Minnesota Statutes, section 275.125, subdivision 8c, for special education by the amount that the district will receive as a result of this appropriation. The department of education must not consider this appropriation when allocating excess appropriations for fiscal year 1987 under Minnesota Statutes, section 124.17, subdivision 7.

Sec. 22. [REPEALER.]

Minnesota Statutes 1986, section 126.51, subdivision 3, is repealed.

Sec. 23. [EFFECTIVE DATE.]

Section 9 and 21 are effective the day following final enactment. The provisions of section 9 relating to placing a teacher on unrequested leave of absence apply to contracts entered into after the effective date of section 9.

ARTICLE 4

COMMUNITY EDUCATION

Section 1. Minnesota Statutes 1986, section 121.88, is amended by adding a subdivision to read:

Subd. 9. [COMMUNITY SERVICE PROGRAMS.] A school board may offer, as part of a community education program, a community service program for public school pupils for the purpose of promoting active citizenship and addressing community needs through youth service. The community education advisory council shall design the service program in cooperation with the district planning, evaluating and reporting committee and local organizations that train volunteers or need volunteers' services. Programs must include:

(1) preliminary training for pupil volunteers conducted, when possible, by organizations experienced in such training;

(2) supervision of the pupil volunteers to ensure appropriate placement and adequate learning opportunity;

(3) sufficient opportunity for pupil volunteers to give genuine service to their community; and

(4) integration of academic learning with the service experience.

Examples of appropriate pupil service placements include: child care, Head Start, early childhood education, and extended day programs; tutoring programs involving older pupils tutoring younger pupils; environmental beautification projects; and regular visits for shut-in senior citizens.

Sec. 2. Minnesota Statutes 1986, section 121.88, is amended by adding a subdivision to read:

Subd. 10. [EXTENDED DAY PROGRAMS.] A school board may offer, as part of a community education program, an extended day program for children from kindergarten through grade six for the purpose of expanding students' learning opportunities. A program must include the following:

(1) adult supervised programs while school is not in session;

(2) parental involvement in program design and direction;

(3) partnerships with the K-12 system, and other public, private, or nonprofit entities; and

(4) opportunities for trained secondary school pupils to work with younger children in a supervised setting as part of a community service program.

The district may charge a sliding fee based upon family income for extended day programs. The district may receive money from other public or private sources for the extended day program. The board shall develop standards for school age child care programs.

Sec. 3. [129B.48] [PREKINDERGARTEN CHILD DEVELOPMENT GRANTS.]

Subdivision 1. [ESTABLISHMENT.] A grant program is established for prekindergarten child development programs.

Subd. 2. [ELIGIBLE CHILD.] An eligible child is a child who:

(1) is at least three years old but has not entered kindergarten;

(2) resides in a family having a pre-tax income, for the 12 months before enrollment in the program, at or below the poverty level as determined by the federal government; and

(3) has a significant delay in the development of any of the following areas: emotional, cognitive, language, physical-motor, or social.

Subd. 3. [ELIGIBLE PROGRAMS.] A project head start agency, school district, group of districts, and nonprofit organizations are eligible for grants. To be eligible for a grant, all children in the program must meet the requirements of subdivision 2, clause (1), and at least 90 percent must meet the requirements of subdivision 2.

Subd. 4. [CRITERIA AND PROCEDURES.] The state board of education shall establish criteria and procedures to select recipients of grants. Criteria for recipients, other than head start agencies, must include at least the following:

(1) adequate procedures to assess the developmental delay of children, according to subdivision 2, clause (3);

(2) conformance to the federal guidelines for project head start agencies, to the extent practicable;

(3) substantial involvement and education of the parents of the children;

(4) a plan for coordination with local organizations that serve young children;

(5) a local advisory board; and

(6) an evaluation plan.

Subd. 5. [GRANT AWARDS.] The state board may award grants for programs that meet the requirements of this section. Grants must be awarded to applicants located in different parts of the state. The board shall give priority in awarding grants to those applicants located in areas where no service is available within 30 minutes of eligible children's residences. A recipient must not use the grant money to supplant money or services available from other sources.

Sec. 4. [APPROPRIATION; PREKINDERGARTEN CHILD DEVELOPMENT PROGRAM GRANTS.]

There is appropriated from the general fund to the department of education for grants for prekindergarten child development programs $500,000 for the fiscal year ending June 30, 1989.

ARTICLE 5

EDUCATION AGENCIES'

APPROPRIATIONS

Section 1. [121.203] [HEALTH-RELATED PROGRAMS.]

Subdivision 1. [AIDS PROGRAM.] The commissioner of education, in consultation with the commissioner of health, shall assist districts in developing and implementing a program to prevent and reduce the risk of acquired immune deficiency syndrome. Each district shall have a program that includes at least:

(1) planning materials, guidelines and other technically accurate and updated information;

(2) a comprehensive, technically accurate and updated curriculum;

(3) cooperation and coordination among districts and ECSUs;

(4) a targeting of adolescents, especially those who may be at high risk of contracting AIDS, for prevention efforts;

(5) involvement of parents and other community members;

(6) in-service training for appropriate district staff and school board members;

(7) collaboration with state agencies and organizations having an AIDS prevention or AIDS risk reduction program;

(8) collaboration with local community health services, agencies and organizations having an AIDS prevention or AIDS risk reduction program; and

(9) participation by state and local student organizations.

The department may provide assistance at a neutral site to a nonpublic school participating in a district's program. District programs must not conflict with the health and wellness curriculum developed under Laws 1987, chapter 398, article 5, section 2, subdivision 7.

If a district fails to develop and implement a program to prevent and reduce the risk of AIDS, the department shall assist the ECSU

in the region serving that district to develop or implement the program.

Subd. 2. [FUNDING SOURCES.] Districts may accept funds for AIDS programs developed and implemented under this section from public and private sources including public health funds and foundations, department professional development funds, federal block grants or other federal or state grants.

Sec. 2. Laws 1987, chapter 398, article 5, section 2, subdivision 12, is amended to read:

Subd. 12. [COMPREHENSIVE ARTS PLANNING PROGRAM.] For technical assistance for the comprehensive arts planning program according to Minnesota Statutes, section 129B.21, there is appropriated:

$37,500 1988,

$37,500 ..... 1989.

Any unexpended fund balance remaining from the appropriations in this subdivision for 1988 does not cancel and is available for the second year of the biennium.

Sec. 3. [REGIONAL PUBLIC LIBRARY DISTRICT RECOMMENDATIONS.]

By December 1, 1988, the department of education, in consultation with the department of revenue, shall make recommendations to the governor and the legislature about the organization, financing, and formation of regional public library districts.

Sec. 4. [MINNESOTA ACADEMIC EXCELLENCE FOUNDATION.]

Beginning in fiscal year 1990, the Minnesota academic excellence foundation shall arrange funding for the unreimbursed travel expenses of school districts participating in the national portion of the bicentennial competition on the constitution and bill of rights.

Sec. 5. [INFORMATION ON CATEGORICAL PROGRAMS.]

By January 15, 1989, the department of education shall provide to the education committees of the legislature information on how school districts have allocated the revenue reserved for categorical programs under Minnesota Statutes 1987 Supplement, section 124A.27. This information is to include a list of categorical programs that have been funded and the amount of additional re-

sources that have been allocated for categorical programs compared to funding for these categorical programs in previous years.

Sec. 6. [CARRYOVER FOR MINNESOTA SCHOOL AND RESOURCE CENTER FOR THE ARTS.]

An unexpended balance from the appropriation for the Minnesota school and resource center for the arts in Laws 1987, chapter 398, article 10, section 4, for fiscal year 1988 does not cancel but is available for fiscal year 1989.

Sec. 7. [EDUCATIONAL EFFECTIVENESS.]

The department of education shall allocate from its available state, federal, and other funding sources $250,000 for staff and support to increase services for educational effectiveness programs according to Minnesota Statutes, sections 121.608 and 121.609. The department complement in the staff development unit of the division of instruction is increased by one professional position and one clerical position for these purposes. The department shall report on the funding sources used for this program to the chairs of the education committees of the house and senate and to the department of finance by November 1, 1988.

Sec. 8. [HIGHER EDUCATION COORDINATING BOARD; APPROPRIATION.]

$30,000 is appropriated from the general fund to the higher education coordinating board for fiscal year 1989 to support the activities of the task force on instructional technology established in Laws 1987, chapter 401, section 35.

This appropriation is in addition to the amount appropriated by Laws 1987, chapter 401, section 2, subdivision 2.

Sec. 9. [DEPARTMENT OF EDUCATION; APPROPRIATION.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] There is appropriated from the general fund to the department of education the sums indicated in this section for the fiscal years ending June 30 in the years designated.

Subd. 2. [SECONDARY VOCATIONAL RESTRUCTURING.] For developing a restructured secondary vocational model, there is appropriated:

$100,000 ..... 1988.

This appropriation is in addition to the amount appropriated by

Laws 1987, chapter 398, article 10, section 2, subdivision 2 and is available until June 30, 1989.

The commissioner of education, in consultation with the state director of vocational technical education, the executive director of the state council on vocational technical education, the chair of the University of Minnesota department of vocational and technical education, and the joint council of vocational teacher educators, shall develop a restructured model for the delivery of secondary vocational education. The model must designate various forms of curriculum that will incorporate basic skills education and instruction in higher order thinking skills into secondary vocational programs. The model must insure articulation of programs between secondary and post-secondary programs.

The commissioner may contract for temporary staff to develop the restructured model. The contracts are not subject to the contract approval procedures of the commissioner of administration or Minnesota Statutes, chapter 16B. In developing the model, the commissioner shall provide for active participation by secondary and post-secondary vocational technical teachers, vocational teacher educators, special needs staff, general education teachers, school counselors, school administrators, and representatives of business, industry, and labor. By December 1, 1988, the commissioner shall report to the governor and the education committees of the legislature about the model and the plans and recommendations for implementation.

Subd. 3. [EMERGING USES OF TECHNOLOGY.] For collection and dissemination of information on emerging uses of technologies in education, there is appropriated:

$20,000 ..... 1989.

Subd. 4. [COMPUTER USE BY TEACHERS.] For collection and dissemination of information on usage of computers by teachers, there is appropriated:

$30,000 ..... 1989.

Subd. 5. [PER ASSISTANCE.] For assistance to regions and districts with their planning, evaluating and reporting process under Minnesota Statutes, section 126.664, there is appropriated:

$60,000 ..... 1989.

Subd. 6. [AIDS PROGRAM.] For a program to prevent and reduce the risk of AIDS, there is appropriated:

$900,000 ..... 1989.

The appropriation is in addition to the amount appropriated by Laws 1987, chapter 398, article 10, section 2, subdivision 2.

Up to $50,000 of this appropriation is for an independent evaluation of the AIDS program.

The department may use a portion of the appropriation for technology programs that provide individualized instruction about AIDS.

The complement of the department is increased by one professional and one clerical position until June 30, 1991.

The department may contract for noncomplement unclassified staff for the period of time necessary to implement the AIDS program.

Subd. 7. [TEACHER LICENSING.] For teacher licensing, according to Minnesota Statutes, section 125.08, there is appropriated:

$80,000 ..... 1988.

The $80,000 is available to reimburse costs in both years of the biennium.

This sum is added to the sum appropriated in Laws 1987, chapter 398, article 10, section 2, subdivision 2.

Subd. 8. [EDUCATIONAL SERVICES.] For educational services, there is appropriated:

$250,000 ..... 1989.

This sum is added to the sum appropriated in Laws 1987, chapter 398, article 10, section 2, subdivision 2.

Subd. 9. [BASIC SKILLS EVALUATION.] To begin a comprehensive outside evaluation of literacy systems, there is appropriated:

$75,000 ..... 1989.

This appropriation is contingent upon the department's receipt of $1 from private sources for each $2 of this appropriation. The commissioner of education must certify receipt of the private matching funds. The appropriation shall be used to begin developing a comprehensive evaluation system for basic skills programs. The department must contract with an entity that is not connected to a delivery system.

Subd. 10. [GED ON TV.] For statewide purchase of broadcast costs, publicity, and coordination of the GED on TV series, there is appropriated:

$100,000 ..... 1989.

Subd. 11. [METROPOLITAN OPEN ENROLLMENT.] For implementation of open enrollment in the metropolitan area, there is appropriated:

$150,000 ..... 1989.

The complement of the department of education is increased by one professional and .5 clerical position for this purpose.

The department of education shall ensure that information about opportunities for families under the open enrollment program is made available to families residing in urban and suburban school districts. The information must include at least: opportunities to enroll in urban and suburban districts; programs that are available; procedures and timelines to enroll in nonresident districts; and policies of the districts. To educate and encourage families to the maximum extent possible, the department may disseminate information, provide assistance to individual families, provide supportive services for pupils and families, and provide assistance to districts and district staff.

Sec. 10. [STATE BOARD; APPROPRIATION.]

For a comprehensive study of desegregation and integration costs, there is appropriated from the general fund to the state board of education:

$75,000 ..... 1988.

An unencumbered balance in fiscal year 1988 does not cancel and is available for fiscal year 1989.

The state board shall contract for a comprehensive study on the desegregation and integration costs for fiscal years 1988 and 1989 and for the estimated costs for future years. The board must contract with outside consultants experienced in program and financial auditing related to desegregation and integration.

The integration study must identify at least: (1) the costs attributable to implementing each district's desegregation plan; (2) the minimum costs necessary to comply with state board desegregation rules; and (3) the costs that would occur if the district were not required to comply with state board desegregation rules. The study must determine the overlap in revenues and expenditures among

desegregation revenue, integration revenue, and state and federal compensatory education revenue. The study must include district and building level analysis, with per student costs and staffing ratios provided where appropriate.

Selection of a consultant and determination of methodology must occur by June 1, 1988, in consultation with the Duluth, Minneapolis, and St. Paul school districts.

The state board shall submit recommendations for financing desegregation and integration costs and programs, including options for a uniform allocation method or formula as opposed to a program budgeting approach. The board shall report to the governor, the three districts, and the education committees of the legislature by November 30, 1988.

Sec. 11. [EFFECTIVE DATE.]

Sections 2, 6, 9, and 10 are effective the day following final enactment.

ARTICLE 6

OTHER EDUCATIONAL FUNDING

Section 1. Minnesota Statutes 1986, section 120.06, is amended by adding a subdivision to read:

Subd. 3. [PUPILS, AT LEAST 21 YEARS OF AGE.] In addition to those admitted under subdivision 1, admission to a public secondary school is free to a person who is eligible under this subdivision. In order to be eligible, a person must be:

(1) at least 21 years of age;

(2) a resident of the district where the secondary school is located; and

(3) eligible under section 126.22, subdivision 2.

Free admission is limited to two school years or the equivalent, or until the pupil completes the courses required to graduate, whichever is less.

Sec. 2. Minnesota Statutes 1987 Supplement, section 120.17, subdivision 1, is amended to read:

Subdivision 1. [SPECIAL INSTRUCTION FOR HANDICAPPED

CHILDREN.] Every district shall provide special instruction and services, either within the district or in another district, for handicapped children who are residents of the district and who are handicapped as set forth in section 120.03. Special instruction and services must be provided from birth until September 1 after the handicapped child becomes 21 years old but shall not extend beyond secondary school or its equivalent, except as provided in section 126.22, subdivision 2. Local health, education, and social service agencies shall refer children under age five who are known to need or suspected of needing special instruction and services to the school district. Districts with less than the minimum number of eligible handicapped children as determined by the state board shall cooperate with other districts to maintain a full range of programs for education and services for handicapped children. This subdivision does not alter the compulsory attendance requirements of section 120.10.

Sec. 3. Minnesota Statutes 1987 Supplement, section 122.91, is amended by adding a subdivision to read:

Subd. 7. [REVENUE.] An education district may be eligible for revenue under section 10.

Sec. 4. Minnesota Statutes 1986, section 123.351, is amended by adding a subdivision to read:

Subd. 10. [REVENUE.] A secondary vocational cooperative may be eligible for revenue under section 11.

Sec. 5. Minnesota Statutes 1986, section 123.3514, is amended by adding a subdivision to read:

Subd. 6b. [FINANCIAL ARRANGEMENTS, PUPILS AGE 21 OR OVER.] At the end of each school year, the department of education shall pay the tuition reimbursement amount to the post-secondary institutions for courses taken to fulfill high school graduation requirements by pupils eligible for adult high school graduation aid. The amount of the tuition reimbursement equals the lesser of:

(1) the actual costs of tuition, textbooks, materials, and fees directly related to the course or program taken by the pupil; or

(2) an amount equal to the difference between the adult high school graduation aid attributable to that pupil and an amount computed by multiplying the adult high school graduation aid by the ratio of the total number of hours that the pupil is enrolled in courses in the secondary school during the regular school year over the total number of secondary instructional hours per pupil in that pupil's resident district.

The amount of tuition reimbursement paid for each pupil shall be subtracted from the adult high school graduation aid paid to the pupil's resident district. If a pupil is enrolled in a course for post-secondary credit, the school district shall include the pupil in average daily membership as computed under section 120.17, subdivision 1 only for the portion of time during which the pupil is enrolled in courses at the secondary school and enrolled in courses at the post-secondary institution for secondary credit.

The department must not pay any tuition reimbursement or other costs of a course taken for post-secondary credit only.

Sec. 6. Minnesota Statutes 1986, section 124.17, is amended by adding a subdivision to read:

Subd. 2e. [AVERAGE DAILY MEMBERSHIP, PUPILS AGE 21 OR OVER.] The average daily membership for pupils age 21 or over, is equal to the ratio of the number of yearly hours that the pupil is in membership to the number of instructional hours in the district's regular school year.

Sec. 7. Minnesota Statutes 1986, section 124.214, subdivision 2, is amended to read:

Subd. 2. [ABATEMENTS.] Whenever by virtue of chapter 278, sections 270.07, 375.192, or otherwise, the assessed valuation of any school district for any taxable year is changed after the taxes for that year have been spread by the county auditor and the mill rate as determined by the county auditor based upon the original assessed valuation is applied upon the changed valuations, the county auditor shall, prior to February 1 of each year, certify to the commissioner of education the amount of any resulting net revenue loss that accrued to the school district during the preceding year. ~~In August of~~ Each year, the commissioner shall pay an abatement adjustment to the district in an amount calculated according to the provisions of this subdivision. This amount shall be deducted from the amount of the levy authorized by section 275.48. The abatement adjustment shall be recognized as revenue in the fiscal year in which it is received. The amount of the abatement adjustment shall be the product of:

(1) the net revenue loss as certified by the county auditor, times

(2) the ratio of:

(a) the sum of the amounts of the district's certified levy in the preceding October according to the following:

(i) ~~sections 124A.03, subdivision 1, 124A.06, subdivision 3a, and 124A.08, subdivision 3a,~~ section 124A.23 if the district ~~is entitled to~~

~~basic foundation~~ receives general education aid according to that section ~~124A.02~~;

~~(ii) section 124A.10, subdivision 3a, if the district is entitled to third tier aid according to section 124A.10, subdivision 4;~~

~~(iii) sections 124A.12, subdivision 3a, and 124A.14, subdivision 5a, if the district is eligible for fourth tier aid according to section 124A.12, subdivision 4;~~

~~(iv) sections 124A.03, subdivision 4, and 275.125, subdivision 2j, if the district is entitled to summer school aid according to section 124.201; and~~

~~(v)~~ (ii) section 275.125, subdivisions 5 and 5c, if the district ~~is entitled to~~ receives transportation aid according to section 124.225~~, subdivision 8a~~;

(iii) section 124.244, if the district receives capital expenditure aid according to that section;

(iv) section 275.125, subdivision 11c, if the district receives hazardous substance aid according to section 124.245;

(v) section 275.125, subdivision 8, clauses (a) and (b), if the district receives community education aid according to section 124.271;

(vi) section 275.125, subdivision 8b, if the district receives early childhood family education aid according to section 124.2711; and

(vii) section 275.125, subdivision 6f, if the district receives exceptional need aid according to section 124.217;

(b) to the total amount of the district's certified levy in the preceding October ~~pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125~~, plus or minus auditor's adjustments.

Sec. 8. Minnesota Statutes 1987 Supplement, section 124.214, subdivision 3, is amended to read:

Subd. 3. [EXCESS TAX INCREMENT.] If a return of excess tax increment is made to a school district pursuant to section 469.176, subdivision 2, or upon decertification of a tax increment district, the school district's aid ~~entitlements~~ and levy limitations must be adjusted for the fiscal year in which the excess tax increment is paid under the provisions of this subdivision.

(a) An amount must be subtracted from the school district's aid for the current fiscal year equal to the product of:

(1) the amount of the payment of excess tax increment to the school district, times

(2) the ratio of:

(A) the sum of the amounts of the school district's certified levy for the fiscal year in which the excess tax increment is paid according to the following:

(i) ~~sections 124A.03, subdivision 1, 124A.06, subdivision 3a, and 124A.08, subdivision 3a,~~ section 124A.23 if the ~~school~~ district ~~is entitled to basic foundation~~ receives general education aid according to that section ~~124A.02~~;

~~(ii) sections 124A.10, subdivision 3a, and 124A.20, subdivision 2, if the school district is entitled to third-tier aid according to section 124A.10, subdivision 4;~~

~~(iii) sections 124A.12, subdivision 3a, and 124A.14, subdivision 5a, if the school district is eligible for fourth-tier aid according to section 124A.12, subdivision 4;~~

~~(iv) section 124A.03, subdivision 4, if the school district is entitled to summer school aid according to section 124.201; and~~

~~(v)~~ (ii) section 275.125, subdivisions 5 and 5c, if the school district ~~is entitled to~~ receives transportation aid according to section 124.225, ~~subdivision 8a~~;

(iii) section 124.244, if the district receives capital expenditure aid according to that section;

(iv) section 275.125, subdivision 11c, if the district receives hazardous substance aid according to section 124.245;

(v) section 275.125, subdivision 8, clauses (a) and (b), if the district receives community education aid according to section 124.271;

(vi) section 275.125, subdivision 8b, if the district receives early childhood family education aid according to section 124.2711; and

(vii) section 275.125, subdivision 6f, if the district receives exceptional need aid according to section 124.217;

(B) to the total amount of the school district's certified levy for the fiscal year ~~pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdi-~~

~~vision 3a, 124A.14, subdivision 5a, 124A.20, subdivision 2, and 275.125~~, plus or minus auditor's adjustments.

(b) An amount must be subtracted from the school district's levy limitation for the next levy certified equal to the difference between:

(1) the amount of the distribution of excess increment, and

(2) the amount subtracted from aid pursuant to clause (a).

If the aid and levy reductions required by this subdivision cannot be made to the aid for the fiscal year specified or to the levy specified, the reductions must be made from aid for subsequent fiscal years, and from subsequent levies. The school district shall use the payment of excess tax increment to replace the aid and levy revenue reduced under this subdivision.

This subdivision applies only to the total amount of excess increments received by a school district for a calendar year that exceeds $25,000.

Sec. 9. [124.261] [ADULT HIGH SCHOOL GRADUATION AID.]

Adult high school graduation aid for eligible pupils age 21 or over, equals an allowance of 65 percent of the general education formula allowance times the average daily membership under section 124.17, subdivision 2e. Adult high school graduation aid must be paid in addition to any other aid to the district. Average daily membership of eligible pupils must not be used in the computation of pupil units under section 124.17, subdivision 1, for any purpose other than the computation of adult high school graduation aid.

Sec. 10. [124.2721] [EDUCATION DISTRICT REVENUE.]

Subdivision 1. [ELIGIBILITY.] An education district is eligible for education district revenue if the department certifies that it meets the requirements of section 122.91, subdivisions 3 and 4. The pupil units of a district that is a member of intermediate district No. 287, 916, or 917 may not be used to obtain revenue under this section. The pupil units of a district may not be used to obtain revenue under this section and section 11.

Subd. 2. [REVENUE.] Education district revenue is $60 per actual pupil unit in each district that is a member of an education district.

Subd. 3. [LEVY.] To obtain education district revenue, an eligible education district may levy the lesser of its education district revenue or the amount raised by 1.3 mills times the adjusted assessed valuation of each participating district for the preceding

year. Each year, the education district board shall certify to the county auditor or county auditors the amount of taxes to be levied under this section.

Subd. 4. [AID.] The aid for an education district equals its education district revenue minus its education district levy, times the ratio of the actual amount levied to the permitted levy.

Subd. 5. [USES OF REVENUE.] Education district revenue must be used by the education district board to provide educational programs according to the agreement adopted by the education district board, as required by section 122.94.

Sec. 11. [124.575] [SECONDARY VOCATIONAL COOPERATIVE REVENUE.]

Subdivision 1. [ELIGIBILITY.] A secondary vocational cooperative established under section 123.351 is eligible for secondary vocational cooperative revenue if it meets the size requirements specified in section 122.96, subdivision 3, and the cooperative offers programs authorized under section 123.351, subdivision 4, paragraph (b), clause (1), and clause (2) or (3). The pupil units of a district that is a member of intermediate school district No. 287, 916, or 917 may not be used to obtain revenue under this section. The pupil units of a district may not be used to obtain revenue under this section and section 10.

Subd. 2. [REVENUE.] Secondary vocational cooperative revenue is $20 per actual pupil unit in the participating school districts of a secondary vocational cooperative.

Subd. 3. [LEVY.] To obtain secondary vocational cooperative revenue, an eligible secondary vocational cooperative may levy the lesser of its secondary vocational cooperative revenue or the amount raised by .4 mills times the adjusted assessed valuation of each member district for the preceding year. Each year, the secondary vocational cooperative board must certify the amount of taxes to be levied under this section to the county auditor or county auditors.

Subd. 4. [AID.] The aid for a secondary vocational cooperative equals its secondary vocational cooperative revenue minus its secondary vocational cooperative levy, times the ratio of the actual amount levied to the permitted levy.

Sec. 12. Minnesota Statutes 1987 Supplement, section 126.22, subdivision 2, is amended to read:

Subd. 2. [ELIGIBLE ~~STUDENTS~~ PUPILS.] The following ~~students~~ pupils are eligible to participate in the high school graduation incentives program:

(a) any ~~student~~ pupil who is between the ages of 12 and 16 and who:

(1) is at least two grade levels below the performance level for ~~students~~ pupils of the same age in a locally determined achievement test; or

(2) is at least one year behind in obtaining credits for graduation; or

(3) is pregnant or is a parent; or

(4) has been assessed as chemically dependent; or

(5) has been absent from attendance at school without lawful excuse for ~~one or more class periods on~~ more than 15 consecutive school days in the preceding or current school year;

(b) any ~~student~~ pupil who is between the ages of 16 and 19 who is attending school, and who is at least two grade levels below the performance level for ~~students~~ pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or is pregnant or is a parent, or has been assessed as chemically dependent; or

(c) any person between 16 and 21 years of age who has not attended a high school program for at least 15 consecutive school days, excluding those days when school is not in session, and who is at least two grade levels below the performance level for ~~students~~ pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or has been assessed as chemically dependent; or

(d) any person who is at least 21 years of age and who:

(1) has received less than 14 years of public or nonpublic education, beginning at age 5;

(2) has already completed the studies ordinarily required in the 10th grade but has not completed the requirements for a high school diploma or the equivalent; and

(3) at the time of application, (i) is eligible for unemployment compensation benefits or has exhausted the benefits, (ii) is eligible for or is receiving income maintenance and support services, as defined in section 268.0111, subdivision 5, or (iii) is eligible for services under the displaced homemaker program, state wage-subsidy program, or any programs under the federal Jobs Training Partnership Act or its successor.

Notwithstanding section 127.27, subdivision 7, the provisions of section 127.29, subdivision 1, do not apply to pupils age 17 and older who participate in the high school graduation incentives program.

Sec. 13. Minnesota Statutes 1987 Supplement, section 126.22, subdivision 3, is amended to read:

Subd. 3. [ELIGIBLE PROGRAMS.] ~~Students~~ Pupils who are eligible to participate under subdivision 2 may enroll in the following programs:

(a) Any program approved by the state board of education under Minnesota Rules, part 3500.3500, including area learning centers under sections 129B.52 to 129B.55, or according to section 121.11, subdivision 12, may enroll ~~students~~ pupils who are eligible to participate under subdivision 2, clause (a), (b) ~~or~~, (c), or (d);

(b) ~~Students~~ Pupils eligible to participate under subdivision 2, clause (b) ~~or~~, (c), or (d) may enroll in secondary school courses upon a resolution passed by a school board approving enrollment, or may enroll in post-secondary courses under section 123.3514; and

(c) Any public secondary education program may enroll any ~~student~~ pupil who is eligible to participate under subdivision 2, clause (a), (b) ~~or~~, (c), or (d).

An eligible institution providing eligible programs as defined in this subdivision may contract with an entity providing adult basic education programs under the community education program contained in section 121.88 for actual program costs.

Sec. 14. Minnesota Statutes 1986, section 129B.20, subdivision 1, is amended to read:

Subdivision 1. [FUNDING.] Each site shall receive $1,250 each year for two years. If fewer than 30 sites are selected, each site shall receive an additional proportionate share of money appropriated and not used. Before receiving money for the second year, a long-range plan for arts education must be submitted to the department.

Sec. 15. Minnesota Statutes 1987 Supplement, section 129B.53, subdivision 2, is amended to read:

Subd. 2. [PEOPLE TO BE SERVED.] A center shall provide programs for secondary pupils and adults, giving priority to serving persons between 16 and 21 years of age. Secondary pupils to be served are those who are chemically dependent, not likely to graduate from high school, need assistance in vocational and basic skills, can benefit from employment experiences, and need assistance in transition from school to employment. Adults to be served

are dislocated homemakers and workers and others who need basic educational and social services. In addition to offering programs, the center shall coordinate the use of other available educational services, social services, and post-secondary institutions in the community. The center may also provide programs for elementary and secondary pupils who are not attending the center to assist them in completing high school.

Sec. 16. Minnesota Statutes 1987 Supplement, section 136D.27, is amended to read:

136D.27 [~~TAX~~ STATE AIDS AND LEVIES, ~~CERTIFICATES OF INDEBTEDNESS~~.]

Subdivision 1. [LEVIES FOR CERTAIN PROGRAMS.] Each year the joint school board may certify to each participating school district tax levies that shall not in any year exceed .6 mills on each dollar of adjusted assessed valuation for special education and .7 mills on each dollar of adjusted assessed valuation for expenses for secondary vocational education. Each participating school district shall include ~~such~~ these tax levies in the next tax roll which it shall certify to the county auditor or auditors, and shall remit the collections of such levies to the board promptly when received. ~~Such~~ These levies shall not be included in computing the limitations upon the levy of any participating district ~~under sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125~~. The board may, any time after ~~such~~ these levies have been certified to the participating school districts, issue and sell certificates of indebtedness in anticipation of the collection of such levies, but in aggregate amounts such as will not exceed the portion of the levies which is then not collected and not delinquent.

Subd. 2. [PROHIBITED LEVIES.] Notwithstanding section 136D.24 or any other law to the contrary, the joint school board may not certify, either itself, to any participating district, or to any cooperating school district, any levies for any purpose, except the levies authorized by subdivision 1, sections 127.05, 275.125, subdivisions 8c and 14a, 275.48, and 475.61, and for the joint school board's obligations under section 268.06, subdivision 25, for which a levy is authorized by section 275.125, subdivision 4.

Subd. 3. [PROHIBITED STATE AIDS.] Notwithstanding section 136D.24 or any law to the contrary, the department of education shall not pay, unless explicitly authorized by statute, any state aid, grant, credit, or other money to the joint school board, except the aid, credit, or money authorized by sections 121.201, 123.3514, 124.2137, 124.252, 124.32, 124.573, 124.574, and 124.646, and chapter 273.

Sec. 17. Minnesota Statutes 1986, section 136D.74, is amended by adding a subdivision to read:

Subd. 2a. [PROHIBITED LEVIES.] Notwithstanding subdivisions 2 and 4, section 136D.73, subdivision 3, or any other law to the contrary, the intermediate school board may not certify, either itself, to any participating district, or to any cooperating school district, any levies for any purpose, except the levies authorized by subdivision 1, sections 127.05, 275.125, subdivisions 8c and 14a, 275.48, and 475.61, and for the intermediate school board's obligations under section 268.06, subdivision 25, for which a levy is authorized by section 275.125, subdivision 4.

Sec. 18. Minnesota Statutes 1986, section 136D.74, is amended by adding a subdivision to read:

Subd. 2b. [PROHIBITED STATE AIDS.] Notwithstanding subdivision 4 or any law to the contrary, the department of education shall not pay, unless explicitly authorized, any state aid, grant, credit, or other money to the intermediate school board, except the aid, credit, or money authorized by sections 121.201, 123.3514, 124.2137, 124.252, 124.32, 124.573, 124.574, and 124.646, and chapter 273.

Sec. 19. Minnesota Statutes 1987 Supplement, section 136D.87, is amended to read:

136D.87 [TAX LEVIES, CERTIFICATES OF INDEBTEDNESS.]

Subdivision 1. [LEVIES FOR CERTAIN PROGRAMS.] Each year the joint school board may certify to each participating school district tax levies that shall not in any year exceed .6 mills on each dollar of adjusted assessed valuation for expenses for special education and .7 mills on each dollar of adjusted assessed valuation for expenses for secondary vocational education. Each participating school district shall include ~~such~~ these tax levies in the next tax roll which it shall certify to the county auditor or auditors and shall remit the collections of ~~such~~ these levies to the board promptly when received. ~~Such~~ These levies shall not be included in computing the limitations upon the levy of any participating district ~~under sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125~~. The board may, any time after ~~such~~ these levies have been certified to the participating school districts, issue and sell certificates of indebtedness in anticipation of the collection of ~~such~~ levies, but in aggregate amounts ~~such as~~ that will not exceed the portion of the levies which is then not collected and not delinquent.

Subd. 2. [PROHIBITED LEVIES.] Notwithstanding section 136D.84 or any other law to the contrary, the joint school board may

not certify, either itself, to any participating district, or to any cooperating school district, any levies for any purpose, except the levies authorized by subdivision 1, sections 127.05, 275.125, subdivisions 8c and 14a, 275.48, and 475.61, and for the joint school board's obligations under section 268.06, subdivision 25, for which a levy is authorized by section 275.125, subdivision 4.

Subd. 3. [PROHIBITED STATE AIDS.] Notwithstanding section 136D.24 or any law to the contrary, the department of education shall not pay, unless explicitly authorized, any state aid, grant, credit, or other money to the joint school board, except for aid, credit, or money authorized by sections 121.201, 123.3514, 124.2137, 124.252, 124.32, 124.573, 124.574, and 124.646, and chapter 273.

Sec. 20. Minnesota Statutes 1986, section 275.125, is amended by adding a subdivision to read:

Subd. 6i. [RULE COMPLIANCE LEVY.] Each year a district that is required to implement a plan according to the requirements of Minnesota Rules, parts 3535.0200 to 3535.2200, may levy an amount not to exceed one mill times the adjusted assessed valuation of the district. Independent school district No. 625, St. Paul, may levy according to this subdivision and subdivision 6e. Notwithstanding section 121.904, the entire amount of this levy shall be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under section 124.155.

Sec. 21. Minnesota Statutes 1986, section 275.125, is amended by adding a subdivision to read:

Subd. 8e. [INTERDISTRICT COOPERATION LEVY.] This subdivision does not apply to special school district No. 1, independent school district No. 11, 625, or 709, or to a district that is a member of intermediate school district No. 287, 916, or 917. A district may levy each year under this subdivision if it:

(1) is a member of an education district, under sections 122.91 to 122.96, and the education district of which the district is a member does not receive revenue under section 10; or

(2) has a cooperation agreement with other districts to expand curricular offerings in mathematics in grades 10 to 12, science in grades 10 to 12, foreign languages for two years, computer usage, or other programs recommended by the state board.

The levy must not exceed the amount raised by one mill times the adjusted assessed valuation of the district for the preceding year. A district that is a member of a secondary vocational cooperative that levies under section 11, may levy the difference between the amount

raised by one mill times the adjusted valuation of the district for the preceding year and the amount levied under section 11. The proceeds of the levy may be used only to pay for instructional and administrative costs incurred in providing the curricular offerings under this section. A district may not spend more than five percent of the amount of the levy for administration.

Sec. 22. Laws 1987, chapter 398, article 3, section 38, is amended to read:

Sec. 38. [COMMISSION ~~SPECIAL EDUCATION STUDY~~ STUDIES.]

The sum of ~~$100,000~~ $250,000 is appropriated for fiscal year 1988 from the general fund to the legislative commission on public education for the commission to conduct: (1) a comprehensive qualitative and quantitative evaluation and analytical study of special education, financing, and related services; (2) a study of education accountability measures; and (3) an education organization study that includes findings about learning opportunities for learners, financial considerations, and alternative patterns of educational organization. The sum is available until June 30, 1989.

Sec. 23. [TASK FORCE ON EDUCATION ORGANIZATION.]

Subdivision 1. [ESTABLISHED.] There is established a task force on education organization that is composed of 24 members. It shall be an advisory task force to the legislative commission on public education.

Subd. 2. [MEMBERSHIP.] The legislative commission on public education shall appoint 18 members who represent various sizes of school districts and geographical areas of the state. Each member shall be a person who has knowledge of:

(1) the group selecting the person;

(2) the day-to-day operations of schools; and

(3) the items to be considered by the task force.

A person selected by a group is not required to be a member of the group.

By June 1, 1988, each group shall submit to the chair of the legislative commission the names of two people and the commission shall select, at random, one of the two people to serve on the task force. Each of the following groups shall be represented on the task force:

(1) state board of education;

(2) state curriculum advisory committee;

(3) Minnesota school boards association;

(4) association of stable or growing school districts;

(5) association of metropolitan school districts;

(6) Minnesota rural education association;

(7) Minnesota community education association;

(8) Minnesota association of school administrators;

(9) Minnesota association of secondary vocational administrators;

(10) Minnesota administrators of special education;

(11) Minnesota association of secondary school principals;

(12) Minnesota elementary school principals' association;

(13) Minnesota education association;

(14) Minnesota federation of teachers;

(15) Minnesota congress of parents, teachers, and students;

(16) independent school district Nos. 11 and 625 and special school district No. 1;

(17) the business community; and

(18) associations representing nonpublic education.

In addition, six members of the legislature shall be appointed to the task force. The subcommittee on committees of the committee on rules and administration of the senate shall appoint three members of the senate. The speaker of the house of representatives shall appoint three members of the house.

The commissioner of education, or a designee, shall be an ex officio nonvoting member of the task force.

The chair of the legislative commission shall convene the first meeting of the task force by July 1, 1988. The task force members shall elect the chair of the task force.

Subd. 3. [ITEMS FOR CONSIDERATION.] In considering education organization, the task force shall consider and make findings about the following:

(1) learning opportunities, including, but not limited to:

(i) minimum and maximum curricular offerings;

(ii) alternatives to traditional instructional time or learning year;

(iii) state board of education rules;

(iv) learning and teaching options; and

(v) community education and its implications;

(2) financial considerations, including, but not limited to:

(i) funding and tax equity;

(ii) the relationship between educational expenditures and student achievement;

(iii) implications for employees, including salaries, fringe benefits, and collective bargaining;

(iv) facility needs, uses, and alternatives, including construction of duplicative facilities by adjacent districts; and

(v) community education and its implications;

(3) alternative patterns of organization, including, but not limited to:

(i) various management organizational structures;

(ii) technology use;

(iii) incentives to reorganize;

(iv) research on education organization; and

(v) community education and its implications.

Subd. 4. [SUBCOMMITTEES.] The task force shall appoint at least two subcommittees. One subcommittee shall address curriculum and learning opportunities. One subcommittee shall address organizational structures and finance. The members of both sub-

committees shall be representative of various sizes of school districts and geographical areas of the state.

Subd. 5. [EXPENSES AND EXPIRATION.] The task force shall be governed by Minnesota Statutes, section 15.059, subdivision 6.

Subd. 6. [STAFF ASSISTANCE.] The education committees of the legislature and the department of education shall provide staff assistance to the task force and subcommittees.

Subd. 7. [FINDINGS.] The task force shall report its findings to the legislative commission by December 1, 1988.

Sec. 24. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] There is appropriated from the general fund or other named fund to the department of education the sums indicated in this section for fiscal years ending June 30 in the years designated.

Subd. 2. [HUTCHINSON SCHOOL DISTRICT.] To reimburse independent school district No. 423, Hutchinson, for expenses actually incurred in participating in the national bicentennial competition on the Constitution and Bill of Rights, there is appropriated:

$12,000 ..... 1988.

Subd. 3. [ADULT HIGH SCHOOL GRADUATION AID.] For adult high school graduation aid, there is appropriated:

$1,000,000 ..... 1989.

If the appropriation is insufficient, the aid must be prorated.

Subd. 4. [INTEGRATION GRANTS.] For grants for integration expenditures, there is appropriated:

$12,013,600 ..... 1989.

Grant amounts may not exceed $981,900 for independent school district No. 709, Duluth, $5,950,300 for special school district No. 1, Minneapolis, and $5,081,400 for independent school district No. 625, St. Paul. As a condition of receiving a grant, each district must continue to report its costs according to the uniform financial accounting and reporting system and must provide the information requested for the state board of education study of integration costs. As a further condition of receiving a grant, each district must submit a report to the chairs of the education committees of the legislature about the actual expenditures it made for integration using the grant money.

Subd. 5. [CHISHOLM SCHOOL DISTRICT.] For a grant for a leadership program in independent school district No. 695, Chisholm, there is appropriated:

$20,000 ..... 1989.

Subd. 6. [NORTHEAST MINNESOTA TECHNOLOGY CONSORTIUM.] For a grant to the northeast Minnesota technology and education consortium to develop a pilot computer technology program, there is appropriated:

$50,000 ..... 1989.

Subd. 7. [NORTHWEST EDUCATIONAL TECHNOLOGY COOPERATIVE.] For a grant to independent school district Nos. 351, 354, 436, 437, 442, 443, and 446 to develop a cooperative educational technology program, there is appropriated:

$100,000 ..... 1988.

Any unexpended amount does not cancel and is available until June 30, 1989.

Sec. 26. [EFFECTIVE DATE.]

Sections 22, 23, and 24 are effective the day following final enactment.

Sections 10, subdivision 4, and 11, subdivision 4, are effective for the 1989-1990 school year.

ARTICLE 7

MISCELLANEOUS

Section 1. Minnesota Statutes 1986, section 92.06, subdivision 4, is amended to read:

Subd. 4. [IMPROVEMENTS, WHEN PAYMENT NOT NECESSARY.] If a person has made improvements to the land and if the commissioner believes that person settled the land in good faith as homestead land under the laws of the United States before it was certified to the state, or if the improvements were lawfully made by that person as a lessee of the state, then the value of the improvements must be separately appraised and, if the settler or lessee purchases the land, the settler or lessee is not required to pay for the improvements. If another person purchases the land, that person must pay ~~the state at the time of sale~~ the owner of the improve-

ments, in addition to all other required payments, the appraised amount for the improvements. ~~The amount received by the state for the improvements must be paid to the settler or lessee or heirs, representatives, or assigns of the settler or lessee. Payment must be made by warrant drawn by the commissioner of finance upon the state treasurer. Amounts received for the improvements are appropriated for making the payments~~ Payment for improvements must be made within 15 days of the auction sale, either in cash or upon terms and conditions agreeable to the owner of the improvements. If payment for improvements is not made in cash, and if there is no agreement between the parties within 15 days of the auction sale, the commissioner may:

(1) sell the property to the second highest qualified bidder if that bidder submitted to the commissioner's representative, at the auction sale, a written request to buy the property at a specified price; or

(2) void the sale and reoffer the property at a subsequent sale.

This subdivision does not apply unless the ~~person seeking its benefit~~ owner of the improvements makes a verified application to the commissioner showing entitlement to ~~it~~ the improvements before the first state public sale at which the land is offered for sale. The applicant must appear at the sale and offer to purchase the land for at least its appraised value including all timber on it, and make the purchase if no higher bid is received. Actions or other proceedings involving the land in question begun before the sale must have been completed.

Sec. 2. Minnesota Statutes 1986, section 92.14, is amended by adding a subdivision to read:

Subd. 3. [ADDITIONAL ADVERTISING OF LAND SALES.] In addition to posted notice of land sales required by subdivisions 1 and 2, the commissioner shall publicize land sales in Minnesota and elsewhere to the greatest extent possible, consistent with appropriations available for that purpose.

Sec. 3. Minnesota Statutes 1987 Supplement, section 92.46, subdivision 1, is amended to read:

Subdivision 1. [PUBLIC CAMPGROUNDS.] (a) The director may designate suitable portions of the state lands withdrawn from sale and not reserved, as provided in section 92.45, as permanent state public campgrounds. The director may have the land surveyed and platted into lots of convenient size, and lease them for cottage and camp purposes under terms and conditions the director prescribes, subject to the provisions of this section.

(b) A lease may not be ~~made~~ for a term more than 20 years. The lease may allow renewal, from time to time, for additional terms of no longer than 20 years each. The lease may be canceled by the commissioner 90 days after giving the person leasing the land written notice of violation of lease conditions. The lease rate shall be based on the appraised value of leased land as determined by the commissioner of natural resources. The appraised value shall be the value of the leased land without any private improvements and must be comparable to similar land without any improvements within the same county.

(c) By July 1, 1986, the commissioner of natural resources shall adopt rules under chapter 14 to establish procedures for leasing land under this section. The rules shall be subject to review and approval by the commissioners of revenue and administration prior to the initial publication pursuant to chapter 14 and prior to their final adoption. The rules must address at least the following:

(1) method of appraising the property;

(2) determination of lease rates; and

(3) an appeal procedure for both the appraised values and lease rates.

(d) All money received from these leases must be credited to the fund to which the proceeds of the land belong.

Notwithstanding section 16A.125 or any other law to the contrary, 50 percent of the money received from the lease of permanent school fund lands leased pursuant to this subdivision shall be deposited into the permanent school trust fund. However, in fiscal years 1987, 1988, 1989, 1990, 1991, and 1992, the money received from the lease of permanent school fund lands that would otherwise be deposited into the permanent school fund is hereby appropriated to survey, appraise, and pay associated selling costs of lots as required in section 92.67, subdivision 3. The money appropriated may not be used to pay the cost of surveying lots not scheduled for sale. Any money designated for deposit in the permanent school fund that is not needed to survey, appraise, and pay associated selling costs of lots, as required in section 92.67, shall be deposited in the permanent school fund. The commissioner shall add to the appraised value of any lot offered for sale the costs of surveying, appraising, and selling the lot, and shall first deposit ~~the costs recovered in~~ into the permanent school fund ~~and~~ an amount equal to the costs of surveying, appraising, and selling any lot paid out of the permanent school fund. Any remaining money shall be deposited into any other contributing funds in proportion to the contribution from each fund. In no case may the commissioner add to the appraised value of any lot offered for sale an amount more than $700 for the costs of surveying and appraising the lot. ~~Notwithstanding section 92.67,~~

~~subdivision 4, as to requests for sale of lakeshore lots received before January 1, 1987, the commissioner shall hold the sale before October 31, 1987, if possible, and, if not possible, the lots shall be offered for sale at the next sale in the succeeding year.~~

Sec. 4. Minnesota Statutes 1987 Supplement, section 92.67, subdivision 1, is amended to read:

Subdivision 1. [SALE REQUIREMENT.] Notwithstanding section 92.45 or any other law, at the request of a lessee or as otherwise provided in this section, the commissioner of natural resources shall sell state property bordering public waters that is leased for the purpose of a private cabin under section 92.46. Requests for sale must be made prior to ~~July 1, 1991~~ December 31, 1992, and the commissioner shall complete all requested sales and sales arising from those requests by ~~July 1, 1992. The lessee making the request may designate the lesser of $500 or the lease payment in the year the request is made to be used as part of the down payment~~ December 31, 1993, subject to section 92.67, subdivision 3, clause (d). The sale shall be made in accordance with laws providing for the sale of trust fund land except as modified by the provisions of this section.

Sec. 5. Minnesota Statutes 1987 Supplement, section 92.67, subdivision 3, is amended to read:

Subd. 3. [APPRAISERS; ALLOCATION OF APPRAISAL AND SURVEY COSTS.] (a) ~~The~~ For an appraisal conducted before the effective date of this section, a lessee requesting the sale may select a person who meets the minimum appraisal standards established by the federal Farmers Home Administration or the federal Veterans Administration to appraise the property to be sold. If more than one lessee of a cabin site lot leased by the commissioner under section 92.46 within a platted area requests the sale of a leased lot, all requesting lessees may jointly agree upon an appraiser. If the lessee or lessees do not select an appraiser, the commissioner of natural resources shall select the appraiser. An appraisal prepared by a person who meets the minimum appraisal standards established by the Farmers Home Administration or the federal Veterans Administration, but who is not included on the list of appraisers approved by the commissioner of administration for the appraisal of state property, must be reviewed by an appraiser selected by the commissioner of natural resources from the commissioner of administration's list of approved appraisers. If, upon conclusion of this review, the commissioner of natural resources determines that the appraisal under review does not meet state appraisal standards, the commissioner shall reject the appraisal and have the property reappraised by an appraiser selected from the list approved by the commissioner of administration.

For appraisals conducted on and after the effective date of this

section, all appraisals of lots offered for sale shall be performed by persons selected by the commissioner who are included on the list of appraisers approved by the commissioner of administration for the appraisal of state property. A lessee requesting a sale may recommend to the commissioner a person from the approved list to appraise the property to be sold. The commissioner shall supply the approved list to any lessee upon request.

(b) The costs of appraisal shall be allocated by the commissioner to the lots offered for sale and the successful bidder on each lot shall reimburse the commissioner for the appraisal costs allocated to the lot bid upon up to $700 for each lot appraised. If there are no successful bidders on a lot, the commissioner is responsible for the appraisal cost allocated to that lot.

(c) The commissioner shall survey a lot prior to offering it for sale. The commissioner is responsible for the survey cost.

(d) ~~The lessee may stop the sale process after the appraisal but before the sale. The lessee must reimburse the commissioner for the cost of the appraisal if the sale is stopped~~ If a lessee disagrees with the appraised value of the lessee's improvements, the lessee may select an appraiser from the approved list of appraisers to reappraise the improvements. The lessee is responsible for the cost of this reappraisal. If the commissioner and the lessee fail to agree on the value of the improvements within 180 days of the date an appraisal is performed, the commissioner shall offer the lot for sale at a price that incorporates the county assessor's estimated market value of the improvements adjusted by the assessment/sales ratio as determined by the department of revenue.

Sec. 6. Minnesota Statutes 1987 Supplement, section 92.67, subdivision 4, is amended to read:

Subd. 4. [TIMING OF SALES.] (a) The commissioner shall offer lakeshore cabin site lots for sale pursuant to written request and in accordance with the following schedule:

(1) as to requests received before January 1, ~~1987~~ 1988, the sale shall be held not later than by October 31, ~~1987~~ 1988, if possible. However, if a lot is not offered for sale by that date, the lot shall be offered for sale at the next sale in the next year;

(2) as to requests received each calendar year after December 31, ~~1986~~ 1987, the sale shall be held in June, July, or August of the year after the request is received;

(3) notwithstanding clause (2), the commissioner may offer a lot for sale in the year the request is received if the commissioner will

offer for sale in that year other lots platted with the late requested lot;

(4) notwithstanding clause (2), if more than 50 percent of the lessees in a platted area request by December 31 of a calendar year that their lots be offered for sale, the commissioner shall offer for sale at one time during June, July, or August of the following year all lots in a platted area. If a lessee, whose lot is located in a plat where more than 50 percent of the lessees request that their lots be offered for sale, requests in writing that the lessee's lot not be offered for sale, the commissioner may not offer the lot for sale until 1993; and

(5) lots that are unsold for any reason at the end of 1993 shall be offered for sale in increments over a period of five years beginning in 1994. Lots that are unsold for any reason at the end of 1998 shall be offered for sale in 1999 and each year thereafter until sold.

(b) ~~The last sales shall be held in 1992.~~ Lots not sold the first year offered may be reoffered in a succeeding year, following reappraisal if it is determined necessary by the commissioner.

(c) If a person other than the lessee purchases the leased lakeshore cabin site, the purchaser must make payment in full to the lessee ~~at the time of the sale~~, in the manner provided in section 92.06, subdivision 4, for the appraised value of any improvements. Failure of a successful bidder to comply with this provision voids the sale and the property ~~must be rebid, if possible, at the same sale~~ may be reoffered for sale as provided in section 92.06, subdivision 4.

Sec. 7. Minnesota Statutes 1986, section 92.67, subdivision 5, is amended to read:

Subd. 5. [TERMS OF SALE.] For the sale of the public lands under this section, the purchaser shall pay the state ten percent of the purchase price at the time of the sale. The balance must be paid in no more than 20 equal annual installments. The interest rate on the remaining balance shall be ~~eight percent per year~~ at the rate in effect at the time of the sale under section 549.09.

Sec. 8. [120.062] [ENROLLMENT OPTIONS PROGRAM.]

Subdivision 1. [CERTAIN DISTRICTS EXCLUDED.] For the 1989-1990 school year only, this section applies to a district that has more than 1,000 actual pupil units in kindergarten through grade 12.

Subd. 2. [ESTABLISHMENT.] An enrollment options program is established to enable any pupil to attend a school or program in a

district in which the pupil does not reside, subject to the limitations in this section.

Subd. 3. [CLOSED DISTRICTS.] A school board may, by resolution, determine that nonresident pupils may not attend any of its schools or programs according to this section.

Subd. 4. [PUPIL APPLICATION PROCEDURES.] In order that a pupil may attend a school or program in a nonresident district, the pupil's parent or guardian must submit an application to the nonresident district. The parent or guardian of a pupil residing in a district that does not have a desegregation plan approved by the state board of education must submit an application by January 1 for enrollment during the following school year. The parent or guardian of a pupil residing in a district that has a desegregation plan approved by the state board of education may apply to a district at any time. The application shall be on a form provided by the department of education. A particular school or program may be requested by the parent.

Subd. 5. [DESEGREGATION PLANS.] A district that has a desegregation plan approved by the state board of education may limit the number of pupils who transfer into or out of the district. To remain in compliance with its desegregation plan, the district may establish the number of majority and minority group pupils who may transfer into or out of the district. The district may accept or reject applications in a manner that will enable compliance with the desegregation plan. The district shall notify the parent or guardian and the resident district according to the requirements of subdivision 6.

Subd. 6. [NONRESIDENT DISTRICT PROCEDURES.] Within 60 days of receiving an application, a district that does not exclude nonresident pupils, according to subdivision 3, shall notify the parent or guardian and the resident district in writing whether the application has been accepted or rejected. If an application is rejected, the district must state in the notification the reason for rejection.

Subd. 7. [BASIS FOR DECISIONS.] The school board must adopt, by resolution, specific standards for acceptance and rejection of applications. Standards may include the capacity of a program, class, grade level, or school building. Standards may not include previous academic achievement, athletic or other extracurricular ability, handicapping conditions, proficiency in the English language, or previous disciplinary proceedings.

Subd. 8. [WAIVER OF DEADLINES.] Upon agreement of the resident and nonresident school boards, if applicable, the deadlines in subdivisions 4 and 6 may be waived.

Subd. 9. [TRANSPORTATION.] If requested by the parent of a pupil, the nonresident district shall provide transportation within the district. The state shall pay transportation aid to the district according to section 124.225.

The resident district is not required to provide or pay for transportation between the pupil's residence and the border of the nonresident district. A parent may be reimbursed by the nonresident district for the costs of transportation from the pupil's residence to the border of the nonresident district if the pupil is from a family whose income is at or below the poverty level, as determined by the federal government.

Subd. 10. [CREDITS TOWARD GRADUATION.] A nonresident district shall accept credits toward graduation that were awarded by another district. The nonresident district shall award a diploma to a nonresident pupil if the pupil meets its graduation requirements.

Subd. 11. [INFORMATION.] A district that does not exclude nonresident pupils according to subdivision 3 shall make information about the district, schools, programs, policies, and procedures available to all interested people.

Subd. 12. [GENERAL EDUCATION AID.] Adjustments to general education aid for the resident and nonresident districts shall be made according to section 124A.036, subdivision 5.

Sec. 9. Minnesota Statutes 1986, section 120.075, subdivision 1a, is amended to read:

Subd. 1a. Any pupil who, pursuant to section 123.39, subdivision 5, has continuously been enrolled since January 1, 1977 in a school district of which the pupil was not a resident may continue in enrollment in that district~~, and that district shall be considered the pupil's district of residence~~.

Sec. 10. Minnesota Statutes 1986, section 120.075, subdivision 3, is amended to read:

Subd. 3. Any pupil enrolled on either January 1, 1978, or April 5, 1978, in a nonpublic school, as defined in section 123.932, subdivision 3, located in a district of which the pupil was not a resident who would otherwise have qualified for enrollment in that district as a resident pursuant to subdivision 1 may attend the public schools of that district ~~as a resident~~.

Sec. 11. Minnesota Statutes 1986, section 120.075, is amended by adding a subdivision to read:

Subd. 5. General education aid, capital expenditure aid, and

transportation aid attributable to pupils covered by programs under this section must be paid according to sections 33, 30, and 29, respectively.

Sec. 12. Minnesota Statutes 1986, section 120.0751, subdivision 1, is amended to read:

Subdivision 1. The state board of education may permit a pupil ~~who enrolls~~ to enroll in a school district of which the pupil is not a resident ~~to be deemed a resident pupil of that district pursuant to~~ under this section.

Sec. 13. Minnesota Statutes 1986, section 120.0751, is amended by adding a subdivision to read:

Subd. 6. [AID.] General education aid, capital expenditure aid, and transportation aid for pupils covered by programs under this section must be paid according to sections 33, 30, and 29, respectively.

Sec. 14. Minnesota Statutes 1986, section 120.0752, subdivision 1, is amended to read:

Subdivision 1. A pupil may enroll in a school district of which the pupil is not a resident ~~and be deemed a resident pupil of that district pursuant to~~ under this section.

Sec. 15. Minnesota Statutes 1987 Supplement, section 120.0752, subdivision 3, is amended to read:

Subd. 3. [11TH AND 12TH GRADE STUDENTS.] Notwithstanding subdivision 2, an 11th or 12th grade pupil who has been enrolled in a district ~~for at least three consecutive years~~ and whose parent or guardian moves to another district, may continue to enroll in the nonresident district upon the approval of the school board of the nonresident district. The approval of the school board of the pupil's resident district is not required. ~~The pupil shall be considered a resident of the district in which that student is enrolled.~~

Sec. 16. Minnesota Statutes 1986, section 120.0752, is amended by adding a subdivision to read:

Subd. 4. General education aid, capital expenditure aid, and transportation aid for pupils covered by programs under this section must be paid according to sections 33, 30, and 29, respectively.

Sec. 17. Minnesota Statutes 1986, section 120.08, subdivision 2, is amended to read:

Subd. 2. A school board ~~in~~ of a district maintaining a secondary school may by a majority vote provide for the instruction of any resident pupil in a school district in an adjoining state ~~nearer to the pupil's place of residence than the school of the resident district, the distances being measured by the usual traveled routes~~. Any charge for tuition or transportation, by the district ~~so attended or for transportation~~ in the adjoining state, shall be paid by the ~~pupil's~~ resident district ~~provided that such~~. The pupil shall ~~continue to~~ be considered a pupil of the resident district ~~of residence~~ for the ~~payment~~ purposes of ~~apportionment and other~~ state ~~aids~~ aid.

Sec. 18. [120.105] [EDUCATION STATEMENT.]

Subdivision 1. [STATEMENT CONTENTS.] Each year every school, as defined in section 120.101, subdivision 4, offering a kindergarten program must ensure that the school principal, kindergarten teacher, or other professional, discusses and distributes the following statement to every parent, guardian, or other person enrolling a child in kindergarten:

"The state of Minnesota requires that every child entering kindergarten this school year must graduate from high school or remain in high school or in an alternative program until age 18. Only those who have been accepted in the military or an institution of higher learning can leave school before they are 18 years old."

The department of education must make appropriate provisions to accommodate those children who newly enroll in a public school after kindergarten. All other schools must make similar provisions.

Sec. 19. Minnesota Statutes 1987 Supplement, section 120.101, subdivision 5, is amended to read:

Subd. 5. [AGES AND TERMS.] For the 1988-1989 school year and the school years thereafter, every child between seven and 16 years of age shall receive instruction for at least 170 days each year. For the 2000-2001 school year and later school years, every child between seven and 18 years of age shall receive instruction for at least 170 days each year. Every child under the age of seven who is enrolled in a half-day kindergarten, or a full-day kindergarten program on alternate days, or other kindergarten programs shall receive instruction at least equivalent to 170 half days. A parent may withdraw a child under the age of seven from enrollment at any time.

Sec. 20. Minnesota Statutes 1987 Supplement, section 120.101, subdivision 9, is amended to read:

Subd. 9. [LEGITIMATE EXEMPTIONS.] A parent, guardian, or other person having control of a child may apply to a school district

to have the child excused from attendance for the whole or any part of the time school is in session during any school year. Application may be made to any member of the board, a truant officer, a principal, or the superintendent. The school board of the district in which the child resides may approve the application upon the following being demonstrated to the satisfaction of that board:

(1) That the child's bodily or mental condition is such as to prevent attendance at school or application to study for the period required; or

(2) That for the school years 1988-1989 through 1999-2000 the child has already completed the studies ordinarily required in the tenth grade and that for the school years beginning with the 2000-2001 school year the child has already completed the studies ordinarily required to graduate from high school; or

(3) That it is the wish of the parent, guardian, or other person having control of the child, that the child attend for a period or periods not exceeding in the aggregate three hours in any week, a school for religious instruction conducted and maintained by some church, or association of churches, or any Sunday school association incorporated under the laws of this state, or any auxiliary thereof. This school for religious instruction shall be conducted and maintained in a place other than a public school building, and in no event, in whole or in part, shall be conducted and maintained at public expense. However, a child may be absent from school on such days as the child attends upon instruction according to the ordinances of some church.

Sec. 21. Minnesota Statutes 1986, section 123.35, subdivision 8, is amended to read:

Subd. 8. The board may establish and maintain public evening schools and adult and continuing education programs and such evening schools and adult and continuing education programs when so maintained shall be available to all persons over 16 years of age through the 1999-2000 school year and over 18 years of age beginning with the 2000-2001 school year who, from any cause, are unable to attend the full-time elementary or secondary schools of such district.

Sec. 22. Minnesota Statutes 1987 Supplement, section 123.3515, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT.] (a) An enrollment options program for school districts, in which a school district may voluntarily participate, is established under this section, and includes those districts not participating in the enrollment options program under section 8. A participating district must include all grade

levels offered by the district. By formal resolution, a participating district must agree to:

(1) allow its resident pupils to enroll in other participating districts;

(2) accept nonresident pupils from other participating districts; and

(3) follow the procedures in this section.

(b) A nonparticipating district shall notify the commissioner ~~each year~~ by September ~~15 whether it will participate~~ 30 of its participation in the program during the following school year. ~~For the 1987-1988 school year, a district must notify the commissioner by July 1, 1987.~~

Sec. 23. Minnesota Statutes 1987 Supplement, section 123.3515, subdivision 2, is amended to read:

Subd. 2. [PUPIL APPLICATION.] A pupil who resides in a participating district may enroll according to this section in a participating nonresident district. The pupil's parent or guardian must apply to the nonresident district on a form provided by the department of education. The application must be submitted to the nonresident district by ~~December~~ January 1 for enrollment during the following school year. ~~For the 1987-1988 school year, an application must be submitted by August 1, 1987.~~

Sec. 24. Minnesota Statutes 1987 Supplement, section 123.3515, subdivision 3, is amended to read:

Subd. 3. [NONRESIDENT DISTRICT PROCEDURES.] Within ten days of receiving an application, a nonresident district shall notify the resident district that it has received the application. The nonresident district shall notify the parent or guardian and the resident district by February 1 whether the pupil's application has been approved or disapproved. ~~For the 1987-1988 school year, notification must occur by August 10, 1987.~~

Sec. 25. Minnesota Statutes 1987 Supplement, section 123.3515, subdivision 5, is amended to read:

Subd. 5. [RACIAL BALANCE.] A school district that has a desegregation plan may limit the number of pupils who transfer into or out of the district. An application to transfer into or out of a desegregation district shall be submitted to that district by ~~November~~ December 1 of each year for enrollment during the following school year. ~~For the 1987-1988 school year, an application must be submitted by August 1, 1987.~~ If approval of all of the applications

would result in the district being out of compliance with its desegregation plan, the district shall establish the number of majority and minority group pupils who may transfer into or out of the district. The district may approve or disapprove the applications in a manner that will enable compliance with the desegregation plan. The district shall notify the parent or guardian by ~~November~~ December 20 whether the pupil's application has been approved or disapproved. ~~For the 1987-1988 school year, notification must occur by August 10, 1987.~~

Sec. 26. Minnesota Statutes 1987 Supplement, section 123.3515, subdivision 6, is amended to read:

Subd. 6. [TRANSPORTATION.] ~~The nonresident district shall provide transportation within that district for nonresident pupils enrolled under this section. The state shall pay transportation aid to the district according to section 124.225. The resident district is not required to provide or pay for transportation between a pupil's residence and the border of the nonresident district.~~

A parent or guardian may apply to the nonresident district for reimbursement for transportation costs between the pupil's residence and the border of the nonresident district. The state board shall establish guidelines for reimbursing the transportation costs based on financial need. Chapter 14 does not apply to the guidelines.

Sec. 27. Minnesota Statutes 1987 Supplement, section 123.3515, subdivision 9, is amended to read:

Subd. 9. [AID.] ~~Payment of foundation aid or general education aid for pupils enrolled in a nonresident district must be made according to section 124A.036, subdivision 5~~ General education aid, capital expenditure aid, and transportation aid attributable to pupils covered by programs under this section must be paid according to sections 33, 30, and 29, respectively.

Sec. 28. Minnesota Statutes 1986, section 124.18, subdivision 2, is amended to read:

Subd. 2. [TUITION.] Except as otherwise provided in law, every district which provides instruction in other districts and which receives foundation program aid shall pay to the district furnishing this elementary and secondary school instruction the actual cost thereof chargeable to maintenance exclusive of transportation costs.

There shall also be paid for capital outlay and debt service to the district providing such instruction $10 per pupil unit in average daily membership for each nonresident pupil unit, except that every district educating nonresident pupils may charge and include in its tuition, for capital outlay and debt service, an amount per pupil unit

in average daily membership based on the amount that the average expenditure for capital outlay and debt service determined by dividing such annual expenditure by the total number of pupil units in average daily membership in the district exceeds $10 per pupil unit. If the district has no capital outlay or debt service the district receiving such funds may use them for any purpose for which it is authorized to spend money. Provided further that if a district provides instruction for nonresident handicapped and trainable children, tuition shall be as specified in section 120.17, subdivision 4.

Sec. 29. Minnesota Statutes 1986, section 124.225, is amended by adding a subdivision to read:

Subd. 8l. [ALTERNATIVE ATTENDANCE PROGRAMS.] A district that serves nonresident pupils in programs under sections 8, 120.075, 120.0751, 120.0752, 123.3515, 126.22, and 129B.52 to 129B.55 shall provide authorized transportation to the pupil within the attendance area for the school that the pupil attends. The state shall pay transportation aid attributable to the pupil to the serving district according to this section. The district of the pupil's residence need not provide or pay for transportation between the pupil's residence and the district's border.

Sec. 30. Minnesota Statutes 1986, section 124.245, is amended by adding a subdivision to read:

Subd. 6. [ALTERNATIVE ATTENDANCE PROGRAMS.] The capital expenditure aid for districts must be adjusted for each pupil, excluding a handicapped pupil as defined in section 120.03, attending a nonresident district under sections 8, 120.075, 120.0751, 120.0752, 123.3515, 126.22, and 129B.52 to 129B.55. The adjustments must be made according to this subdivision.

(a) Capital expenditure aid paid to a district of the pupil's residence must be reduced by an amount equal to the revenue amount per actual pupil unit of the resident district times the number of pupil units of pupils enrolled in nonresident districts.

(b) Capital expenditure aid paid to a district serving nonresidents in programs listed in subdivision 1 must be increased by an amount equal to the revenue amount per actual pupil unit of the nonresident district times the number of pupil units of nonresident pupils enrolled in the district.

(c) If the amount of the reduction to be made from the capital expenditure aid of a district is greater than the amount of capital expenditure aid otherwise due the district, the excess reduction must be made from other state aids due the district.

Sec. 31. Minnesota Statutes 1987 Supplement, section 124.26, subdivision 1b, is amended to read:

Subd. 1b. [PROGRAM REQUIREMENTS.] An adult basic and continuing education program is a day or evening program offered by a district that is for people over 16 years of age through the 1999-2000 school year and over 18 years of age beginning with the 2000-2001 school year who do not attend an elementary or secondary school. The program offers academic instruction necessary to earn a high school diploma or equivalency certificate. Tuition and fees may not be charged for instruction subsidized under this section, except for a security deposit to assure return of materials, supplies, and equipment.

Sec. 32. Minnesota Statutes 1986, section 124A.036, subdivision 2, is amended to read:

Subd. 2. [DISTRICT WITHOUT SCHOOLS.] Except as otherwise provided in law, any district not maintaining classified elementary or secondary schools shall pay the tuition required in order to enable resident pupils to attend school in another district when necessary, and shall receive foundation aid pursuant to this section on the same basis as other districts. The aid shall be computed as if the pupils were enrolled in the district of residence.

Sec. 33. Minnesota Statutes 1987 Supplement, section 124A.036, subdivision 5, is amended to read:

Subd. 5. [~~CERTAIN NONRESIDENTS~~ ALTERNATIVE ATTENDANCE PROGRAMS.] The ~~foundation~~ general education aid for districts must be adjusted for each pupil, excluding a handicapped pupil as defined in section 120.03, attending a nonresident district under sections 8, 120.075, 120.0751, 120.0752, 123.3515, 126.22, and 129B.52 to 129B.55. The adjustments must be made according to this subdivision.

(a) ~~Foundation~~ General education aid paid to a resident district must be reduced by an amount equal to the ~~formula allowance plus the total tier revenue per actual pupil unit of the resident district times the number of pupil units of pupils enrolled in a nonresident~~ general education revenue exclusive of compensatory revenue attributable to the pupil in the resident district.

(b) ~~Foundation~~ General education aid paid to a ~~nonresident~~ district serving a pupil in programs listed in this subdivision shall be increased by an amount equal to the ~~formula allowance plus the total tier revenue per actual pupil unit of the nonresident district times the number of pupil units of nonresident pupils enrolled in that~~ general education revenue exclusive of compensatory revenue attributable to the pupil in the nonresident district.

(c) If the amount of the reduction to be made from the ~~foundation~~ general education aid of the resident district is greater than the amount of ~~foundation~~ general education aid otherwise due the district, the excess reduction must be made from other state aids due the district.

(d) The district of residence shall pay tuition to a district providing special instruction and services to a handicapped pupil, as defined in section 120.03, who is enrolled in a program listed in this subdivision. The tuition shall be equal to (1) the actual cost of providing special instruction and services to the pupil, including a proportionate amount for debt service and for capital expenditure facilities and equipment, and debt service but not including any amount for transportation, minus (2) the amount of special education aid, attributable to that pupil, that is received by the district providing special instruction and services.

Sec. 34. [124A.31] [EQUITABLE COMPENSATION PENALTY.]

Subdivision 1. [IMPLEMENTATION.] A school district subject to sections 471.991 to 471.999 shall implement the plan to establish equitable compensation relationships set forth in its report to the commissioner of employee relations. The plan shall be implemented by December 31, 1991, unless a later date is approved by the commissioner. If a report was filed before October 1, 1987, and had an implementation date after December 31, 1991, the date in the report shall be approved by the commissioner.

Subd. 2. [AID REDUCTION FOR ADMINISTRATION COSTS.] By October 1, 1992, the commissioner of employee relations shall certify to the commissioner of education the school districts that have not complied with subdivision 1. For each of these school districts, the commissioner of education shall reduce general education aid for fiscal year 1993 by an amount equal to five percent of the district's administration costs for the 1990-1991 school year. If the reduction exceeds the district's general education aid, the reduction shall be made from other aids paid to the district.

Subd. 3. [ADJUSTMENT OF YEARS.] The commissioners of employee relations and education shall adjust the years designated in subdivision 2 for school districts with implementation dates after December 31, 1991.

Subd. 4. [EXTENSIONS.] The commissioner of employee relations must extend an implementation date upon a finding that failure to implement was attributable to severe hardship or to circumstances beyond the control of the district.

Sec. 35. Minnesota Statutes 1986, section 125.12, subdivision 3, is amended to read:

Subd. 3. [PROBATIONARY PERIOD.] The first three consecutive years of a teacher's first teaching experience in Minnesota in a single school district shall be deemed to be a probationary period of employment, and after completion thereof, the probationary period in each school district in which the teacher is thereafter employed shall be one year. The school board shall adopt a plan for written evaluation of teachers during the probationary period. Effective July 1, 1988, evaluation shall occur ~~not less than~~ at least three times each year for a teacher performing services on 120 or more school days, at least two times each year for a teacher performing services on 60 to 119 school days, and at least one time each year for a teacher performing services on fewer than 60 school days. Days devoted to parent-teacher conferences, teachers' workshops, and other staff development opportunities and days on which a teacher is absent from school shall not be included in determining the number of school days on which a teacher performs services. During the probationary period any annual contract with any teacher may or may not be renewed as the school board shall see fit; provided, however, that the school board shall give any such teacher whose contract it declines to renew for the following school year written notice to that effect before June 1. If the teacher requests reasons for any nonrenewal of a teaching contract, the school board shall give the teacher its reason in writing, including a statement that appropriate supervision was furnished describing the nature and the extent of such supervision furnished the teacher during the employment by the board, within ten days after receiving such request. The school board may, after a hearing held upon due notice, discharge a teacher during the probationary period for cause, effective immediately, under section 123.35, subdivision 5.

Sec. 36. Minnesota Statutes 1986, section 125.17, subdivision 2, is amended to read:

Subd. 2. [PROBATIONARY PERIOD; DISCHARGE OR DEMOTION.] All teachers in the public schools in cities of the first class during the first three years of consecutive employment shall be deemed to be in a probationary period of employment during which period any annual contract with any teacher may, or may not, be renewed as the school board shall see fit. The school board shall adopt a plan for a written evaluation of teachers during the probationary period. Effective July 1, 1988, evaluation shall occur ~~not less than~~ at least three times each year for a teacher performing services on 120 or more school days, at least two times each year for a teacher performing services on 60 to 119 school days, and at least one time each year for a teacher performing services on fewer than 60 school days. Days devoted to parent-teacher conferences, teachers' workshops, and other staff development opportunities and days on which a teacher is absent from school shall not be included in determining the number of school days on which a teacher performs services. The school board may, during such probationary period, discharge or demote a teacher for any of the causes as specified in

this code. A written statement of the cause of such discharge or demotion shall be given to the teacher by the school board at least 30 days before such removal or demotion shall become effective, and the teacher so notified shall have no right of appeal therefrom.

Sec. 37. Minnesota Statutes 1987 Supplement, section 126.22, subdivision 2, is amended to read:

Subd. 2. [ELIGIBLE ~~STUDENTS~~ PUPILS.] The following ~~students~~ pupils are eligible to participate in the high school graduation incentives program:

(a) any ~~student~~ pupil who is between the ages of 12 and 16 and who:

(1) is at least two grade levels below the performance level for ~~students~~ pupils of the same age in a locally determined achievement test; or

(2) is at least one year behind in obtaining credits for graduation; or

(3) is pregnant or is a parent; or

(4) has been assessed as chemically dependent; or

(5) has been absent from attendance at school without lawful excuse for ~~one or more class periods on~~ more than 15 consecutive school days in the preceding or current school year;

(b) any ~~student~~ pupil who is between the ages of 16 and 19 who is attending school, and who is at least two grade levels below the performance level for ~~students~~ pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or is pregnant or is a parent, or has been assessed as chemically dependent; or

(c) any person between 16 and 21 years of age who has not attended a high school program for at least 15 consecutive school days, excluding those days when school is not in session, and who is at least two grade levels below the performance level for ~~students~~ pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or has been assessed as chemically dependent.

Sec. 38. Minnesota Statutes 1987 Supplement, section 126.22, subdivision 3, is amended to read:

Subd. 3. [ELIGIBLE PROGRAMS.] ~~Students who are eligible to participate under subdivision 2 may enroll in the following pro-~~

~~grams:~~ (a) A pupil who is eligible according to subdivision 2, clause (a), (b), or (c), may enroll in any program approved by the state board of education under Minnesota Rules, part 3500.3500 or according to section 121.11, subdivision 12~~, may enroll students who are eligible to participate under subdivision 2, clause (a), (b) or (c)~~;.

(b) ~~Students~~ A pupil who is eligible ~~to participate under~~ according to subdivision 2, clause (b) or (c), may enroll in post-secondary courses under section 123.3514~~; and~~.

(c) ~~Any public secondary education program may enroll any student~~ A pupil who is eligible ~~to participate~~ under subdivision 2, clause (a), (b), or (c), may enroll in any public secondary education program.

Sec. 39. Minnesota Statutes 1987 Supplement, section 126.22, subdivision 4, is amended to read:

Subd. 4. [~~STUDENT~~ PUPIL ENROLLMENT.] Any eligible ~~student~~ pupil under subdivision 2 may apply to enroll in an eligible program under subdivision 3, using the form specified in section 120.0752, subdivision 2. Notwithstanding section 120.0752, approval of the resident district is not required for an eligible ~~student~~ pupil under subdivision 2 to enroll in a nonresident district ~~which~~ that has an eligible program under subdivision 3 or an area learning center established under section 129B.52. ~~A student enrolling in a program in a nonresident district under this section shall be considered a resident of that district.~~

Sec. 40. Minnesota Statutes 1987 Supplement, section 126.22, is amended by adding a subdivision to read:

Subd. 7. [AID ADJUSTMENTS.] General education aid, capital expenditure aid, and transportation aid attributable to a pupil covered by programs under this section must be paid according to sections 33, 30, and 29, respectively.

Sec. 41. Minnesota Statutes 1987 Supplement, section 126.23, is amended to read:

126.23 [AID FOR PRIVATE ALTERNATIVE PROGRAMS.]

If a pupil enrolls in a nonsectarian alternative program operated by a private organization that has contracted with a school district to provide educational services for high school drop outs or other eligible students under section 126.22, subdivision 2, the resident district must reimburse the provider an amount equal to at least 50 percent of the ~~formula allowance plus the total tier revenue attributable to that~~ basic revenue of the district for each pupil. Pupils for whom a district provides reimbursement may not be counted by the

district for any purpose other than computation of basic revenue, according to section 124A.22, subdivision 2.

Sec. 42. [126.235] [EDUCATIONAL PROGRAM FOR PREGNANT MINORS AND MINOR PARENTS.]

Upon request, a school district must make available to a pregnant minor or a minor custodial parent an educational program to enable the minor to earn a high school diploma. The department of education shall develop program designs and provide districts with technical assistance. A district's educational program must use appropriate community services and must recognize each pupil's individual needs and parental responsibilities. The district shall designate at least one person to review quarterly each pupil's progress in the program.

If a pupil receives social services according to section 257.33 or employment and training services according to section 256.736, the district shall develop the pupil's educational program in consultation with the providers of the services and shall provide a liaison when necessary. The pupil may request that an adult, selected by the pupil, assist in developing the educational program.

Sec. 43. Minnesota Statutes 1986, section 126.56, subdivision 2, is amended to read:

Subd. 2. [ELIGIBLE STUDENT.] To be eligible for a scholarship, a student shall:

(1) be a United States citizen or permanent resident of the United States;

(2) be a resident of Minnesota;

~~(2)~~ (3) attend an eligible program;

~~(3)~~ (4) have completed at least one year of secondary school but not have graduated from high school;

~~(4)~~ (5) have earned at least a B average during the semester or quarter prior to application, or have earned at least a B average during the semester or quarter prior to application in the academic subject area applicable to the summer program the student wishes to attend; and

~~(5)~~ (6) demonstrate need for financial assistance.

Sec. 44. Minnesota Statutes 1987 Supplement, section 126.67, subdivision 2b, is amended to read:

Subd. 2b. [DISTRICT ASSESSMENTS.] As part of the PER process, each year a district shall, in at least three grades, conduct assessments among at least a sample of pupils for each subject area in that year of the curriculum review cycle. The district's curriculum review cycle ~~for communication, mathematics, science, and social studies~~ shall not exceed ~~five~~ six years. Assessments may not be conducted in the same curriculum area for two consecutive years. The district may use tests from the assessment item bank, the local assessment program developed by the department, or other tests. As they become available, districts shall use state developed measures to assure state progress toward the state core curriculum. Funds are provided for districts that choose to use the local assessment program or the assessment item bank.

Sec. 45. Minnesota Statutes 1987 Supplement, section 129.121, subdivision 1, is amended to read:

Subdivision 1. The governing board of any high school may delegate the control, supervision and regulation of interscholastic athletics and other extracurricular activities referred to in section 123.38 to the Minnesota state high school league, a nonprofit incorporated voluntary association. Membership in said Minnesota state high school league shall be composed of such Minnesota high schools whose governing boards have certified in writing to the state commissioner of education that they have elected to delegate the control, supervision and regulation of their interscholastic athletic events and other extracurricular activities to said league. The Minnesota state high school league is hereby empowered to exercise the control, supervision and regulation of interscholastic athletics, musical, dramatic and other contests by and between pupils of the Minnesota high schools, delegated to it pursuant to this section. The Minnesota high school league may establish a policy or guidelines for the guidance of member high schools in the formation or alteration of athletic or other extracurricular conferences. Except as otherwise provided by subdivision 1a, the formation or alteration of conferences is voluntary.

The commissioner of education, or the commissioner's representative, shall be an ex officio nonvoting member of the governing body of the Minnesota state high school league~~, with the same rights and privileges as other members of its governing body~~. The governing board must include the following members: four members of the public, at least one of whom must be an American Indian, Asian, Black, or Hispanic, and all of whom must be parents, appointed by the governor under section 15.0597; two members of the Minnesota association of secondary school principals selected by the association; and 14 members selected according to league bylaws. The board shall establish and adopt policies, make decisions on behalf of the league, and establish advisory committees necessary to carry out board functions. The terms, compensation, removal of members, and the filling of membership vacancies are governed by section

15.0575. Members of advisory committees shall be reimbursed only for expenses in the same manner as board members. The rules of ~~said~~ the league shall be exempt from the provisions of sections 14.02, 14.04 to 14.36, 14.38, 14.44 to 14.45, and 14.57 to 14.62.

Employees of the league shall be reimbursed only for expenses as authorized by the commissioner's plan for state employees adopted under section 43A.18, subdivision 2.

The league is specifically prohibited from having credit cards.

The executive director of the league shall have a department head expense account subject to the same limits and guidelines as those provided for the commissioner of education. The executive director shall expend money for entertainment or reimbursement of expenses of guests of the league only from this account.

The board shall establish a policy on the use of automobiles by league staff and shall show annually how league policy on the use of automobiles is the most cost-effective alternative available.

Sec. 46. Minnesota Statutes 1986, section 129.121, subdivision 2, is amended to read:

Subd. 2. Any school board is hereby authorized to expend moneys for and pay dues to the Minnesota state high school league and all moneys paid to such league, as well as moneys derived from any contest or other event sponsored by said league, shall be subject to an annual examination and audit by ~~a certified public accountant or~~ the state auditor.

Each year by September 1, the state auditor shall provide a financial and compliance audit to the legislature detailing the general financial condition and general status of the league as of July 31 of the year preceding the filing of the audit. Copies of the audit report must be filed with the commissioner of education, the chairs of the house and senate education committees and the director of the legislative reference library. The audit report must include the aggregate totals for all revenues and expenditures for the three preceding years and the current year and the percent and dollar difference in each of these four years. The following items must be audited in each instance: revenues from student activities, membership dues, publications, registration of officials and judges, interest, automobile sales, and other revenues including medals, refunds and reimbursements; and expenditures related to staff, the board of directors, student activities, capital outlay, office and other expenditures including membership services. The league must pay the state auditor for the costs of the audit.

Sec. 47. Minnesota Statutes 1986, section 129.121, is amended by adding a subdivision to read:

Subd. 2a. [EMPLOYMENT.] The league must adopt an affirmative action policy to ensure that employment positions within the league are equally accessible to all qualified persons and to eliminate the underutilization of protected groups as defined in section 43A.02, subdivision 33.

The league shall actively and publicly recruit qualified people to become employees of the league. It shall give special emphasis to recruiting members of protected groups. The league shall advertise available positions in newspapers of general circulation. The advertisement must contain a deadline for submitting applications that is at least 14 days after the date of the last advertisement. The league shall keep each application for at least six months and shall notify an applicant when a position, for which the applicant is qualified, becomes available.

Sec. 48. Minnesota Statutes 1986, section 129.121, is amended by adding a subdivision to read:

Subd. 2b. [EQUITABLE COMPENSATION RELATIONSHIPS.] The league shall be treated as a political subdivision for purposes of sections 471.992 to 471.999, except that the league must report to the commissioner of employee relations by February 1, 1989, on its implementation plan. No cause of action against the league arises before August 1, 1989, for failure to comply with the requirements of sections 471.992 to 471.999.

Sec. 49. Minnesota Statutes 1986, section 129.121, is amended by adding a subdivision to read:

Subd. 2c. [DATA PRACTICES.] The collection, creation, receipt, maintenance, dissemination, or use of information by the league is subject to the provisions of chapter 13.

Sec. 50. Minnesota Statutes 1987 Supplement, section 129B.11, subdivision 2, is amended to read:

Subd. 2. [ELIGIBILITY.] To be eligible for a grant, a group of districts must meet one of the following criteria:

(1) create a consolidated district according to section 122.23, with the consolidated school district having at least 600 pupils in average daily membership;

(2) establish an education district according to section 122.91;

(3) form a group of districts that has an agreement under section

122.535 or 122.541 for discontinuing grades when the districts entering into the agreement have a total of at least 240 pupils in average daily membership in grades ten, 11, and 12; or

(4) enter into a joint powers agreement for a technology cooperative ~~where~~. The school districts in the cooperative ~~are~~ must be contiguous ~~but are significant distances apart so that other forms of cooperation are not practical~~ and either of the following:

(i) there is a significant distance between buildings in the district so that other forms of cooperation are not practical, or

(ii) the districts have a combined area of at least 500 square miles.

Sec. 51. Minnesota Statutes 1987 Supplement, section 129B.11, is amended by adding a subdivision to read:

Subd. 2a. [INTENTION TO CONSOLIDATE.] A group of districts is eligible for a grant if each school board has adopted a resolution of intention to consolidate with the other districts in the group. If a grant is awarded to a group of districts under this subdivision, and if the group does not actually consolidate within 24 months of receiving the grant, the department of education shall withhold payment of all state aids until the amount of the grant has been recovered.

The state board of education may establish additional conditions to a grant awarded under this subdivision.

Sec. 52. [129B.56] [DESIGNATION AS CENTER.]

The commissioner of education, in cooperation with the state board of education, shall establish a process for state designation and approval of area learning centers that meet the provisions of Minnesota Statutes, sections 129B.52 to 129B.55.

The four area learning centers designated in 1988 as exemplary shall be subject to the state approval process beginning July 1, 1990.

Area learning center designation shall begin July 1, 1988.

Sec. 53. Minnesota Statutes 1986, section 134.351, subdivision 7, is amended to read:

Subd. 7. [REPORTS.] Each multicounty, multitype system receiving a grant pursuant to section 134.353 or section 134.354 shall provide an annual progress report to the department of education. The department shall report before November 15 of each even-numbered year to the legislature on all projects funded under section 134.353 and section 134.354.

Sec. 54. Minnesota Statutes 1986, section 136D.81, is amended to read:

136D.81 [DAKOTA AND GOODHUE COUNTY DISTRICTS, JOINT VOCATIONAL SCHOOL.]

Subdivision 1. [AGREEMENTS.] Two or more of the special school district numbered 6 and the independent school districts numbered 191, 192, 194, 195, 196, 197, 199 ~~and~~, 200, 252, and 256, located wholly or partly in the ~~county~~ counties of Dakota or Goodhue, whether or not contiguous, may enter into agreements to accomplish jointly and cooperatively the acquisition, betterment, construction, maintenance, and operation of area vocational technical schools. Each school district which becomes a party to such an agreement is hereinafter referred to as a "participating school district." The agreement may provide for the exercise of such powers by the school board of one of the school districts on behalf of and for the benefit of other school districts, or by a joint school board created as set forth in sections 136D.81 to 136D.92. If the powers are to be carried out by one of the school districts, it shall in doing so have the same powers and duties and be subject to the same limitations as are herein provided for joint school boards.

Subd. 2. [HECB REVIEW.] No area vocational technical school shall be constructed pursuant to sections 136D.81 to 136D.92 until the location of such school and its program is first submitted for review and recommendation by the Minnesota higher education coordinating board.

Sec. 55. Minnesota Statutes 1986, section 260.015, subdivision 19, is amended to read:

Subd. 19. [HABITUAL TRUANT.] "Habitual truant" means a child under the age of 16 years through the 1999-2000 school year and under the age of 18 beginning with the 2000-2001 school year who is absent from attendance at school without lawful excuse for seven school days if the child is in elementary school or for one or more class periods on seven school days if the child is in middle school, junior high school, or high school.

Sec. 56. Minnesota Statutes 1987 Supplement, section 422A.101, subdivision 2, is amended to read:

Subd. 2. [CONTRIBUTIONS BY OR FOR CITY-OWNED PUBLIC UTILITIES, IMPROVEMENTS, OR MUNICIPAL ACTIVITIES.] Contributions by or for any city-owned public utility, improvement project and other municipal activities supported in whole or in part by revenues other than real estate taxes, any public corporation, any employing unit of metropolitan government, special school district No. 1 or Hennepin county, on account of any employee covered by the fund shall be calculated as follows:

(a) a regular employer contribution of an amount equal to the percentage rounded to the nearest two decimal places of the salaries and wages of all employees of the employing unit covered by the retirement fund which equals the difference between the level normal cost plus administrative cost reported in the annual actuarial valuation prepared by the commission-retained actuary and the employee contributions provided for in section 422A.10;

(b) an additional employer contribution of an amount equal to the percent specified in section 353.27, subdivision 3a, clause (a), multiplied by the salaries and wages of all employees of the employing unit covered by the retirement fund;

(c) a proportional share of an additional employer amortization contribution of an amount equal to $3,900,000 annually until June 30, 2017, based upon the share of the fund's unfunded actuarial accrued liability attributed to the employer as disclosed in the annual actuarial valuation prepared by the commission-retained actuary.

The city council or any board or commission may, by proper action, provide for the inclusion of the cost of the retirement contributions for employees of any city-owned public utility or for persons employed in any improvement project or other municipal activity supported in whole or in part by revenues other than taxes who are covered by the retirement fund in the cost of operating the utility, improvement project or municipal activity. The cost of retirement contributions for these employees shall be determined by the retirement board and the respective governing bodies having jurisdiction over the financing of these operating costs.

The cost of the employer contributions on behalf of employees of special school district No. 1 who are covered by the retirement fund shall be the obligation of the school district. Contributions by the school district to the retirement fund or any other public pension or retirement fund of which its employees are members must be remitted to the fund each month. An amount due and not transmitted begins to accrue interest at the rate of six percent compounded annually 15 days after the date due. If the amount due plus interest is not paid 30 days after interest begins to accrue, a penalty equal to ten percent of the amount due is added, and interest then accrues on the penalty as well as the amount originally due. The retirement board shall prepare an itemized statement of the financial requirements of the fund payable by the school district, which shall be submitted prior to September 15. Contributions by the school district shall be made at times designated by the retirement board. The school district may levy for its contribution to the retirement fund only to the extent permitted pursuant to section 275.125, subdivision 6a.

The cost of the employer contributions on behalf of elective officers

or other employees of Hennepin county who are covered by the retirement fund pursuant to section 422A.09, subdivision 3, clause (2), 422A.22, subdivision 2, or 488A.115, or Laws 1973, chapter 380, section 3, Laws 1975, chapter 402, section 2, or any other applicable law shall be the obligation of Hennepin county. The retirement board shall prepare an itemized statement of the financial requirements of the fund payable by Hennepin county, which shall be submitted prior to September 15. Contributions by Hennepin county shall be made at times designated by the retirement board. Hennepin county may levy for its contribution to the retirement fund.

Sec. 57. Laws 1959, chapter 462, section 3, subdivision 4, as amended by Laws 1963, chapter 645, section 3, and Laws 1967, chapter 661, section 3, is amended to read:

Subd. 4. Not later than the ~~15th~~ last day ~~of the last month~~ of each fiscal year the board shall adopt and cause to be published two separate budgets, an operating budget and a capital budget for the subsequent fiscal year. The board shall adopt and publish standards governing the content of its budgets and of its annual report.

Sec. 58. [HIGH SCHOOL LEAGUE SALARY REPORT.]

The commissioner of employee relations shall report by January 15, 1989, to the chairs of the house and senate education committees and to the governing board of the Minnesota state high school league on the appropriate salary rate or range for the league director and the director's staff as if the positions were to be established in the state classified service.

Sec. 59. [INITIAL APPOINTMENTS TO HIGH SCHOOL LEAGUE BOARD.]

The governor shall make the initial appointments to the Minnesota state high school league's governing board before August 15, 1988. The governing board shall be fully constituted by August 30, 1988. The governor must begin the process of appointing four public members under Minnesota Statutes, section 15.0597, as soon as practicable after the effective date of this section to ensure that the governor's initial appointees are appointed to the board before August 15, 1988.

Sec. 60. [BINDING ARBITRATION FOR SCHOOL DISTRICTS.]

Notwithstanding Minnesota Statutes, section 179A.16, subdivision 1, if five years or more have elapsed since the expiration of the last collective bargaining agreement between a school board and the exclusive representative of the teachers, and if no successor agreement has been ratified by both parties, and if a request for binding interest arbitration is made by either the school board or the

exclusive representative of the teachers, the director of the bureau of mediation services shall certify the request for binding interest arbitration within 15 days of the request. For each two-year contract term for which there has been no ratified successor agreement, including the contract term covering the date on which the request is made, the director shall certify, according to Minnesota Statutes, section 179A.16, subdivision 3, the matters as to which the parties have not reached agreement. Notwithstanding Minnesota Statutes, section 179A.16, subdivision 7, the arbitration panel shall be restricted to selecting between the final offer of one party or the other party in its entirety. Unless otherwise provided in this section, Minnesota Statutes, section 179A.16, applies to the interest arbitration.

Sec. 61. [LEARNING YEAR PROGRAM SITES.]

Subdivision 1. [PROGRAM ESTABLISHED FOR TWO YEARS.] A program is established to designate learning year program sites for providing instruction throughout the entire year. The learning year programs may begin June 9, 1988, and end June 9, 1990. The programs must permit students in grades 9 through 12 to receive instruction throughout the entire year.

Students may participate in the program if they reside in:

(1) a district that has been designated a learning year program site under subdivision 2;

(2) a district that is a member of the same education district as a program site; or

(3) a district that participates in the same area learning center program as a program site.

Subd. 2. [STATE BOARD DESIGNATION.] Up to five districts may be designated learning year program sites by the state board of education. To be designated, a district must demonstrate to the commissioner of education that the district will:

(1) provide a program of instruction that permits students in grades 9 through 12 to receive instruction throughout the entire year; and

(2) maintain a record system that, for purposes of section 124.17, permits identification of membership attributable to students participating in the program. The purpose for identifying this membership is to ensure that a district will not be able to increase the total number of pupil units attributable to an individual student by providing a learning year program. The commissioner of education shall consult with the director of the education aids and levies

section of the department of education when determining whether the record system of a participating district is adequate for this purpose.

Subd. 3. [HOURS OF INSTRUCTION.] Students participating in a program must be able to receive 4,200 hours of instruction so that they are able to complete the requirements of grades 9 through 12. If a student has not completed the graduation requirements of the district after completing 4,200 hours of instruction, the student may continue to enroll in courses needed for graduation until either the student meets the graduation requirements or the student is 21 years old, whichever occurs first.

For the purposes of Minnesota Statutes, section 120.101, subdivision 5, 1,020 hours of instruction shall constitute 170 days of instruction. Hours of instruction that occur between June 9 and June 30 shall be attributed to the fiscal year following the days of actual instruction.

Subd. 4. [STUDENT PLANNING.] A district must inform all junior and senior high school students and their parents about the learning year program. A continual learning plan for the 4,200 hours of education must be developed for each student with the participation of the student, parent or guardian, teachers, and other staff. The plan must identify the learning experiences needed for graduation and must specify the learning experiences that will occur each year. The student or district may modify the plan according to district schedule changes. The district may not modify the plan if the modification would result in delaying the student's time of graduation.

Subd. 5. [TRANSPORTATION.] Summer transportation expenditures for this program must be included in nonregular transportation according to Minnesota Statutes, sections 124.225, subdivision 8; and 275.125, subdivision 5c.

Subd. 6. [CONTRACTS.] A district may contract with a licensed employee to provide services in a learning year program that are in addition to the services provided according to the master contract of employment for teachers, entered into under chapter 179A, or an equivalent contract for licensed employees who are not teachers. These additional services and compensation, if any, for the services shall not become a part of the employee's continuing contract rights under Minnesota Statutes, section 125.12 or 125.17. The duration of a contract is negotiable, but may not extend beyond June 9, 1990.

Subd. 7. [REVENUE COMPUTATION AND REPORTING.] Aid and levy revenue computations shall be based on the total number of hours of education programs for pupils in average daily membership for each fiscal year. For purposes of section 124.17, average daily membership shall be computed by dividing the total number of

hours of participation for the fiscal year by 1,050. Hours of participation that occur between June 9 and June 30 shall be attributed to the fiscal year following the hours of actual participation. Thirty hours may be used for teacher workshops, staff development, or parent-teacher conferences. As part of each pilot program, the department of education, the commissioner of education, and each district must report and evaluate the changes needed to adjust the dates of the fiscal year for aid and levy computation and fiscal reporting. For revenue computation purposes, the learning year program shall generate revenue based on the formulas for the fiscal year in which the services are provided.

State aid and levy revenue computation for the learning year programs begins July 1, 1988, for fiscal year 1989.

Subd. 8. [EXEMPTION.] To operate the pilot program, the state board of education may exempt the district from specific rules relating to student and financial accounting, reporting, and revenue computation.

Sec. 62. [HIBBING, TOWER, VIRGINIA, GRAND RAPIDS SCHOOL DISTRICT BONDS.]

Subdivision 1. [AUTHORIZATION.] Independent school district No. 701, Hibbing, may issue bonds in an aggregate principal amount not exceeding $3,500,000, and independent school district No. 708, Tower, may issue bonds in an aggregate principal amount not exceeding $1,000,000, and independent school district No. 706, Virginia, may issue bonds in an aggregate principal amount not exceeding $2,500,000, and independent school district No. 318, Grand Rapids, may issue bonds in an aggregate principal amount not exceeding $1,000,000, in addition to any bonds already issued or authorized, to provide funds to construct, equip, furnish, remodel, rehabilitate, and acquire land for school facilities and buildings. They may spend the proceeds of the bond sale for those purposes and any architects', engineers', and legal fees incidental to those purposes or the sale. Except as permitted by this section, the bonds shall be authorized, issued, sold, executed, and delivered in the manner provided by Minnesota Statutes, chapter 475. A resolution of the board levying taxes for the payment of the bonds and interest on them as authorized by this section and pledging the proceeds of the levies for the payment of the bonds and interest on them shall be deemed to be in compliance with the provisions of chapter 475 with respect to the levying of taxes for their payment.

Subd. 2. [APPROPRIATION.] There is annually appropriated from the distribution of taconite production tax revenues to the taconite environmental protection fund pursuant to section 298.28, subdivision 11, and to the northeast Minnesota economic protection trust pursuant to section 298.28, subdivisions 9 and 11, in equal shares, an amount sufficient to pay when due 80 percent of the

principal and interest on the bonds issued pursuant to subdivision 1. If the annual distribution to the northeast Minnesota economic protection trust is insufficient to pay its share after fulfilling any obligations of the trust under section 298.225 or 298.293, the deficiency shall be appropriated from the taconite environmental protection fund.

Subd. 3. [DISTRICT OBLIGATIONS.] Bonds issued under authority of this section shall be the general obligations of the school district, for which its full faith and credit and unlimited taxing powers shall be pledged. If there are any deficiencies in the amount received pursuant to subdivision 2, they shall be made good by general levies, not subject to limit, on all taxable properties in the district in accordance with Minnesota Statutes, section 475.74. If any deficiency levies are necessary, the school board may effect a temporary loan or loans on certificates of indebtedness issued in anticipation of them to meet payments of principal or interest on the bonds due or about to become due.

Subd. 4. [DISTRICT LEVY.] The school board shall by resolution levy on all property in the school district subject to the general ad valorem school tax levies, and not subject to taxation under Minnesota Statutes, sections 298.23 to 298.28, a direct annual ad valorem tax for each year of the term of the bonds in amounts that, if collected in full, will produce the amounts needed to meet when due 20 percent of the principal and interest payments on the bonds. A copy of the resolution shall be filed, and the necessary taxes shall be extended, assessed, collected, and remitted in accordance with Minnesota Statutes, section 475.61.

Subd. 5. [LEVY LIMITATIONS.] Taxes levied pursuant to this section shall be disregarded in the calculation of any other tax levies or limits on tax levies provided by other law.

Subd. 6. [BONDING LIMITATIONS.] Bonds may be issued under authority of this section notwithstanding any limitations upon the indebtedness of a district, and their amounts shall not be included in computing the indebtedness of a district for any purpose, including the issuance of subsequent bonds and the incurring of subsequent indebtedness.

Subd. 7. [TERMINATION OF APPROPRIATION.] The appropriation authorized in subdivision 2 shall terminate upon payment or maturity of the last of those bonds.

Subd. 8. [LOCAL APPROVAL.] This section is effective for independent school district No. 701 the day after its governing body complies with Minnesota Statutes, section 645.021, subdivision 3, and for independent school district No. 708 the day after its governing body complies with Minnesota Statutes, section 645.021, subdivision 3, and for independent school district No. 706 the day

after its governing body complies with Minnesota Statutes, section 645.021, subdivision 3, and for independent school district No. 318 the day after its governing body complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 63. [SCHOOL DISTRICT NO. 710 BONDS.]

Subdivision 1. [AUTHORIZATION.] Independent school district No. 710, St. Louis county, may issue bonds in an aggregate principal amount not exceeding $1,000,000, in addition to any bonds already issued or authorized, to provide funds to construct, equip, furnish, remodel, rehabilitate, and acquire land for school facilities and buildings. The district may spend the proceeds of the bond sale for those purposes and any architects', engineers', and legal fees incidental to those purposes or the sale. Except as permitted by this section, the bonds shall be authorized, issued, sold, executed, and delivered in the manner provided by Minnesota Statutes, chapter 475. A resolution of the board levying taxes for the payment of the bonds and interest on them as authorized by this section and pledging the proceeds of the levies for the payment of the bonds and interest on them shall be deemed to be in compliance with the provisions of chapter 475 with respect to the levying of taxes for their payment.

Subd. 2. [APPROPRIATION.] There is annually appropriated from the distribution of taconite production tax revenues to the taconite environmental protection fund pursuant to section 298.28, subdivision 11, and to the northeast Minnesota economic protection trust pursuant to section 298.28, subdivisions 9 and 11, in equal shares, an amount sufficient to pay when due 100 percent of the principal and interest on the bonds issued pursuant to subdivision 1. If the annual distribution to the northeast Minnesota economic protection trust is insufficient to pay its share after fulfilling any obligations of the trust under section 298.225 or 298.293, the deficiency shall be appropriated from the taconite environmental protection fund.

Subd. 3. [DISTRICT OBLIGATIONS.] Bonds issued under authority of this section shall be the general obligations of the school district, for which its full faith and credit and unlimited taxing powers shall be pledged. If there are any deficiencies in the amount received pursuant to subdivision 2, they shall be made good by general levies, not subject to limit, on all taxable properties in the district in accordance with Minnesota Statutes, section 475.74. If any deficiency levies are necessary, the school board may effect a temporary loan or loans on certificates of indebtedness issued in anticipation of them to meet payments of principal or interest on the bonds due or about to become due.

Subd. 4. [LEVY LIMITATIONS.] Taxes levied pursuant to this

section shall be disregarded in the calculation of any other tax levies or limits on tax levies provided by other law.

Subd. 5. [BONDING LIMITATIONS.] Bonds may be issued under authority of this section notwithstanding any limitations upon the indebtedness of a district, and their amounts shall not be included in computing the indebtedness of a district for any purpose, including the issuance of subsequent bonds and the incurring of subsequent indebtedness.

Subd. 6. [TERMINATION OF APPROPRIATION.] The appropriation authorized in subdivision 2 shall terminate upon payment or maturity of the last of those bonds.

Subd. 7. [LOCAL APPROVAL.] This section is effective for independent school district No. 710 the day after its governing body complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 64. [ENVIRONMENTAL LEARNING CENTER.]

Notwithstanding any law to the contrary, a county in which a facility is located that qualifies for a tax credit pursuant to section 298.24, subdivision 4, is authorized to issue general obligation bonds in a principal amount up to $1,700,000. The bonds shall be issued pursuant to chapter 475 except the requirements of section 475.58 shall not apply and the amount of the bonds shall not be counted in computing any net debt limitation imposed by chapter 475, or any other law. The proceeds of the bond issue may be expended for the purchase of land and construction of facilities for an environmental learning center. The environmental learning center shall annually make payment in a sum sufficient to repay the annual principal and interest due on the bonds and reimburse the county for any costs incurred in the issuance of the bonds; provided that the county and the environmental learning center may negotiate a payment schedule based on level periodic payments which, in total, would be sufficient to amortize the principal and interest of the bonds over their entire term and compensate the county for the difference in the timing of the payments and the actual amortization requirements of the bonds' repayment schedule. If the environmental learning center fails to make the payments required, there is appropriated from the Northeast Minnesota Economic Protection Trust an amount sufficient to repay any remaining interest and principal due on the bonds. The amount of any payment from the Northeast Minnesota Economic Protection Trust is a lien against the property that is purchased and improved with the proceeds of the bond.

Sec. 65. [REPEALER.]

Minnesota Statutes 1986, section 121.9121, subdivision 7; Minnesota Statutes 1987 Supplement, sections 123.703, subdivision 3; 129B.74; and 129B.75; and Laws 1984, chapter 463, article 7, section

45, are repealed effective July 1, 1988. Section 60 is repealed July 1, 1989. Section 8, subdivision 1, and Minnesota Statutes 1987 Supplement, section 123.3515, are repealed June 30, 1990.

Sec. 66. [EFFECTIVE DATE.]

Sections 1, 2, 3, 4, 5, 6, 7, 43, 56, 57, and 59 are effective the day following final enactment.

Section 54 is effective the day following final enactment. A district specified in section 54 located wholly or partly in Goodhue county may become a participating district upon adoption of an approving resolution by its school board and the board of intermediate school district No. 917, upon compliance with Minnesota Statutes, section 136D.85, and upon execution of an agreement with the board of intermediate school district No. 917.

Section 8 is effective for the 1989-1990 school year and thereafter.

After December 31, 1993, the provisions of Minnesota Statutes, section 92.67, subdivisions 1 and 3, apply only to sales made under section 6, subdivision 4, clause (a)(5).

ARTICLE 8

EDUCATION FACILITIES

Section 1. [121.148] [SCHOOL DISTRICT CONSTRUCTION.]

Subdivision 1. [POSITIVE REVIEW AND COMMENT.] If the commissioner submits a positive review and comment for a proposal according to section 121.15, the school board may proceed with the construction according to the requirements of applicable laws.

Subd. 2. [NEGATIVE REVIEW AND COMMENT.] If the commissioner submits a negative review and comment for a proposal according to section 121.15, the school board, by resolution of the board, shall reconsider construction. If, upon reconsideration, the school board decides to proceed with construction, it may initiate proceedings for issuing bonds to finance construction under sections 475.51 to 475.76. Unless 60 percent of the voters at the election approve of issuing the obligations, the board is not authorized to issue the obligations.

Sec. 2. Minnesota Statutes 1986, section 121.15, is amended to read:

121.15 [REVIEW AND COMMENT FOR SCHOOL DISTRICT CONSTRUCTION.]

Subdivision 1. [CONSULTATION.] A school district shall consult with the ~~department~~ commissioner of education before developing any plans and specifications to construct, remodel, or improve the building or site of an educational facility, other than an area vocational technical institute, for which the estimated cost exceeds $100,000. This consultation shall occur before a referendum for bonds, solicitation for bids, or use of capital ~~funds~~ expenditure facilities revenue according to section ~~275.125, subdivision 11a, clause (c), is initiated~~ section 4, subdivision 6, clause (2).

Subd. 2. [PLAN SUBMITTAL.] The ~~department of education~~ commissioner, after the consultation required in subdivision 1, may require a school district ~~engaging in a construction, remodeling, or site improvement project~~ to submit the following for approval:

(a) two sets of preliminary plans for each new building or addition, and

(b) one set of final plans for each construction, remodeling, or site improvement project. The ~~department of education~~ commissioner shall approve or disapprove the plans within 60 days after submission. ~~A school district shall not award contracts before the department approves the plans.~~

Final plans shall meet all applicable state laws, rules, and codes concerning public buildings, including sections 16B.59 to 16B.73. ~~The department of education's approval shall be limited to compliance with applicable state laws, rules, and codes and shall reasonably conform to the recommended educational standards established by the department of education.~~ The department may furnish to a school district plans and specifications for temporary school buildings containing two classrooms or less.

Subd. 3. [FINAL PLANS.] If ~~no~~ a construction contract has not been awarded within two years of approval, the approval shall ~~no longer~~ not be valid. After approval, final plans and the approval shall be filed with the ~~department~~ commissioner of education. If substantial changes are made to approved plans ~~after final approval~~, documents reflecting the changes shall be submitted to the ~~department of education~~ commissioner for approval. Upon completing a project, the school board shall certify to the ~~department~~ commissioner that the project was completed according to the approved plans.

Subd. 4. [CONDEMNATION OF SCHOOL BUILDINGS.] The ~~department of education~~ commissioner may condemn school buildings and sites ~~which~~ that the state board of education determines are unfit or unsafe for that use.

Subd. 5. [RULEMAKING.] The state board of education may adopt rules for public school buildings.

Subd. 6. [REVIEW AND COMMENT.] No referendum for bonds or solicitation of bids for new construction, expansion, or remodeling of an educational facility ~~which~~ that requires ~~a capital~~ an expenditure in excess of $400,000 per school site shall be initiated prior to review and comment by the commissioner. A school board shall not separate portions of a single project into components to avoid the requirements of this subdivision.

Subd. 7. [INFORMATION REQUIRED.] A school board proposing to construct a facility described in subdivision 6 shall submit to the commissioner a proposal containing information including at least the following:

(a) the geographic area proposed to be served, whether within or outside the boundaries of the school district;

(b) the ~~population~~ people proposed to be served, including census findings and projections for the next ten years of the number of preschool and school-aged people in the area;

(c) the reasonably anticipated need for the facility or service to be provided;

(d) a description of the construction in reasonable detail, including: the ~~capital~~ expenditures contemplated; the estimated annual operating cost, including the anticipated salary and number of new staff necessitated by the proposal; and an evaluation of the energy efficiency and effectiveness of the construction, including estimated annual energy costs;

(e) ~~so far as is known,~~ a description of existing facilities within the area to be served ~~that offer the same or similar service~~ and within school districts adjacent to the area to be served; the extent to which existing facilities or services are used; the extent to which alternate space is available ~~from other sources~~, including other school districts, post-secondary institutions ~~for higher education~~, or other public buildings; and the anticipated effect that the ~~proposal~~ facility will have on existing facilities and services;

(f) the anticipated benefit of the facility to the area ~~that will result from the facility~~;

(g) if known, the relationship of the proposed construction to any priorities ~~which~~ that have been established for the area to be served;

(h) the availability and manner of financing the facility and the estimated date to begin and complete the facility; ~~and~~

(i) desegregation requirements that cannot be met by any other reasonable means; and

(j) the relationship of the proposed facility to the cooperative integrated learning needs of the area.

Subd. 8. [REVIEW OF PROPOSALS.] In reviewing each proposal, the commissioner shall submit to the school board, within 60 days of receiving the proposal, the review and comment about the educational and economic advisability of the project. The review and comment shall be based on information submitted with the proposal and other information the commissioner determines is necessary. If the commissioner submits a negative review and comment for a portion of a proposal, the review and comment shall clearly specify which portion of the proposal received a negative review and comment and which portion of the proposal received a positive review and comment.

Subd. 9. [PUBLICATION.] At least 20 days but not more than 60 days before a referendum for bonds or solicitation of bids to construct a facility described in subdivision 6, the school board shall publish the commissioner's review and comment in ~~a~~ the legal newspaper of ~~general circulation in the area~~ the district. Supplementary information shall be available to the public.

Subd. 10. [REPORT.] Before January 15 of each year, the commissioner shall report to the legislature about the number and nature of proposals for projects submitted according to this section, the nature of the review and comment on the educational and economic advisability of the project, and any recommendations.

Sec. 3. Minnesota Statutes 1987 Supplement, section 121.912, subdivision 1, is amended to read:

Subdivision 1. [LIMITATIONS.] Except as provided in this subdivision, sections 121.9121, 123.36, 4, 475.61, and 475.65, a school district may not permanently transfer money from (1) an operating fund to a nonoperating fund; (2) a nonoperating fund to another nonoperating fund; or (3) a nonoperating fund to an operating fund. Permanent transfers may be made from any fund to any other fund to correct for prior fiscal years' errors discovered after the books have been closed for that year. Permanent transfers may be made from the general fund to any other operating funds if the resources of the other fund are not adequate to finance approved expenditures from that other fund. Permanent transfers may also be made from the general fund to eliminate deficits in another fund when that other fund is being discontinued. When a district discontinues operation of a district-owned bus fleet or a substantial portion of a fleet, permanent transfers may be made from the fund balance account entitled "pupil transportation fund appropriated for bus purchases" to the capital expenditure fund, with the approval of the commissioner.

The levy authorized pursuant to section ~~275.125, subdivision 11a~~ 4, shall be reduced by an amount equal to the amount transferred. Any school district may transfer any amount from the unappropriated fund balance account in its transportation fund to any other operating fund or to the appropriated fund balance account for bus purchases in its transportation fund.

Sec. 4. [124.243] [CAPITAL EXPENDITURE; FACILITIES.]

Subdivision 1. A school board shall, by resolution adopted by a two-thirds vote of its governing body and after notice and hearing, adopt a capital expenditure facilities program. The district shall publish notice of the hearing in its official newspaper at least 20 days before the hearing. The program shall include plans for repair and restoration of existing district-owned facilities and plans for new construction. The program shall include specific provisions to correct any existing health and safety hazards. The program must set forth the facilities to be improved, a schedule of work not more than five years from the adoption or amendment of the program, the estimated cost of the improvements to be made, and the proposed methods of financing the program. The program must be reviewed by the district biennially before July 1 of each odd-numbered year, after notice and hearing. After the review, the program may be amended to include the ensuing five-year period.

Subd. 2. [CAPITAL EXPENDITURE FACILITIES REVENUE.] Capital expenditure facilities revenue for a district equals the lesser of:

(1) $137 times its actual pupil units for the school year; or

(2) the difference between $400 times the actual pupil units for the school year and the unreserved balance in the capital expenditure facilities account on June 30 of the second prior school year. For the purpose of determining revenue for the 1989-1990 and the 1990-1991 school years, the unreserved balance in the capital expenditure facilities account on June 30 of the second prior school year is zero.

Subd. 3. [CAPITAL EXPENDITURE FACILITIES LEVY.] To obtain capital expenditure facilities revenue, a district may levy an amount not to exceed the capital expenditure facilities revenue determined in subdivision 2 multiplied by the lesser of one, or the ratio of:

(1) the quotient derived by dividing the adjusted assessed valuation of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) 75 percent of the equalizing factor for the school year to which the levy is attributable.

Subd. 4. [ALTERNATE LEVY.] If a district's capital expenditure facilities revenue is less than $137 times the actual pupil units for the school year, the levy shall be the following amount:

(1) the levy determined in subdivision 3, times

(2) the ratio of the capital expenditure facilities revenue to an amount equal to $137 times the actual pupil units.

Subd. 5. [CAPITAL EXPENDITURE FACILITIES AID.] A district's capital expenditure facilities aid is the difference between the capital expenditure facilities revenue and the capital expenditure facilities levy. If the district does not levy the entire amount permitted, the aid is reduced in proportion to the actual amount levied. Capital expenditure facilities aid must not be reduced as a result of the reduction in capital expenditure facilities levy under section 3.

Subd. 6. [USES OF REVENUE.] Capital expenditure facilities revenue may be used only for the following purposes:

(1) to acquire land for school purposes;

(2) to acquire or construct buildings for school purposes, if approved by the commissioner of education according to applicable statutes and rules;

(3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;

(4) to equip, reequip, improve, and repair school sites, buildings, and permanent attached fixtures;

(5) for a surplus school building that is used substantially for a public nonschool purpose;

(6) to eliminate barriers or increase access to school buildings by handicapped individuals;

(7) to bring school buildings into compliance with the uniform fire code adopted according to chapter 299F;

(8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;

(9) to clean up and dispose of polychlorinated biphenyls found in school buildings;

(10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01;

(11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;

(12) to improve buildings that are leased according to section 123.36, subdivision 10;

(13) to pay special assessments levied against school property but not to pay assessments for service charges;

(14) to pay principal and interest on state loans for energy conservation according to section 116J.37 or loans made under the northeast Minnesota economic protection trust fund act according to sections 298.292 to 298.298; and

(15) to purchase or lease interactive telecommunications equipment.

Subd. 7. [SEPARATE ACCOUNT.] Capital expenditure facilities revenue must be placed in a separate account within the capital expenditure fund.

Subd. 8. [FUND TRANSFERS.] Money in the account for capital expenditure facilities revenue must not be transferred into any other account or fund, except that the school board may, by resolution, transfer money into the debt redemption fund to pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475.

Subd. 9. [FUND ALLOCATION.] Capital expenditure facilities revenue may be allocated to the capital expenditure fund or the debt redemption fund. Each year a district shall notify the department about the amount of the capital expenditure facilities revenue to be allocated to each fund. The department shall calculate the aid and levy for each fund and reduce the debt service levy of the district by the amount of the levy allocated to the debt redemption fund.

Subd. 10. [INTEREST INCOME.] All interest income attributable to the capital expenditure facilities revenue account must be credited to the account.

Sec. 5. Minnesota Statutes 1987 Supplement, section 124.244, is amended to read:

124.244 [CAPITAL EXPENDITURE EQUIPMENT REVENUE.]

Subdivision 1. [REVENUE AMOUNT.] The capital expenditure equipment revenue for each district equals ~~$153~~ $70 times its actual pupil units counted according to section 124.17, subdivision 1, for the school year.

Subd. 2. [CAPITAL EXPENDITURE EQUIPMENT LEVY.] To obtain capital expenditure equipment revenue, a district may levy an amount not to exceed ~~three mills times the adjusted assessed valuation of the district for the preceding year~~ the district's capital expenditure equipment revenue as determined in subdivision 1 multiplied by the lesser of one, or the ratio of:

(1) the quotient derived by dividing the adjusted assessed valuation of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) 75 percent of the equalizing factor for the school year to which the levy is attributable.

Subd. 3. [CAPITAL EXPENDITURE EQUIPMENT AID.] A district's capital expenditure equipment aid is the difference between the capital expenditure equipment revenue and the capital expenditure equipment levy. If a district does not levy the entire amount permitted, capital expenditure equipment aid must be reduced in proportion to the actual amount levied. Capital expenditure equipment aid must not be reduced as a result of a reduction of its capital expenditure equipment levy under section 6.

Subd. 4. [USES OF REVENUE.] Capital expenditure equipment revenue may be used only for the following purposes:

(1) ~~to acquire land for school purposes;~~

~~(2) to acquire or construct buildings for school purposes, if approved by the commissioner of education according to applicable statutes and rules;~~

~~(3) to rent or lease buildings for school purposes;~~

~~(4) to equip, reequip, improve, and repair school sites, buildings and permanent attached fixtures;~~

~~(5) to eliminate barriers or increase access to school buildings by handicapped individuals;~~

~~(6) to bring school buildings into compliance with the uniform fire code adopted according to chapter 299F;~~

~~(7) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;~~

~~(8) to clean up and dispose of polychlorinated biphenyls found in school buildings;~~

~~(9) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01;~~

~~(10) for energy audits for school buildings and to make modifications if the audit indicates the costs can be recovered within ten years;~~

~~(11) to improve buildings that are leased according to section 123.36, subdivision 10;~~

~~(12) to pay special assessments levied against school property but not to pay assessments for service charges;~~

~~(13)~~ to pay capital expenditure equipment related assessments of ~~an educational cooperative service unit~~ any entity formed under a cooperative agreement between two or more districts;

~~(14) to pay principal and interest on state loans for energy conservation according to section 116J.37 or loans made under the northeast Minnesota economic protection trust fund act according to sections 298.292 to 298.298;~~

~~(15)~~ (2) to purchase or lease computers and related materials, copying machines, ~~and~~ telecommunications equipment, and other noninstructional equipment;

~~(16)~~ (3) to purchase or lease equipment for ~~secondary vocational education programs or senior secondary industrial arts~~ instructional programs; ~~and~~

~~(17)~~ (4) to purchase textbooks;

(5) to purchase library books; and

(6) to purchase vehicles except those for which a levy is authorized under section 275.125, subdivision 5f.

Sec. 6. [124.2445] [PURCHASE OF CERTAIN EQUIPMENT.]

The board of a school district may issue certificates of indebtedness or capital notes subject to the school district debt limits to purchase vehicles other than school buses, computers, telephone systems, cable equipment, photocopy and office equipment, techno-

logical equipment for instruction, and other capital equipment having an expected useful life at least as long as the terms of the certificates or notes. The certificates or notes must be payable in not more than five years and must be issued on the terms and in the manner determined by the board. A tax levy must be made for the payment of the principal and interest on the certificates or notes, in accordance with section 475.61, as in the case of bonds. That tax levy for each year must not exceed the amount of the district's capital expenditure equipment levy under section 124.244 for the year the initial debt service levies are certified. The district's capital expenditure levy under section 124.244 for each year must be reduced by the amount of the tax levies for debt service certified for each year for payment of the principal and interest on the certificates or notes as required by section 475.61.

Sec. 7. Minnesota Statutes 1986, section 124.43, subdivision 1, is amended to read:

Subdivision 1. [REVIEW BY COMMISSIONER.] (a) ~~To the extent moneys are from time to time available hereunder,~~ The commissioner may, after review and a favorable recommendation by the state board of education, recommend to the legislature capital loans to school districts. Proceeds of the loans shall be used only for sites for school buildings and for acquiring, bettering, furnishing, or equipping school buildings under contracts to be entered into within 12 months from and after the date on which each loan is granted. ~~Applications with the accompanying data specified in subdivision 2 shall be filed between October 1 of any year and the following June 1.~~

(b) Any school board ~~which~~ that intends to submit an application for a capital loan shall submit a proposal to the commissioner for review and comment pursuant to section 121.15 by September 1 of any year, and the commissioner shall prepare a review and comment on the proposed facility, regardless of the amount of the capital expenditure required to construct the facility. The state board shall not make a favorable recommendation on an application for a capital loan for any facility unless:

(1) the facility receives a ~~favorable~~ positive review and comment pursuant to section 121.15; and

(2) the state board determines that

(A) the facilities are needed to replace facilities dangerous to the health and safety of pupils, or to provide for pupils for whom no adequate facilities exist;

(B) the facilities could not be made available through dissolution and attachment of the district to another district or through pairing, interdistrict cooperation, or consolidation with another district, or

through the purchase or lease of facilities from existing institutions within the area. The preference of the school district regarding reorganization shall not be a criterion used by the state board in determining whether the facilities could be made available through reorganization;

(C) the facilities are comparable in size and quality to facilities recently constructed in other districts of similar enrollment; and

(D) the district's need for the facilities is comparable to needs ~~which~~ that comparable districts are meeting through local bond issues.

The state board may recommend that the loan be approved in a reduced amount in order to meet the foregoing criteria. If the state board recommends that a loan not be approved, the commissioner shall not recommend approval of the loan. If the state board recommends that the loan be approved in a reduced amount, the commissioner shall not recommend approval of a loan larger than that recommended by the state board.

(c) As part of reviewing an application for a capital loan, the commissioner of education shall prepare estimated yearly repayments by the school district and the estimated amount of principal and interest that may be forgiven after the term of the loan. These estimates shall assume no growth in assessed valuation over the term of the loan, shall assume a ~~16 mill~~ levy equal to 16 mills times the adjusted assessed value, and shall be prepared using a methodology approved by the commissioner of finance. The commissioner of education shall use a discount factor provided by the commissioner of finance in determining the present value of the estimated amount of interest and principal which may be forgiven after the term of the loan.

(d) No loan shall be recommended for approval for any district exceeding an amount computed as follows:

(1) The amount ~~voted~~ requested by the district under subdivision 2;

(2) Plus the aggregate principal amount of general obligation bonds of the district outstanding on ~~the date of approval~~ June 30 of the year following the year the application was received, not exceeding the limitation on net debt of the district in section 475.53, subdivision 4, or 24 percent of the adjusted assessed value, whichever is less;

(3) Less the maximum net debt permissible for the district ~~on the date of approval~~ on December 1 of the year the application is received, under the limitation in section 475.53, subdivision 4, or 24

percent of the most recent adjusted assessed value available at the time of application, whichever is less; and

(4) Less any amount by which the amount voted exceeds the total cost of the facilities for which the loan is granted, as estimated in accordance with subdivision 4, provided that the loan may be approved in an amount computed as provided in clauses (1) to (3), subject to subsequent reduction in accordance with this clause.

Sec. 8. Minnesota Statutes 1986, section 124.43, subdivision 2, is amended to read:

Subd. 2. [DISTRICT PROCEDURES.] The school board of any district desiring a capital loan shall adopt a resolution stating the amount proposed to be borrowed, the purpose for which the debt is to be incurred, and an estimate of the dates when the facilities for which the loan is requested will be contracted for and completed. ~~The question of authorizing the borrowing of funds for the facilities shall be submitted to the voters of the district at a regular or special election. The question submitted shall state the total amount to be borrowed from all sources. A majority of those voting on the question shall be sufficient to authorize the district to effect the state loan application and also to issue the bonds on public sale in accordance with chapter 475.~~ Applications for loans shall be accompanied by (a) a copy of the resolution, and (b) ~~a certificate by the clerk showing the vote at the election,~~ ~~(c)~~ a certificate by the clerk and treasurer showing the then outstanding indebtedness of the district~~, and (d) a certificate by the county auditor of each county in which a portion of the district lies showing the information in the auditor's official records which is required to be used in computing the debt limit of the district under section 475.53, subdivision 4~~. The clerk's and treasurer's certificate shall show, as to each outstanding bond issue, the amount originally issued, the purpose for which issued, the date of issue, the amount remaining unpaid as of the date of the resolution, and the interest rates and due dates and amounts of principal thereon. Applications shall be in the form and accompanied by the additional data which the commissioner and state board of education prescribe. Applications must be received by the commissioner by December 1 of any year. When an application is received, the commissioner shall obtain from the commissioner of revenue, and from the public utilities commission when required, the information in their official records which is required to be used in computing the debt limit of the district under section 475.53, subdivision 4.

Sec. 9. Minnesota Statutes 1986, section 124.43, subdivision 3, is amended to read:

Subd. 3. [~~AWARD OF LOANS~~ RECOMMENDATIONS OF THE COMMISSIONER.] The commissioner shall examine and consider all applications for capital loans which have been recommended by

the state board of education, and ~~if any applicant district~~ is promptly notify any district found not qualified ~~it shall be promptly notified thereof~~ by the state board of the state board's decision. The commissioner shall make recommendations concerning each capital loan to the education committees of both houses of the legislature by February 1 of each year. The commissioner shall also report on the funds remaining in the capital loan account, and if necessary, request that another bond issue be authorized. ~~On January 1 and July 1 of each year, the commissioner shall make a determination on all pending applications which have been on file with the commissioner more than one month. If an applicant is qualified in the opinion of the commissioner and the aggregate of the amounts applied for does not exceed the amount available or which can be made available in the capital loan account, all loans so applied for shall be granted, subject to acceptance by the respective districts as specified below. If the aggregate exceeds the amount which is or can be made available, the commissioner shall allot the available amount among the qualified applicant districts, or any of them, according to the commissioner's judgment and discretion based upon their respective needs. The commissioner shall promptly certify to each qualified applicant district the amount, if any, of the capital loan granted to it, subject to adjustment under subdivision 1, clause (4).~~

Sec. 10. Minnesota Statutes 1986, section 124.43, is amended by adding a subdivision to read:

Subd. 3a. [LEGISLATIVE ACTION.] Each capital loan must be approved in law.

If the aggregate amount of the capital loans exceeds the amount that is or can be made available, the commissioner shall allot the available amount among any number of qualified applicant districts, according to the commissioner's judgment and discretion, based upon the districts' respective needs.

Sec. 11. Minnesota Statutes 1986, section 124.43, is amended by adding a subdivision to read:

Subd. 3b. [DISTRICT REFERENDUM.] Upon receipt of the review and comment on the project, the question authorizing the borrowing of funds for the facilities must be submitted by the school board to the voters of the district at a regular or special election. The question submitted shall state the total amount to be borrowed from all sources. Approval of a majority of those voting on the question is sufficient to authorize the issuance of the obligations on public sale in accordance with chapter 475. However, no capital loan is available to the district until the capital loan is approved in law and the question is approved by a majority of the voters of the district at a regular or special election. The district shall mail to the commis-

sioner of education a certificate by the clerk showing the vote at the election.

Sec. 12. [124.477] [BOND ISSUE; MAXIMUM EFFORT SCHOOL LOANS; 1988.]

To provide money to be loaned to school districts as agencies and political subdivisions of the state to acquire and to better public land and buildings and other public improvements of a capital nature, in the manner provided by the maximum effort school aid law, the commissioner of finance shall issue and sell school loan bonds of the state of Minnesota in the maximum amount of $20,000,000, in addition to the bonds already authorized for this purpose. The same amount is appropriated to the maximum effort school loan fund and must be spent under the direction of the commissioner of education to make debt service loans and capital loans to school districts as provided in sections 124.36 to 124.47. The bonds must be issued and sold and provision for their payment must be made according to section 124.46. Enough money to pay interest on the bonds to and including July 1 in the second year after the date of issue must be credited from the bond proceeds to the school loan bond account in the state bond fund. Expenses incidental to the sale, printing, execution, and delivery of the bonds, including, but without limitation, actual and necessary travel and subsistence expenses of state officers and employees for those purposes, must be paid from the maximum effort school loan fund, and the money necessary for the expenses is appropriated from that fund.

Sec. 13. Minnesota Statutes 1987 Supplement, section 124.494, subdivision 4, is amended to read:

Subd. 4. [AWARD OF GRANTS.] The commissioner shall examine and consider all applications for grants, and if any joint powers district is found not qualified, the commissioner shall promptly notify that joint powers board. On ~~January 1 and~~ July 1 of ~~each year~~ 1988, the commissioner shall make ~~a determination on all pending applications that~~ awards to no more than two qualified applicants whose applications have been on file with the commissioner more than one month. ~~If the applicants are determined to be qualified by the commissioner and the total amount of the grants applied for does not exceed the amount available or that can be made available in the incentive grant account, all grants so applied for shall be approved.~~ A grant award is subject to verification by the joint powers districts as specified in subdivision 6. If the total amount of the approved applications exceeds the amount that is or can be made available, the commissioner shall allot the available amount ~~among~~ equally between the ~~qualified~~ approved applicant districts~~, according to the commissioner's judgment and discretion based upon their respective needs~~. The commissioner shall promptly certify to each qualified joint powers district the amount, if any, of the grant awarded to it.

Sec. 14. Minnesota Statutes 1987 Supplement, section 124.494, subdivision 5, is amended to read:

Subd. 5. [REFERENDUM; BOND ISSUE.] Within 90 days after being awarded a grant under subdivision 4, the joint powers board shall submit the question of authorizing the borrowing of funds for the secondary facility to the voters of the joint powers district at a special election, which may be held in conjunction with the annual election of the school board members of the member districts. The question submitted shall state the total amount of funding needed from all sources. A majority of those voting in the affirmative on the question is sufficient to authorize the joint powers board to accept the grant and to issue the bonds on public sale in accordance with chapter 475. The clerk of the joint powers board must certify the vote of the bond election to the commissioner of education. If the ~~bonds are authorized~~ question is approved by the voters, the commissioner shall notify the ~~county auditor of each county in which the joint powers district is located~~ approved applicant districts that the grant amount certified under subdivision 4 is available and appropriated for payment ~~of principal and interest on the bonds issued under this subdivision, and the auditor shall reduce the joint powers district's debt service levies accordingly~~ under this subdivision. If a majority of those voting on the question do not vote in the affirmative, the grant must be canceled.

Sec. 15. Minnesota Statutes 1987 Supplement, section 124.494, subdivision 6, is amended to read:

Subd. 6. [CONTRACT.] Each grant must be evidenced by a contract between the joint powers board and the state acting through the commissioner. ~~It~~ The contract obligates the state to pay to the joint powers board an amount computed according to subdivision 4, ~~upon receipt by the commissioner of a certified resolution of the joint powers board verifying that contracts have been entered into for construction or remodeling of the facilities for which the grant is awarded and that bonds of the joint powers district have been issued and sold in the amount necessary to pay all project costs in excess of the amount of the grant, and estimating the costs~~ and according to a schedule, and terms and conditions acceptable to the commissioner of finance.

Sec. 16. [124.4945] [LEVY FOR SEVERANCE PAY.]

A joint powers board established under section 124.494 may make a levy to provide severance pay and early retirement incentives under section 125.611, for any teacher as defined under section 125.12, subdivision 1, who is placed on unrequested leave as a result of the cooperative secondary facility agreement. A joint powers board making a levy shall certify to each participating district tax levies sufficient to raise the amount necessary to provide the district's portion of severance pay and early retirement incentives.

The tax levy certified to each district must be expressed as a mill rate, that, when applied to the adjusted assessed valuation of all of the participating districts raises the amount necessary to provide severance pay and early retirement incentives. Each participating school district shall include the levy in the next tax roll which it shall certify to the county auditor, and shall remit the collections of the levy to the joint powers board.

Sec. 17. Minnesota Statutes 1987 Supplement, section 124.495, is amended to read:

124.495 [STATE BOND AUTHORIZATION.]

To provide money for the cooperative secondary facilities grant program, the commissioner of finance, upon the request of the commissioner of education, shall issue and sell bonds of the state up to the amount of ~~$8,000,000~~ $16,000,000 in the manner, upon the terms and with the effect prescribed by sections 16A.631 to 16A.675 and the Minnesota Constitution, article XI, sections 4 to 7.

Sec. 18. [124.82] [BUILDING CONSTRUCTION DOWN PAYMENT PROGRAM.]

Subdivision 1. [CREATION OF A DOWN PAYMENT ACCOUNT.] A school district may create a down payment account as a separate account in its construction fund. All proceeds from the down payment levy must be deposited in the capital expenditure fund and transferred to this account. Interest income attributable to the down payment account must be credited to the account.

Subd. 2. [USES OF THE ACCOUNT.] Money in the down payment account must be used as a down payment for the future costs of acquisition and betterment for a project that has been reviewed under section 121.15 and has been approved according to subdivision 3.

Subd. 3. [FACILITIES DOWN PAYMENT LEVY REFERENDUM.] A district may levy the millage approved by a majority of the electors voting on the question to provide funds for a down payment for an approved project. The election must take place no more than five years before the estimated date of commencement of the project. The referendum must be held on a date set by the school board. A referendum for a project not receiving a positive review and comment by the commissioner under section 121.15 must be approved by at least 60 percent of the voters at the election. The referendum may be called by the school board and may be held:

(1) separately, before an election for the issuance of obligations for the project under chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the down payment levy and the issuance of obligations for the project under chapter 475. Any obligations authorized for a project may be issued within five years of the date of the election.

The ballot must provide a general description of the proposed project, state the estimated total cost of the project, state whether the project has received a positive or negative review and comment from the commissioner of education, state the maximum amount of the down payment levy in mills, state the amount that will be raised by that millage in the first year it is to be levied, and state the maximum number of years that the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section and a question stating substantially the following:

"Shall the down payment levy proposed by the board of ..... School District No. ..... be approved?"

If approved, the amount provided by the approved millage applied to each year's taxable valuation may be certified for the number of years approved.

In the event a conjunctive question proposes to authorize both the down payment levy and the issuance of obligations for the project, appropriate language authorizing the issuance of obligations must also be included in the question.

The district must notify the commissioner of education of the results of the referendum.

Subd. 4. [EXCESS BUILDING CONSTRUCTION FUND LEVY PROCEEDS.] Any funds remaining in the down payment account that are not applied to the payment of the costs of the approved project before its final completion must be transferred to the district's debt redemption fund.

Sec. 19. [124.83] [CAPITAL EXPENDITURE; HEALTH AND SAFETY.]

Subdivision 1. [HEALTH AND SAFETY PROGRAM.] To receive health and safety revenue a district must submit to the commissioner of education an application for aid and levy by August 15 in the previous school year. The application may be for hazardous substance removal, fire code compliance, or life safety repairs. The

application must include a health and safety program adopted by the school district board. The program must include the estimated cost of the program by fiscal year.

Subd. 2. [CONTENTS OF PROGRAM.] A district may adopt a health and safety program. The program may include plans for hazardous substance removal, fire code compliance, or life safety repairs.

A hazardous substance plan must contain provisions for the removal or encapsulation of asbestos from school buildings or property, asbestos-related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, and cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel, oil, and special fuel, as defined in section 296.01. If a district has already developed a plan for the removal or encapsulation of asbestos, a new plan is not necessary for purposes of this section.

A fire safety plan must contain a description of the current fire code violation, a plan for the removal or repair of the fire hazard, and a description of safety preparation and awareness procedures to be followed until the hazard is fully corrected.

A life safety plan must contain a description of the life safety hazard and a plan for its removal or repair.

Subd. 3. [HEALTH AND SAFETY REVENUE.] A district's health and safety revenue equals the approved cost of the health and safety program for the school year to which the levy is attributable, minus the unexpended portion of levies certified by the district in earlier years under section 275.125, subdivision 11c.

Subd. 4. [HEALTH AND SAFETY LEVY.] To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lessor of one, or the ratio of:

(1) the quotient derived by dividing the adjusted assessed valuation of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) 75 percent of the equalizing factor for the school year to which the levy is attributable.

Subd. 5. [HEALTH AND SAFETY AID.] A district's health and safety aid is the difference between its health and safety revenue and its health and safety levy. If a district does not levy the entire

amount permitted, health and safety aid must be reduced in proportion to the actual amount levied.

Subd. 6. [USES OF HEALTH AND SAFETY REVENUE.] Health and safety revenue may be used only for expenditures necessary to correct fire safety hazards, life safety hazards, or for the removal or encapsulation of asbestos from school buildings or property, asbestos-related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, or the cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01.

Subd. 7. [PRORATION.] In the event that the health and safety aid available for any year is prorated, a district having its aid prorated may levy an additional amount equal to the amount not paid by the state due to proration.

Sec. 20. Minnesota Statutes 1986, section 275.125, is amended by adding a subdivision to read:

Subd. 4a. [DOWN PAYMENT LEVY.] A school district may levy the amount authorized for a down payment levy according to section 18.

Sec. 21. Minnesota Statutes 1986, section 275.125, is amended by adding a subdivision to read:

Subd. 11e. [EXTRA CAPITAL EXPENDITURE LEVY FOR LEASING BUILDINGS.] When a district finds it economically advantageous to rent or lease a building for a secondary vocational cooperative program and it determines that the capital expenditure facilities revenues authorized under section 4 are insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use. The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building for approved purposes. The proceeds of this levy must not be used for leasing or renting a facility owned by a district or for custodial or other maintenance services.

Sec. 22. Laws 1987, chapter 400, section 59, is amended to read:

Sec. 59. [REPEALER.]

Sections 33 to ~~38~~ 36 are repealed June 30, 1989.

Sec. 23. [CAPITAL LOANS.]

Subdivision 1. [LOAN TO MILACA SCHOOL DISTRICT.] A capital loan in an amount not to exceed $4,791,000 to independent school district No. 912, Milaca, is approved.

Subd. 2. [LOAN TO HOLDINGFORD SCHOOL DISTRICT.] A capital loan in an amount not to exceed $1,087,000 to independent school district No. 738, Holdingford, is approved.

Subd. 3. [LOAN TO REDWOOD FALLS SCHOOL DISTRICT.] A capital loan in an amount not to exceed $5,838,000 to independent school district No. 637, Redwood Falls, is approved.

Sec. 24. [DEBT SERVICE.]

The legislature estimates that the amount that will need to be transferred from the general fund to the state bond fund to pay principal and interest due and to become due on state general obligation bonds issued for the cooperative secondary facilities grant program authorized by the amendment to Minnesota Statutes, section 124.495, contained in this article will be $608,900 for the fiscal year ending June 30, 1989.

Sec. 25. [1988 LEVY FOR LEASING BUILDINGS.]

A district may levy in 1988 the amount the district would have been authorized to levy in 1987 for the cost of renting or leasing buildings according to Minnesota Statutes, section 275.125, subdivision 12, had the authority to levy for this purpose not been repealed.

Sec. 26. [APPROPRIATION.]

$8,000,000 is appropriated from the state building fund to the commissioner of education for fiscal year 1988 for grants to districts under the cooperative secondary facilities grant program according to Minnesota Statutes, section 124.494. This appropriation is in addition to the amount appropriated by Laws 1987, chapter 400, section 16, subdivision 4.

Sec. 27. [REPEALER.]

Minnesota Statutes 1986, section 124.435; Minnesota Statutes 1987 Supplement, sections 124.245, subdivisions 3, 3a, and 3b; and 275.125, subdivision 11c, are repealed effective for the 1989-1990 school year.

Sec. 28. [EFFECTIVE DATES.]

Sections 1 and 2 are effective the day following final enactment for projects that have not been submitted to the department for review and comment under Minnesota Statutes 1986, section 121.15. Sections 6 to 18, 20, 23, 24, and 26, are effective the day following final enactment. Sections 4, 5, and 19 are effective for revenue for the 1989-1990 school year and thereafter."

Delete the title and insert:

"A bill for an act relating to education; establishing general education revenue; modifying aspects of educational programs for American Indian people; providing for certain levying authority and limitations; modifying certain levies, aid, and grant programs; establishing learning year program sites; providing for revenue for school facilities; authorizing bonding; approving capital loans; offering free admission to secondary school to eligible persons at least 21 years of age; creating education district revenue; providing for the sale of permanent school fund lands; requiring certain changes in the state high school league; creating a task force on education organization; appropriating money; amending Minnesota Statutes 1986, sections 92.06, subdivision 4; 92.14, by adding a subdivision; 92.67, subdivision 5; 120.06, by adding a subdivision; 120.075, subdivision 1a, 3, and by adding a subdivision; 120.0751, subdivision 1, and by adding a subdivision; 120.0752, subdivision 1, and by adding a subdivision; 120.08, subdivision 2; 120.73, subdivision 1; 120.74, subdivision 1; 121.15; 121.88, by adding subdivisions; 123.35, subdivision 8; 123.351, by adding a subdivision; 123.3514, by adding a subdivision; 124.17, by adding a subdivision; 124.18, subdivision 2; 124.214, subdivision 2; 124.225, by adding a subdivision; 124.245, by adding a subdivision; 124.43, subdivisions 1, 2, 3, and by adding subdivisions; 124.48, subdivision 2; 124A.036, subdivision 2; 125.12, subdivision 3; 125.17, subdivision 2; 126.151; 126.45; 126.46; 126.47; 126.49, subdivision 1; 126.51, subdivisions 1, 2, 4, and by adding a subdivision; 126.52; 126.531; 126.56; subdivision 2; 129.121, subdivision 2, and by adding subdivisions; 129B.20, subdivision 1; 134.351, subdivision 7; 136D.74, by adding subdivisions; 136D.81; 260.015, subdivision 19; and 275.125, by adding subdivisions; Minnesota Statutes 1987 Supplement, sections 92.46, subdivision 1; 92.67, subdivisions 1, 3, and 4; 120.0752, subdivision 3; 120.101, subdivisions 5 and 9; 120.17, subdivisions 1 and 3b; 121.912, subdivision 1; 122.91, by adding a subdivision; 123.3515, subdivisions 1, 2, 3, 5, 6, and 9; 123.39, subdivision 1; 124.17, subdivision 1; 124.214, subdivision 3; 124.223; 124.225, subdivision 8a; 124.244; 124.26, subdivision 1b; 124.494, subdivisions 4, 5, and

6; 124.495; 124A.036, subdivision 5; 124A.22, subdivision 2, and by adding subdivisions; 124A.23, subdivisions 1, 4, and 5; 124A.24; 124A.27, subdivision 1; 124A.28, subdivision 1, and by adding a subdivision; 126.22, subdivisions 2, 3, 4, and by adding a subdivision; 126.23; 126.67, subdivision 2b; 129.121, subdivision 1; 129B.11, subdivision 2, and by adding a subdivision; 129B.53, subdivision 2; 136D.27; 136D.87; 275.125, subdivision 5; and 422A.101, subdivision 2; Laws 1959, chapter 462, section 3, subdivision 4, as amended; Laws 1987, chapter 398, articles 2, section 13, subdivision 2; 3, sections 38 and 39, subdivisions 7 and 8; 5, section 2, subdivision 12; chapter 400, section 59; proposing coding for new law in Minnesota Statutes, chapters 120; 121; 124; 124A; 126; and 129B; repealing Minnesota Statutes 1986, sections 121.9121, subdivision 7; 124.435; 126.51, subdivision 3; Minnesota Statutes 1987 Supplement, sections 123.3515; 123.703, subdivision 3; 124.245, subdivisions 3, 3a, and 3b; 124A.27, subdivision 10; 129B.74; 129B.75; and 275.125, subdivision 11c; Laws 1984, chapter 463, article 7, section 45."

We request adoption of this report and repassage of the bill.

House Conferees: KEN NELSON, KATHLEEN O. VELLENGA, DENNIS D. OZMENT, BOB MCEACHERN AND JERRY J. BAUERLY.

Senate Conferees: RANDOLPH W. PETERSON, EMBER D. REICHGOTT, JAMES C. PEHLER, DONNA C. PETERSON AND GARY M. DECRAMER.

McEachern moved that the report of the Conference Committee on H. F. No. 2245 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

CALL OF THE HOUSE

On the motion of Wynia and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Anderson, G.	Clark	Gruenes	Johnson, V.	McEachern
Anderson, R.	Clausnitzer	Gutknecht	Kalis	McLaughlin
Battaglia	Cooper	Hartle	Kelly	McPherson
Bauerly	Dauner	Haukoos	Kelso	Milbert
Beard	Dawkins	Heap	Kinkel	Miller
Begich	DeBlieck	Himle	Kludt	Minne
Bennett	Dempsey	Hugoson	Knickerbocker	Morrison
Bertram	DeRaad	Jacobs	Knuth	Munger
Boo	Dille	Jefferson	Larsen	Murphy
Brown	Dorn	Jennings	Lasley	Nelson, C.
Carlson, D.	Forsythe	Jensen	Lieder	Nelson, D.
Carlson, L.	Frederick	Johnson, A.	Marsh	Nelson, K.
Carruthers	Frerichs	Johnson, R.	McDonald	O'Connor

Ogren	Pauly	Rose	Sparby	Valento
Olsen, S.	Pelowski	Rukavina	Stanius	Vellenga
Olson, E.	Peterson	Sarna	Steensma	Voss
Olson, K.	Poppenhagen	Schafer	Sviggum	Wagenius
Omann	Price	Scheid	Swenson	Waltman
Onnen	Quinn	Schreiber	Thiede	Wenzel
Orenstein	Quist	Seaberg	Tjornhom	Winter
Osthoff	Redalen	Segal	Tompkins	Wynia
Otis	Rice	Shaver	Trimble	Spk. Vanasek
Ozment	Richter	Skoglund	Tunheim	
Pappas	Rodosovich	Solberg	Uphus	

Wynia moved that further proceedings of the roll call be dispensed with and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

H. F. No. 2245, as amended by Conference, was read for the third time.

POINT OF ORDER

Quist raised a point of order pursuant to section 770, paragraph 2, of "Mason's Manual of Legislative Procedure" relating to reports of Conference Committees that the report of the Conference Committee on H. F. No. 2245 was not in order. The Speaker ruled the point of order not well taken.

H. F. No. 2245, A bill for an act relating to education; providing aids for education and the distribution of tax revenues; increasing the basic formula allowance; setting the general education levy; modifying the transportation aid and levy formulas; creating an American Indian education council; requiring a study of Indian education; requiring the development of a new model for secondary vocational instruction; modifying the community education formulas; offering free admission to secondary school to eligible persons at least 21 years of age; creating education district revenue; encouraging integrated learning environments; making technical corrections to the cooperative secondary facilities grant act; providing for the sale of permanent school fund lands; requiring the signing of an education statement; requiring certain changes in the state high school league; creating a task force on school district reorganization; changing the capital expenditure formulas; appropriating money; amending Minnesota Statutes 1986, sections 92.06, subdivision 4; 92.14, by adding a subdivision; 92.67, subdivision 5; 120.06, by adding a subdivision; 120.075, subdivisions 1a, 3, and by adding a subdivision; 120.0751, subdivision 1, and by adding a subdivision; 120.0752, subdivision 1, and by adding a subdivision; 120.74, subdivision 1; 121.11, subdivision 12; 121.15, subdivisions 6, 7, and by adding a subdivision; 121.612, by adding a subdivision; 121.88, by adding subdivisions; 123.35, subdivision 8; 123.3514, by adding a subdivision; 124.17, by adding a subdivision; 124.18, subdivision 2; 124.214, subdivision 2; 124.225, by adding a subdivision; 124.245, by

adding a subdivision; 124.271, by adding subdivisions; 124.2711, by adding a subdivision; 124A.036, subdivision 2; 126.14, subdivision 1; 126.151; 126.56, subdivision 2; 129.121, subdivision 2, and by adding subdivisions; 260.015, subdivision 19; 275.125, by adding subdivisions; Minnesota Statutes 1987 Supplement, sections 92.46, subdivision 1; 92.67, subdivisions 1, 3, and 4; 120.0752, subdivision 3; 120.101, subdivisions 5 and 9; 120.17, subdivision 1; 121.612, subdivision 3; 121.87, subdivision 1a; 123.3515, subdivisions 1, 2, 3, 5, 6, 9, and by adding a subdivision; 124.214, subdivision 3; 124.223; 124.225, subdivision 4b; 124.26, subdivision 1b; 124.271, subdivision 2b; 124.2711, subdivision 1; 124.494, subdivisions 5 and 6; 124.573, subdivision 2b, and by adding subdivisions; 124A.036, subdivision 5; 124A.22, subdivisions 2, 3, and 6; 124A.23, subdivisions 1, 2, 3, and by adding subdivisions; 124A.24; 124A.25, subdivisions 2, 4, and by adding a subdivision; 125.185, subdivision 4; 126.22, subdivisions 2, 3, 4, and by adding a subdivision; 126.666, by adding a subdivision; 126.70, subdivision 2a; 129.121, subdivision 1; 129B.11, subdivisions 1 and 2, and by adding a subdivision; 275.125, subdivisions 5 and 8; Laws 1987, chapter 398, article 1, section 27, subdivision 3; article 2, section 13, subdivision 2; article 3, section 39, subdivision 8; article 5, section 2, subdivision 12; article 6, section 19, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 120; 121; 122; 124; 124A; 126; 129B; 145; repealing Minnesota Statutes 1986, section 124.245, subdivision 4; Minnesota Statutes 1987 Supplement, sections 121.11, subdivision 16; 124.244; 124.245, subdivisions 3, 3a, and 3b; 124A.27, subdivision 10; and 275.125, subdivisions 6e and 11c.

The bill, as amended by Conference, was placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 126 yeas and 3 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Carruthers	Frerichs	Jensen	Larsen
Anderson, R.	Clark	Greenfield	Johnson, A.	Lasley
Battaglia	Clausnitzer	Gruenes	Johnson, R.	Lieder
Bauerly	Cooper	Gutknecht	Johnson, V.	Long
Beard	Dauner	Hartle	Kahn	Marsh
Begich	Dawkins	Haukoos	Kalis	McDonald
Bennett	DeBlieck	Heap	Kelly	McEachern
Bertram	Dempsey	Himle	Kelso	McKasy
Boo	DeRaad	Hugoson	Kinkel	McLaughlin
Brown	Dille	Jacobs	Kludt	McPherson
Burger	Dorn	Jaros	Knickerbocker	Milbert
Carlson, D.	Forsythe	Jefferson	Knuth	Miller
Carlson, L.	Frederick	Jennings	Krueger	Minne

Morrison	Osthoff	Rice	Solberg	Vellenga
Munger	Otis	Richter	Sparby	Voss
Murphy	Ozment	Riveness	Stanius	Wagenius
Nelson, C.	Pappas	Rodosovich	Steensma	Waltman
Nelson, D.	Pauly	Rose	Sviggum	Welle
Nelson, K.	Pelowski	Rukavina	Swenson	Wenzel
O'Connor	Peterson	Sarna	Thiede	Winter
Ogren	Poppenhagen	Schafer	Tjornhom	Wynia
Olson, E.	Price	Scheid	Tompkins	Spk. Vanasek
Olson, K.	Quinn	Schreiber	Trimble	
Omann	Quist	Seaberg	Tunheim	
Onnen	Redalen	Shaver	Uphus	
Orenstein	Rest	Skoglund	Valento	

Those who voted in the negative were:

Neuenschwander	Olsen, S.	Segal

The bill was repassed, as amended by Conference, and its title agreed to.

CONFERENCE COMMITTEE REPORT ON H. F. NO. 2407

A bill for an act relating to the state and local governments; providing that municipal volunteers are employees for purposes of tort claims; providing that employees and officers of the world trade center board and greater Minnesota corporation are state employees for purposes of state tort claims; providing that officers and directors of public corporations are immune from liability under standards for nonprofit corporations; clarifying immunity from civil liability for certain athletic officials; amending Minnesota Statutes 1986, sections 317.22, subdivision 4; 317.28; 466.01, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 44A.02, subdivision 3; 116O.03, by adding a subdivision; 116O.04, subdivision 2; 317.201, subdivision 1; 340A.801, subdivisions 1 and 4; 340A.802; and 604.08, subdivision 1.

April 19, 1988

The Honorable Robert Vanasek
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

We, the undersigned conferees for H. F. No. 2407, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 2407 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1987 Supplement, section 44A.02, subdivision 3, is amended to read:

Subd. 3. [EMPLOYEES.] The president may appoint employees and prescribe their duties. Employees and officers of the corporation are not state employees, but are covered by section 3.736 and, at the option of the board, may participate in the following plans for employees in the unclassified service: the state retirement plan, the state deferred compensation plan, and the health insurance and life insurance plans. The president may delegate to a subordinate the exercise of specified statutory powers or duties as the president deems advisable, subject to the control of the president.

Sec. 2. Minnesota Statutes 1987 Supplement, section 116O.03, is amended by adding a subdivision to read:

Subd. 10. [TORT CLAIMS.] The corporation is a state agency for purposes of section 3.736.

Sec. 3. Minnesota Statutes 1987 Supplement, section 116O.04, subdivision 2, is amended to read:

Subd. 2. [STATUS OF EMPLOYEES.] Employees, officers, and directors of the corporation are not state employees, but are covered by section 3.736 and, at the option of the board, may participate in the state retirement plan and the state deferred compensation plan for employees in the unclassified service and an insurance plan administered by the commissioner of employee relations.

Sec. 4. Minnesota Statutes 1987 Supplement, section 317.201, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as provided in subdivision 2, no person who serves without compensation as a director, officer, trustee, member, or agent of an organization exempt from state income taxation under section 290.05, subdivision 2, or who serves without compensation as a fire chief of a nonprofit firefighting corporation or municipal volunteer fire department, or of a public corporation established by law but not considered a municipality, shall be held civilly liable for an act or omission by that person if the act or omission was in good faith, was within the scope of the person's responsibilities as a director, officer, trustee, member, agent, or fire chief of the organization, and did not constitute willful or reckless misconduct.

Sec. 5. Minnesota Statutes 1986, section 317.22, subdivision 4, is amended to read:

Subd. 4. [NOTICE.] Subject to waiver under section 317.24, notice of meetings and elections, as provided in section 317.02, subdivision

6, shall be given to all members entitled to vote at the meeting or election. If proxies are permitted at the meeting, the notice shall so inform members and state the procedure for appointing proxies.

Sec. 6. Minnesota Statutes 1986, section 317.28, is amended to read:

317.28 [BOOKS AND RECORDS; FINANCIAL STATEMENT.]

(1) A domestic corporation shall keep at its registered office correct and complete books of account and minutes of proceedings of meetings of (a) members, (b) board of directors, and (c) committees having any of the authority of the board of directors.

(2) A member, or the member's agent or attorney, may inspect all books and records for any proper purpose at any reasonable time.

(3) Upon request by a member, the domestic corporation shall furnish the member with a statement showing the financial result of all operations and transactions affecting income and surplus during its last annual accounting period and a balance sheet containing a summary of its assets and liabilities as of the closing date of such accounting period.

(4) If the articles or bylaws permit a specified percentage of members to call a meeting of the board of directors or the membership, the corporation shall provide any voting member, within ten days after receiving a request, a statement showing the number of members required to call the meeting. The statement is binding on the corporation.

Sec. 7. Minnesota Statutes 1986, section 466.01, is amended by adding a subdivision to read:

Subd. 6. [EMPLOYEE, OFFICER, OR AGENT.] For the purposes of sections 466.01 to 466.15, "employee," "officer," or "agent" means a present or former employee, officer, or agent of a municipality, or other person acting on behalf of the municipality in an official capacity, temporarily or permanently, with or without compensation, but does not include an independent contractor.

Sec. 8. Minnesota Statutes 1987 Supplement, section 604.08, subdivision 1, is amended to read:

Subdivision 1. [GRANT.] No individual who provides services or assistance without compensation as an athletic coach, manager, or official for a sports team that is organized or performing under a nonprofit charter, and no community-based, voluntary nonprofit athletic association, or any volunteer of the nonprofit athletic association, is liable for money damages to a player ~~or~~, participant,

or spectator as a result of an individual's acts or omissions in the providing of that service or assistance.

This section applies to organized sports competitions and practice and instruction in that sport.

For purposes of this section, "compensation" does not include reimbursement for expenses."

Delete the title and insert:

"A bill for an act relating to the state and local governments; providing that municipal volunteers are employees for purposes of tort claims; providing that employees and officers of the world trade center board and greater Minnesota corporation are state employees for purposes of state tort claims; providing that officers and directors of public corporations are immune from liability under standards for nonprofit corporations; clarifying immunity from civil liability for certain athletic officials; amending Minnesota Statutes 1986, sections 317.22, subdivision 4; 317.28; and 466.01, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 44A.02, subdivision 3; 116O.03, by adding a subdivision; 116O.04, subdivision 2; 317.201, subdivision 1; and 604.08, subdivision 1."

We request adoption of this report and repassage of the bill.

House Conferees: ROGER M. COOPER, ALLEN J. QUIST AND SANDRA L. PAPPAS.

Senate Conferees: WILLIAM P. LUTHER, JIM RAMSTAD AND RICHARD J. COHEN.

Cooper moved that the report of the Conference Committee on H. F. No. 2407 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2407, A bill for an act relating to the state and local governments; providing that municipal volunteers are employees for purposes of tort claims; providing that employees and officers of the world trade center board and greater Minnesota corporation are state employees for purposes of state tort claims; providing that officers and directors of public corporations are immune from liability under standards for nonprofit corporations; clarifying immunity from civil liability for certain athletic officials; amending Minnesota Statutes 1986, sections 317.22, subdivision 4; 317.28; 466.01, by adding a subdivision; Minnesota Statutes 1987 Supple-

ment, sections 44A.02, subdivision 3; 116O.03, by adding a subdivision; 116O.04, subdivision 2; 317.201, subdivision 1; 340A.801, subdivisions 1 and 4; 340A.802; and 604.08, subdivision 1.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frerichs	Krueger	Omann	Segal
Anderson, R.	Greenfield	Larsen	Onnen	Shaver
Battaglia	Gruenes	Lasley	Orenstein	Skoglund
Bauerly	Gutknecht	Lieder	Osthoff	Solberg
Beard	Hartle	Long	Otis	Sparby
Begich	Haukoos	Marsh	Ozment	Stanius
Bennett	Heap	McDonald	Pappas	Steensma
Bertram	Himle	McEachern	Pelowski	Sviggum
Boo	Hugoson	McKasy	Peterson	Swenson
Brown	Jacobs	McLaughlin	Poppenhagen	Thiede
Burger	Jaros	McPherson	Price	Tjornhom
Carlson, D.	Jefferson	Milbert	Quinn	Tompkins
Carlson, L.	Jennings	Miller	Quist	Trimble
Carruthers	Jensen	Minne	Redalen	Tunheim
Clark	Johnson, A.	Morrison	Rest	Uphus
Clausnitzer	Johnson, R.	Munger	Rice	Valento
Cooper	Johnson, V.	Murphy	Richter	Vellenga
Dauner	Kahn	Nelson, C.	Riveness	Voss
Dawkins	Kalis	Nelson, D.	Rodosovich	Wagenius
DeBlieck	Kelly	Nelson, K.	Rose	Waltman
Dempsey	Kelso	Neuenschwander	Rukavina	Welle
DeRaad	Kinkel	O'Connor	Sarna	Wenzel
Dille	Kludt	Ogren	Schafer	Winter
Dorn	Knickerbocker	Olsen, S.	Scheid	Wynia
Forsythe	Knuth	Olson, E.	Schreiber	Spk. Vanasek
Frederick	Kostohryz	Olson, K.	Seaberg	

The bill was repassed, as amended by Conference, and its title agreed to.

INTRODUCTION AND FIRST READING OF HOUSE BILLS, Continued

The following House Files were introduced:

Shaver introduced:

H. F. No. 2828, A bill for an act relating to handicapped persons; defining term for purposes of parking of motor vehicles by handicapped persons; amending Minnesota Statutes 1987 Supplement, section 168.021, subdivision 5.

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

Kinkel, Kahn, Krueger, Pelowski and Kostohryz introduced:

H. F. No. 2829, A bill for an act relating to military; making legislative findings concerning the benefits of a full-strength Minnesota national guard; increasing the minimum active duty pay for the Minnesota national guard; amending Minnesota Statutes 1986, section 192.51, subdivision 2.

The bill was read for the first time and referred to the Committee on General Legislation, Veterans Affairs and Gaming.

Kahn; Anderson, G.; Schreiber and Kostohryz introduced:

H. F. No. 2830, A bill for an act relating to military; requiring the advice and consent of the senate in the appointment of the adjutant general; providing for a term of office of seven years for the adjutant general; amending Minnesota Statutes 1986, section 190.07.

The bill was read for the first time and referred to the Committee on General Legislation, Veterans Affairs and Gaming.

HOUSE ADVISORIES

The following House Advisory was introduced:

Clark, Ogren, Vellenga and Greenfield introduced:

H. A. No. 101, A proposal to study residential programs.

The advisory was referred to the Committee on Health and Human Services.

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 1749, A bill for an act relating to transportation; increasing the excise tax on gasoline and special fuel to 20 cents per gallon; increasing the fees for alternate fuel permits; providing for the distribution of motor vehicle excise tax revenue; creating a transportation study board; repealing the contingent income tax increase provision; appropriating money; amending Minnesota Statutes 1986, sections 296.02, subdivision 1b; and 296.026, subdivision 2, as amended; Minnesota Statutes 1987 Supplement, sections 296.025, subdivisions 2a and 2b; and 297B.09, subdivision 1; repealing Laws 1987, chapter 268, article 18, section 5.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2182, A bill for an act relating to public administration; proposing amendments to the Minnesota Constitution: adding a section to article XI establishing an environmental and natural resources trust fund and article XIII, section 5 permitting state-run lotteries; providing for the distribution of lottery proceeds; providing implementing legislation for the trust fund; creating a legislative commission, an advisory committee, and a resources congress; providing for trust fund expenditures; providing for water system improvement loans; creating a Minnesota future resources account; transferring certain functions; requiring a biennial report; changing the distribution of general fund balances; returning certain transferred money to the state treasury; amending Minnesota Statutes 1986, sections 88.80, subdivision 2; Minnesota Statutes 1987 Supplement, sections 16A.1541; 116C.69, subdivision 3; 116O.012; and 297.13, subdivision 1; proposing coding for new law as Minnesota Statutes, chapter 116P; repealing Minnesota Statutes 1986, sections 86.01; 86.02; 86.03; 86.06; 86.07; 86.08; 86.10; 86.11; 86.12; 86.31; 86.32; 86.33, subdivision 1; 86.34; 86.35; 86.41; 86.42; 86.51; 86.53; 86.61; and 86.75.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 1590.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 1590

A bill for an act relating to transportation; providing that uniform relocation assistance standards comply with recent amendments to federal law; authorizing commissioner of transportation to accept gifts to department; appropriating gift funds to commissioner; exempting lessees of highway easement property from tax on its use and possession; providing that governmental body may file deed conveying partial parcel of land without current taxes having been paid on whole parcel; repealing conflicting provision related to charges for users of air transportation services provided by the commissioner of transportation; amending Minnesota Statutes 1986, section 161.20, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 117.52, subdivision 1; 272.01, subdivision 3; and 272.121; repealing Minnesota Statutes 1986, section 360.015, subdivision 20.

April 15, 1988

The Honorable Jerome M. Hughes
President of the Senate

The Honorable Robert Vanasek
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 1590, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S. F. No. 1590 be further amended as follows:

Page 2, after line 26, insert:

"Sec. 3. Minnesota Statutes 1986, section 173.085, is amended to read:

173.085 [STAR CITY SIGNS.]

Subdivision 1. [AUTHORITY TO ERECT.] (a) A county or lesser populated statutory or home rule charter city of Minnesota that has received instruction and expertise from the department of energy and economic development on attracting and retaining businesses for the county or city and subsequently has been designated and annually recertified as a star county or star city for economic development by that department may erect star county or star city signs upon payment of a fee required under section 173.13, subdivision 4, to the department of transportation. In the case of star cities, one sign may be erected at each approach to the city within the right-of-way of an interstate or other highway that passes inside the city limits. In the case of star counties, one sign may be erected within the right-of-way of an interstate or other highway at or near the point where the highway enters the county.

(b) Notwithstanding the provisions of paragraph (a), a lesser populated statutory or home rule charter city that has an official sign in an adjacent area of an approach of an interstate highway passing through or near the city as of August 1, 1985 may replace that sign with a star city sign upon payment of a fee required under section 173.13, subdivision 4, to the department of transportation. A county that has an official sign on the right-of-way or adjacent area of an interstate highway at the point where the highway enters the county may replace that sign with a star county sign on payment of a fee required under section 173.13, subdivision 4, to the department of transportation.

Subd. 2. [SIGN STANDARDS.] The department of transportation shall design and manufacture the star county and star city ~~sign~~ signs to specifications not contrary to other federal and state highway sign standards and substantially similar to those star city signs approved for display on state highways as of August 1, 1985."

Page 2, line 27, delete "3" and insert "4"

Page 4, line 26, delete "4" and insert "5"

Page 5, after line 11, insert:

"Sec. 6. Laws 1987, chapter 358, section 5, subdivision 1, is amended to read:

Sec. 5. PUBLIC SAFETY

Subdivision 1. Total Appropriation	81,888,100	81,990,800

Approved Complement - ~~1,676.4~~ 1,686.4
General - 393.7
Special Revenue - 3
Trunk Highway - ~~1,060.8~~ 1,070.8
Highway User - 173.6
Federal - 48.3

The above approved complement includes ~~511~~ 521 for state-funded, unclassified patrol officers and supervisors of the state patrol. Nothing in this provision is intended to limit the authority of the commissioner of public safety to transfer personnel, with the approval of the commissioner of finance, among the various units and divisions within this section, provided that the above complement must be reduced accordingly.

Summary by Fund

General	$20,905,800	$20,977,500
For 1987 - $900,000		
Trunk Highway	$52,517,200	$52,456,400
Highway User	$ 9,565,500	$ 9,645,700
Special Revenue	$ 500,000	$ 550,000
Transfers to Other Direct	($ 1,600,400)	($ 1,638,800)

The amounts that may be spent from this appropriation for each program are specified in the following subdivisions.

The amounts shown in the program totals are reduced by $87,500 the first year and $87,500 the second year from the general fund. Reductions must be made from appropriations that will not reduce revenue to the general fund."

Page 5, line 12, delete "5" and insert "7"

Page 5, line 15, delete "6" and insert "8"

Page 5, line 16, delete "Section 2 is" and insert "Sections 1 and 2 are" and delete "3 to 5" and insert "4 to 7"

Amend the title as follows:

Page 1, line 5, after the semicolon insert "authorizing star county signs on highways;"

Page 1, line 10, after the semicolon insert "increasing complement of department of public safety;"

Page 1, line 14, delete "section" and insert "sections"

Page 1, line 15, after the semicolon insert "and 173.085;"

Page 1, line 17, after the semicolon insert "Laws 1987, chapter 358, section 5, subdivision 1;"

We request adoption of this report and repassage of the bill.

Senate Conferees: JIM M. VICKERMAN, KEITH LANGSETH AND LYLE G. MEHRKENS.

House Conferees: BERNARD L. LIEDER, VIRGIL J. JOHNSON AND HENRY J. KALIS.

Lieder moved that the report of the Conference Committee on S. F. No. 1590 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 1590, A bill for an act relating to transportation; providing that uniform relocation assistance standards comply with recent amendments to federal law; authorizing commissioner of transportation to accept gifts to department; appropriating gift funds to commissioner; exempting lessees of highway easement property from tax on its use and possession; providing that governmental body may file deed conveying partial parcel of land without current taxes having been paid on whole parcel; repealing conflicting provision related to charges for users of air transportation services provided by the commissioner of transportation; amending Minnesota Statutes 1986, section 161.20, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 117.52, subdivision 1; 272.01, subdivision 3; and 272.121; repealing Minnesota Statutes 1986, section 360.015, subdivision 20.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 125 yeas and 1 nay as follows:

Those who voted in the affirmative were:

Anderson, G.	Frerichs	Kostohryz	Olson, K.	Seaberg
Anderson, R.	Greenfield	Krueger	Omann	Segal
Battaglia	Gruenes	Larsen	Onnen	Shaver
Bauerly	Gutknecht	Lasley	Orenstein	Skoglund
Beard	Hartle	Lieder	Osthoff	Solberg
Begich	Haukoos	Marsh	Otis	Sparby
Bennett	Heap	McDonald	Ozment	Stanius
Bertram	Himle	McEachern	Pappas	Steensma
Boo	Hugoson	McKasy	Pauly	Sviggum
Brown	Jacobs	McLaughlin	Pelowski	Swenson
Carlson, D.	Jaros	McPherson	Peterson	Thiede
Carlson, L.	Jefferson	Milbert	Poppenhagen	Tjornhom
Carruthers	Jennings	Miller	Price	Tompkins
Clark	Jensen	Minne	Quinn	Trimble
Clausnitzer	Johnson, A.	Morrison	Quist	Tunheim
Cooper	Johnson, R.	Munger	Redalen	Uphus
Dauner	Johnson, V.	Murphy	Rice	Valento
Dawkins	Kahn	Nelson, C.	Richter	Vellenga
DeBlieck	Kalis	Nelson, D.	Rodosovich	Voss
Dempsey	Kelly	Nelson, K.	Rose	Waltman
DeRaad	Kelso	Neuenschwander	Rukavina	Welle
Dille	Kinkel	O'Connor	Sarna	Wenzel
Dorn	Kludt	Ogren	Schafer	Winter
Forsythe	Knickerbocker	Olsen, S.	Scheid	Wynia
Frederick	Knuth	Olson, E.	Schreiber	Spk. Vanasek

Those who voted in the negative were:

Burger

The bill was repassed, as amended by Conference, and its title agreed to.

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 1821.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 1821

A bill for an act relating to crimes; police pursuit; requiring certain driver's manual information; providing for civil forfeiture of vehicle used to flee a peace officer; requiring local governments to establish pursuit procedures and training requirements by October 1, 1989; authorizing peace officer standards and training board to assist local governments in establishing procedures and training requirements; requiring reporting of all police pursuits to department of public safety; amending Minnesota Statutes 1986, sections 171.13, by adding a subdivision; 626.843, subdivision 1; and 626.845, subdivision 1; Minnesota Statutes 1987 Supplement, section 609.531, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 626.

April 20, 1988

The Honorable Jerome M. Hughes
President of the Senate

The Honorable Robert Vanasek
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 1821, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate concur in the House amendments and that S. F. No. 1821 be further amended as follows:

Page 1, after line 25, insert:

"Sec. 2. Minnesota Statutes 1987 Supplement, section 256.98, subdivision 1, is amended to read:

Subdivision 1. [WRONGFULLY OBTAINING ASSISTANCE.] A person who obtains, or attempts to obtain, or aids or abets any person to obtain by means of a willfully false statement or representation, by intentional concealment of a material fact, or by impersonation or other fraudulent device, assistance to which the person is not entitled or assistance greater than that to which the person is entitled, or who knowingly aids or abets in buying or in any way disposing of the property of a recipient or applicant of assistance without the consent of the local agency with intent to defeat the purposes of sections 256.12, 256.72 to 256.871, and chapter 256B, or all of these sections is guilty of theft and shall be sentenced pursuant to section 609.52, subdivision 3, clauses (2), (3), (6), and (7).

Sec. 3. Minnesota Statutes 1987 Supplement, section 268.18, subdivision 3, is amended to read:

Subd. 3. [FALSE REPRESENTATIONS; CONCEALMENT OF FACTS; PENALTY.] (a) Whoever obtains, or attempts to obtain, or aids or abets any person to obtain by means of a willfully false statement or representation, by intentional concealment of a material fact, or by impersonation or other fraudulent device, benefits to which the person is not entitled or benefits greater than that to which the person is entitled under this chapter, or under the employment security law of any state or of the federal government or of a foreign government, either personally or for any other person, shall be guilty of theft and shall be sentenced pursuant to section 609.52, subdivision 3, clauses (2), (3), (6), and (7). The amount of the benefits incorrectly paid shall be the difference between the amount of benefits actually received and the amount which the person would have been entitled under state and federal law had the department been informed of all material facts.

(b) Any employing unit or any officer or agent of an employing unit or any other person who makes a false statement or representation knowing it to be false, or who knowingly fails to disclose a material fact, to prevent or reduce the payment of benefits to any individual entitled thereto, or to avoid becoming or remaining a subject employer or to avoid or reduce any contribution or other payment required from an employing unit under this chapter or under the employment security law of any state or of the federal government, or who willfully fails or refuses to make any such contributions or other payment at the time required shall be guilty of a gross misdemeanor unless the benefit underpayment, contribution, or other payment involved exceeds $250, in which event the person is guilty of a felony.

(c) Any person who willfully fails to produce or permit the inspection or copying of books, papers, records, or memoranda as required or when requested under section 268.12, subdivision 8, or to furnish any required reports other than contribution reports shall be guilty of a gross misdemeanor.

Sec. 4. [325F.81] [REPLICA FIREARMS; WARNING LABEL.]

Subdivision 1. [DEFINITION.] For purposes of this section, "replica firearm" means a device or object that is not defined as a dangerous weapon, and that is a facsimile or toy version of, and reasonably appears to be a pistol, revolver, shotgun, sawed-off shotgun, rifle, machine gun, rocket launcher, or any other firearm.

Subd. 2. [WARNING LABEL REQUIRED.] A person may not in the regular course of business offer for sale or sell a replica firearm unless it bears a warning label complying with this section. The warning label must be affixed at the time of packaging to the replica firearm, or to the package or box containing the replica firearm, so that it is clearly visible to the buyer.

Subd. 3. [LABEL REQUIREMENTS.] The word "warning" must be printed clearly on the label in upper case letters that measure at least one-half inch in size centered over the body copy of the actual warning. The warning label copy must be printed in letters that measure at least 3/32 of an inch in size. The warning label must be printed in ink that strongly contrasts with the background. The warning label must state the criminal penalties under state law that may arise from use of the replica firearm, and describe the prohibited activities.

Subd. 4. [ENFORCEMENT.] This section may be enforced by the attorney general under section 8.31, but a court may not impose a civil penalty of more than $500 for a violation of this section.

Sec. 5. Minnesota Statutes 1986, section 609.245, is amended to read:

609.245 [AGGRAVATED ROBBERY.]

Whoever, while committing a robbery, is armed with a dangerous weapon or any article used or fashioned in a manner to lead the victim to reasonably believe it to be a dangerous weapon, or inflicts bodily harm upon another, is guilty of aggravated robbery and may be sentenced to imprisonment for not more than 20 years or to payment of a fine of not more than $35,000, or both.

Sec. 6. Minnesota Statutes 1986, section 609.487, subdivision 3, is amended to read:

Subd. 3. [FLEEING AN OFFICER.] Whoever by means of a motor vehicle flees or attempts to flee a peace officer who is acting in the lawful discharge of an official duty, and the perpetrator knows or should reasonably know the same to be a peace officer, may be sentenced to imprisonment for not more than one year or to payment of a fine of not more than $3,000, or both. Whoever violates this subdivision a second or subsequent time is guilty of a felony and may be sentenced to imprisonment for not more than one year and one day or to payment of a fine of not more than $3,000, or both.

Sec. 7. Minnesota Statutes 1987 Supplement, section 609.52, subdivision 3, is amended to read:

Subd. 3. [SENTENCE.] Whoever commits theft may be sentenced as follows:

(1) to imprisonment for not more than 20 years or to payment of a fine of not more than $100,000, or both, if the value of the property or services stolen is more than $35,000 and the conviction is for a violation of subdivision 2, clause (3), (4), (15), or (16); or

(2) to imprisonment for not more than ten years or to payment of a fine of not more than $20,000, or both, if the value of the property or services stolen exceeds $2,500, or if the property stolen was a controlled substance listed in schedule 1 or 2 pursuant to section 152.02 with the exception of marijuana; or

(3) to imprisonment for not more than five years or to payment of a fine of not more than $10,000, or both, if:

(a) the value of the property or services stolen is more than $500 but not more than $2,500; or

(b) the property stolen was a controlled substance listed in schedule 3, 4, or 5 pursuant to section 152.02; or

(c) the value of the property or services stolen is more than $200 but not more than $500 and the person has been convicted within the preceding five years for an offense under this section, section 256.98; 268.18, subdivision 3; 609.24; 609.245; 609.53; 609.582, subdivision 1, 2, or 3; 609.625; 609.63; 609.631; or 609.821, or a statute from another state in conformity with any of those sections, and the person received a felony or gross misdemeanor sentence for the offense, or a sentence that was stayed under section 609.135 if the offense to which a plea was entered would allow imposition of a felony or gross misdemeanor sentence; or

(4) to imprisonment for not more than five years or to payment of a fine of not more than $10,000, or both, notwithstanding the value of the property or services stolen is not more than $200, if any of the following circumstances exist:

(a) the property is taken from the person of another or from a corpse, or grave or coffin containing a corpse; or

(b) the property is a record of a court or officer, or a writing, instrument or record kept, filed or deposited according to law with or in the keeping of any public officer or office; or

(c) the property is taken from a burning building or upon its removal therefrom, or from an area of destruction caused by civil disaster, riot, bombing, or the proximity of battle; or

(d) the property consists of public funds belonging to the state or to any political subdivision or agency thereof; or

(e) the property is a firearm; or

(f) the property stolen was a motor vehicle as defined in section 609.55; or

(5) to imprisonment for not more than ten years or to payment of a fine of not more than $20,000, or both, if the property stolen is an article representing a trade secret; or if the property stolen is an explosive or an incendiary device; or

(6) to imprisonment for not more than one year or to payment of a fine of not more than $3,000, or both, if the value of the property or services stolen is more than $200 but not more than $500; or

(7) in all other cases where the value of the property or services stolen is $200 or less, to imprisonment for not more than 90 days or to payment of a fine of not more than $700, or both, provided, however, in any prosecution under clauses (1), (2), (3), (4), and (13) of subdivision 2 the value of the money or property or services received by the defendant in violation of any one or more of the above provisions within any six-month period may be aggregated and the defendant charged accordingly in applying the provisions of this subdivision; provided that when two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the offenses was committed for all of the offenses aggregated under this paragraph.

Sec. 8. Minnesota Statutes 1987 Supplement, section 609.531, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For the purpose of this section, the following terms have the meanings given them.

(a) "Conveyance device" means a device used for transportation in connection with a designated offense and includes, but is not limited to, motor vehicles, trailers, snowmobiles, airplanes, and vessels. The term "conveyance device" does not include property which is, in fact, itself stolen or taken in violation of the law.

(b) "Primary container" means a fundamental receptacle other than a conveyance device used to store or transport property.

(c) "Weapon used" means weapons used in the furtherance of a crime and defined as a dangerous weapon under section 609.02, subdivision 6.

(d) "Property" means property as defined in section 609.52, subdivision 1, clause (1).

(e) "Contraband property" means property which is illegal to possess under Minnesota law.

(f) "Appropriate agency" means either the bureau of criminal apprehension, Minnesota state patrol, county sheriffs and their deputies, or city police departments.

(g) "Designated offense" includes:

(1) For weapons used: any violation of this chapter;

(2) For all other purposes: violation of, or an attempt or conspiracy to violate, section 609.185; 609.19; 609.195; 609.21; 609.221; 609.222; 609.223; 609.2231; 609.24; 609.245; 609.25; 609.255; 609.322, subdivision 1 or 2; 609.342, subdivision 1, clauses (a) to (f); 609.343, subdivision 1, clauses (a) to (f); 609.344, subdivision 1, clauses (a) to (e), and (h) to (j); 609.345, subdivision 1, clauses (a) to (e), and (h) to (j); 609.42; 609.425; 609.466; 609.485; 609.487; 609.52; 609.521; 609.525; 609.53; 609.54; 609.551; 609.561; 609.562; 609.563; 609.582; 609.59; 609.595; 609.631; section 609.671, subdivisions 3, 4, and 5; 609.687; 609.821; 609.825; 609.86; 609.88; 609.89; or 617.246, when the violation constitutes a felony.

(h) "Communications device or component" means a device or system used to facilitate in any manner the creation, storage, dissemination, or transmission of data in connection with a designated offense and includes computers and computer-related components as defined in section 609.87 and any other device or system that by means of electric, electronic or magnetic impulses may be used to facilitate in any manner the creation, storage, dissemination, or transmission of data.

Sec. 9. Minnesota Statutes 1986, section 609.582, subdivision 1, is amended to read:

Subdivision 1. [BURGLARY IN THE FIRST DEGREE.] Whoever enters a building without consent and with intent to commit a crime, or enters a building without consent and commits a crime while in the building, commits burglary in the first degree and may be sentenced to imprisonment for not more than 20 years or to payment of a fine of not more than $35,000, or both, if:

(a) the building is a dwelling and another person not an accomplice is present in it;

(b) the burglar possesses, when entering or at any time while in the building, any of the following: a dangerous weapon, any article used or fashioned in a manner to lead the victim to reasonably believe it to be a dangerous weapon, or an explosive ~~when entering or at any time while in the building~~; or

(c) the burglar assaults a person within the building or on the building's appurtenant property.

Sec. 10. Minnesota Statutes 1986, section 609.582, subdivision 2, is amended to read:

Subd. 2. [BURGLARY IN THE SECOND DEGREE.] Whoever enters a building without consent and with intent to commit a crime, or enters a building without consent and commits a crime while in the building, commits burglary in the second degree and may be sentenced to imprisonment for not more than ten years or to payment of a fine of not more than $20,000, or both, if:

(a) the building is a dwelling;

(b) the portion of the building entered contains a banking business or other business of receiving securities or other valuable papers for deposit or safekeeping and the entry is with force or threat of force;

(c) the portion of the building entered contains a pharmacy or other lawful business or practice in which controlled substances are routinely held or stored, and the entry is forcible; or

(d) when entering or while in the building, the burglar possesses a tool to gain access to money or property.

Sec. 11. Minnesota Statutes 1986, section 609.582, subdivision 3, is amended to read:

Subd. 3. [BURGLARY IN THE THIRD DEGREE.] Whoever enters a building without consent and with intent to steal or commit any felony or gross misdemeanor while in the building, or enters a building without consent and steals or commits a felony or gross misdemeanor while in the building, commits burglary in the third degree and may be sentenced to imprisonment for not more than five years or to payment of a fine of not more than $10,000, or both.

Sec. 12. Minnesota Statutes 1986, section 609.582, subdivision 4, is amended to read:

Subd. 4. [BURGLARY IN THE FOURTH DEGREE.] Whoever enters a building without consent and with intent to commit a misdemeanor other than to steal, or enters a building without consent and commits a misdemeanor other than to steal while in the building, commits burglary in the fourth degree and may be sentenced to imprisonment for not more than one year or to payment of a fine of not more than $3,000, or both.

Sec. 13. Minnesota Statutes 1986, section 609.59, is amended to read:

609.59 [POSSESSION OF BURGLARY OR THEFT TOOLS.]

Whoever has in possession any device, explosive, or other instrumentality with intent to use or permit the use of the same to commit burglary or theft may be sentenced to imprisonment for not more

than three years or to payment of a fine of not more than $5,000, or both.

Sec. 14. Minnesota Statutes 1987 Supplement, section 609.631, subdivision 4, is amended to read:

Subd. 4. [SENTENCING.] A person who is convicted under subdivision 2 or 3 may be sentenced as follows:

(1) to imprisonment for not more than 20 years or to payment of a fine of not more than $100,000, or both, if the forged check or checks are used to obtain or in an attempt to obtain, property or services of more than $35,000 or the aggregate amount of the forged check or checks is more than $35,000;

(2) to imprisonment for not more than ten years or to payment of a fine of not more than $20,000, or both, if the forged check or checks are used to obtain or in an attempt to obtain, property or services of more than $2,500 or the aggregate amount of the forged check or checks is more than $2,500;

~~(2)~~ (3) to imprisonment for not more than five years or to payment of a fine of not more than $10,000, or both, if:

(a) the forged check or checks are used to obtain or in an attempt to obtain, property or services of more than $200 but not more than $2,500, or the aggregate face amount of the forged check or checks is more than $200 but not more than $2,500; or

(b) the forged check or checks are used to obtain or in an attempt to obtain, property or services of no more than $200, or have an aggregate face value of no more than $200, and the person has been convicted within the preceding five years for an offense under this section, section 609.24; 609.245; 609.52; 609.53; 609.582, subdivision 1, 2, or 3; 609.625; 609.63; or 609.821, or a statute from another state in conformity with any of those sections, and the person received a felony or gross misdemeanor sentence for the offense, or a sentence that was stayed under section 609.135 if the offense to which a plea was entered would allow imposition of a felony or gross misdemeanor sentence; and

~~(3)~~ (4) to imprisonment for not more than one year or to a fine of not more than $3,000, or both, if the forged check or checks are used to obtain or in an attempt to obtain, property or services of no more than $200, or the aggregate face amount of the forged check or checks is no more than $200.

In any prosecution under this subdivision, the value of the checks forged or offered by the defendant in violation of this subdivision within any six-month period may be aggregated and the defendant

charged accordingly in applying the provisions of this section. When two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the checks was forged or offered for all of the offenses aggregated under this paragraph.

Sec. 15. Minnesota Statutes 1986, section 609.713, is amended by adding a subdivision to read:

Subd. 3. (a) Whoever displays, exhibits, brandishes, or otherwise employs a replica firearm in a threatening manner, may be sentenced to imprisonment for not more than one year and one day or to payment of a fine of not more than $3,000, or both, if, in doing so, the person either:

(1) causes or attempts to cause terror in another person; or

(2) acts in reckless disregard of the risk of causing terror in another person.

(b) For purposes of this subdivision, "replica firearm" means a device or object that is not defined as a dangerous weapon, and that is a facsimile or toy version of, and reasonably appears to be a pistol, revolver, shotgun, sawed-off shotgun, rifle, machine gun, rocket launcher, or any other firearm.

Sec. 16. Minnesota Statutes 1987 Supplement, section 609.821, subdivision 3, is amended to read:

Subd. 3. [SENTENCE.] A person who commits financial transaction card fraud may be sentenced as follows:

(1) for a violation of clause (1), (2), (5), or 8 (8) of subdivision 2:

(i) to imprisonment for not more than 20 years or to payment of a fine of not more than $100,000, or both, if the value of the property the person obtained or attempted to obtain was more than $35,000, or the aggregate amount of the transactions under this subdivision was more than $35,000; or

(ii) to imprisonment for not more than ten years or to payment of a fine of not more than $20,000, or both, if the value of the property the person obtained or attempted to obtain was more than $2,500, or the aggregate amount of the transactions under this subdivision was more than $2,500; or

~~(ii)~~ (iii) to imprisonment for not more than five years or to payment of a fine of not more than $10,000, or both, if the value of the property the person obtained or attempted to obtain was more than $200 but not more than $2,500, or the aggregate amount of the

transactions under this subdivision was more than $200 but not more than $2,500; or

~~(iii)~~ (iv) to imprisonment for not more than five years or to payment of a fine of not more than $10,000, or both, if the value of the property the person obtained or attempted to obtain was not more than $200, or the aggregate amount of the transactions under this subdivision was not more than $200, and the person has previously been convicted within the preceding five years for an offense under this section, section 609.24; 609.245; 609.52; 609.53; 609.582, subdivision 1, 2, or 3; 609.625; 609.63; or 609.631, or a statute from another state in conformity with any of those sections, and the person received a felony or gross misdemeanor sentence for the offense, or a sentence that was stayed under section 609.135 if the offense to which a plea was entered would allow imposition of a felony or gross misdemeanor sentence; or

~~(iv)~~ (v) to imprisonment for not more than one year or to payment of a fine of not more than $3,000, or both, if the value of the property the person obtained or attempted to obtain was not more than $200, or the aggregate amount of the transactions under this subdivision was not more than $200; and

~~(v)~~ (vi) in any prosecution under clauses (i) to ~~(iv)~~ (v), the value of the transactions made or attempted within any six-month period may be aggregated and the defendant charged accordingly in applying the provisions of this section. When two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the card transactions occurred for all of the transactions aggregated under this paragraph;

(2) for a violation of clause (3) or (4) of subdivision 2, to imprisonment for not more than three years or to payment of a fine of not more than $5,000, or both; or

(3) for a violation of clause (6) or (7) of subdivision 2:

(i) if no property, other than a financial transaction card, has been obtained by the defendant by means of the false statement or false report, to imprisonment for not more than one year or to payment of a fine of not more than $3,000, or both; or

(ii) if property, other than a financial transaction card, is so obtained, in the manner provided in clause (1)."

Renumber the remaining sections in sequence

Correct internal references

Page 7, line 30, delete "must" and insert "may"

Page 7, after line 32, insert:

"Sec. 20. Minnesota Statutes 1987 Supplement, section 628.26, is amended to read:

628.26 [LIMITATIONS.]

(a) Indictments or complaints for murder may be found or made at any time after the death of the person killed.

(b) Indictments or complaints for violation of section 609.42, subdivision 1, clause (1) or (2) shall be found or made and filed in the proper court within six years after the commission of the offense.

(c) Indictments or complaints for violation of sections 609.342 to 609.345 if the victim was under the age of 18 years at the time the offense was committed, shall be found or made and filed in the proper court within seven years after the commission of the offense.

(d) Indictments or complaints for violation of sections 609.466 and 609.52, subdivision 2, clause ~~(3)(d)~~ (3)(c) shall be found or made and filed in the proper court within six years after the commission of the offense.

(e) Indictments or complaints for violation of section 609.52, subdivision 2, clause (3), items (a) ~~to (c)~~ and (b), (4), (15), or (16), 609.631, or 609.821, where the value of the property or services stolen is more than $35,000, shall be found or made and filed in the proper court within five years after the commission of the offense.

(f) Except for violations relating to false material statements, representations or omissions, indictments or complaints for violations of section 609.671 shall be found or made and filed in the proper court within five years after the commission of the offense.

(g) In all other cases, indictments or complaints shall be found or made and filed in the proper court within three years after the commission of the offense; but the time during which the defendant shall not be an inhabitant of, or usually resident within, this state, shall not constitute any part of the limitations imposed by this section.

Sec. 21. [EFFECTIVE DATE.]

Section 4 is effective January 30, 1989. Sections 2 to 16, and section 20 are effective August 1, 1988, and apply to crimes committed on or after that date."

Delete the title and insert:

"A bill for an act relating to crimes; requiring certain driver's manual information; requiring a warning label on replica firearms; expanding the crimes of burglary and aggravated robbery; enhancing penalties for persons who flee a police officer a second or subsequent time; creating the felony offense of terrorizing with a replica firearm; making certain technical corrections to theft and theft-related offenses; requiring local governments to establish pursuit procedures and training requirements; requiring reporting of police pursuits to the department of public safety; amending Minnesota Statutes 1986, sections 171.13, by adding a subdivision; 609.245; 609.487, subdivision 3; 609.582, subdivisions 1, 2, 3, and 4; 609.59; 609.713, by adding a subdivision; 626.843, subdivision 1; and 626.845, subdivision 1; Minnesota Statutes 1987 Supplement, sections 256.98, subdivision 1; 268.18, subdivision 3; 609.52, subdivision 3; 609.531, subdivision 1; 609.631, subdivision 4; 609.821, subdivision 3; and 628.26; proposing coding for new law in Minnesota Statutes, chapters 325F and 626."

We request adoption of this report and repassage of the bill.

Senate Conferees: EMBER D. REICHGOTT, ALLAN H. SPEAR AND JIM RAMSTAD.

House Conferees: GLORIA M. SEGAL, ARTHUR W. SEABERG AND RANDY C. KELLY.

Segal moved that the report of the Conference Committee on S. F. No. 1821 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 1821, A bill for an act relating to crimes; police pursuit; requiring certain driver's manual information; providing for civil forfeiture of vehicle used to flee a peace officer; requiring local governments to establish pursuit procedures and training requirements by October 1, 1989; authorizing peace officer standards and training board to assist local governments in establishing procedures and training requirements; requiring reporting of all police pursuits to department of public safety; amending Minnesota Statutes 1986, sections 171.13, by adding a subdivision; 626.843, subdivision 1; and 626.845, subdivision 1; Minnesota Statutes 1987 Supplement, section 609.531, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 626.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frerichs	Krueger	Omann	Seaberg
Anderson, R.	Greenfield	Larsen	Onnen	Segal
Battaglia	Gruenes	Lasley	Orenstein	Shaver
Bauerly	Gutknecht	Lieder	Osthoff	Skoglund
Beard	Hartle	Long	Otis	Solberg
Begich	Haukoos	Marsh	Ozment	Sparby
Bennett	Heap	McDonald	Pappas	Stanius
Bertram	Himle	McEachern	Pauly	Steensma
Boo	Hugoson	McKasy	Pelowski	Sviggum
Brown	Jacobs	McLaughlin	Peterson	Swenson
Burger	Jaros	McPherson	Poppenhagen	Thiede
Carlson, D.	Jefferson	Milbert	Price	Tjornhom
Carlson, L.	Jennings	Miller	Quinn	Trimble
Carruthers	Jensen	Minne	Quist	Tunheim
Clark	Johnson, A.	Morrison	Redalen	Uphus
Clausnitzer	Johnson, R.	Munger	Rest	Valento
Cooper	Johnson, V.	Murphy	Rice	Vellenga
Dauner	Kahn	Nelson, C.	Richter	Voss
Dawkins	Kalis	Nelson, D.	Riveness	Wagenius
DeBlieck	Kelly	Nelson, K.	Rodosovich	Waltman
Dempsey	Kelso	Neuenschwander	Rose	Welle
DeRaad	Kinkel	O'Connor	Rukavina	Wenzel
Dille	Kludt	Ogren	Sarna	Winter
Dorn	Knickerbocker	Olsen, S.	Schafer	Wynia
Forsythe	Knuth	Olson, E.	Scheid	Spk. Vanasek
Frederick	Kostohryz	Olson, K.	Schreiber	

The bill was repassed, as amended by Conference, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 1999, A bill for an act relating to public safety; regulating boiler operation; amending Minnesota Statutes 1986, sections 183.411, subdivisions 1, 3, and by adding a subdivision; 183.466; 183.51, subdivisions 4, 7, and 10.

PATRICK E. FLAHAVEN, Secretary of the Senate

Minne was excused between the hours of 4:00 p.m. and 7:30 p.m.

CONCURRENCE AND REPASSAGE

Murphy moved that the House concur in the Senate amendments to H. F. No. 1999 and that the bill be repassed as amended by the Senate.

A roll call was requested and properly seconded.

The question was taken on the Murphy motion and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 77 yeas and 49 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Dorn	Knickerbocker	Ozment	Steensma
Anderson, R.	Forsythe	Knuth	Pauly	Sviggum
Bauerly	Frederick	Krueger	Pelowski	Swenson
Bennett	Frerichs	Lieder	Peterson	Thiede
Bertram	Gruenes	Marsh	Poppenhagen	Tjornhom
Boo	Gutknecht	McDonald	Quist	Tompkins
Brown	Hartle	McKasy	Redalen	Tunheim
Burger	Haukoos	McPherson	Richter	Uphus
Carlson, D.	Heap	Miller	Rodosovich	Valento
Clausnitzer	Himle	Morrison	Rose	Waltman
Cooper	Hugoson	Nelson, C.	Schafer	Welle
Dauner	Jennings	Olsen, S.	Schreiber	Winter
DeBlieck	Jensen	Olson, E.	Seaberg	Spk. Vanasek
Dempsey	Johnson, V.	Olson, K.	Shaver	
DeRaad	Kalis	Omann	Sparby	
Dille	Kelso	Onnen	Stanius	

Those who voted in the negative were:

Battaglia	Jefferson	McLaughlin	Otis	Segal
Beard	Johnson, A.	Milbert	Pappas	Skoglund
Begich	Johnson, R.	Munger	Price	Solberg
Carlson, L.	Kelly	Murphy	Quinn	Trimble
Carruthers	Kinkel	Nelson, D.	Rest	Vellenga
Clark	Kludt	Neuenschwander	Rice	Voss
Dawkins	Kostohryz	O'Connor	Riveness	Wagenius
Greenfield	Larsen	Ogren	Rukavina	Wenzel
Jacobs	Lasley	Orenstein	Sarna	Wynia
Jaros	Long	Osthoff	Scheid	

The motion prevailed.

H. F. No. 1999, A bill for an act relating to labor and industry; regulating boiler operation and inspections; regulating workers' compensation benefits and administration; regulating workers' compensation insurance; providing for the appointment of actuaries; abolishing the workers' compensation court of appeals and transfer-

ring its jurisdiction to the court of appeals; requiring certain reports relating to workers' compensation; appropriating money; amending Minnesota Statutes 1986, sections 79.095; 79.55, subdivision 2; 79.56, by adding a subdivision; 79.58, subdivision 2; 79.61, subdivision 1; 176.011, subdivisions 11a, 18, and by adding a subdivision; 176.021, subdivision 3; 176.061, subdivision 10; 176.081, subdivisions 1 and 3; 176.101, subdivisions 1, 2, 4, 5, and by adding subdivisions; 176.102, subdivisions 1, 7, and 11; 176.105, subdivision 1; 176.111, subdivisions 6, 7, 8, 12, 14, and 20; 176.131, subdivisions 1a, 2, and by adding a subdivision; 176.132, subdivisions 1, 2, and 3; 176.136, subdivision 1, and by adding a subdivision; 176.421, subdivisions 1 and 6; 176.645, subdivisions 1 and 2; 176.66, subdivision 11; 176A.03, by adding a subdivision; 183.411, subdivisions 1 and 3, and by adding a subdivision; 183.45; 183.51, subdivisions 4, 7, and 10; and 480A.06, subdivisions 3 and 4; Minnesota Statutes 1987 Supplement, sections 176.041, subdivision 4; 176.081, subdivision 2; 176.102, subdivisions 2, 3, 3a, 4, and 6; 176.111, subdivisions 15 and 21; 176.131, subdivisions 1 and 8; 176.155, subdivision 1; 176.221, subdivision 1; 183.42; proposing coding for new law in Minnesota Statutes, chapters 79 and 176; repealing Minnesota Statutes 1986, sections 79.54; 79.57; 79.58, subdivision 1; 175A.01; 175A.02; 175A.03; 175A.04; 175A.05; 175A.06; 175A.07, subdivisions 1, 3, and 4; 175A.08; 175A.09; 175A.10; 176.011, subdivision 26; 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, 3u, and 6; and Minnesota Statutes 1987 Supplement, section 175A.07, subdivision 2.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 77 yeas and 51 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Dempsey	Hugoson	McPherson	Poppenhagen
Anderson, R.	DeRaad	Jennings	Miller	Quist
Bauerly	Dille	Jensen	Morrison	Redalen
Bennett	Dorn	Johnson, V.	Nelson, C.	Richter
Bertram	Forsythe	Kalis	Olsen, S.	Rodosovich
Boo	Frederick	Kelso	Olson, E.	Rose
Brown	Frerichs	Knickerbocker	Olson, K.	Schafer
Burger	Gruenes	Knuth	Omann	Schreiber
Carlson, D.	Gutknecht	Krueger	Onnen	Seaberg
Clausnitzer	Hartle	Lieder	Ozment	Shaver
Cooper	Haukoos	Marsh	Pauly	Sparby
Dauner	Heap	McDonald	Pelowski	Stanius
DeBlieck	Himle	McKasy	Peterson	Steensma

Sviggum	Tjornhom	Uphus	Welle
Swenson	Tompkins	Valento	Winter
Thiede	Tunheim	Waltman	Spk. Vanasek

Those who voted in the negative were:

Battaglia	Johnson, A.	Milbert	Pappas	Solberg
Beard	Johnson, R.	Munger	Price	Trimble
Begich	Kahn	Murphy	Quinn	Vellenga
Carlson, L.	Kelly	Nelson, D.	Rest	Voss
Carruthers	Kinkel	Nelson, K.	Rice	Wagenius
Clark	Kludt	Neuenschwander	Riveness	Wenzel
Dawkins	Kostohryz	O'Connor	Rukavina	Wynia
Greenfield	Larsen	Ogren	Sarna	
Jacobs	Lasley	Orenstein	Scheid	
Jaros	Long	Osthoff	Segal	
Jefferson	McLaughlin	Otis	Skoglund	

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 2008, A bill for an act relating to elections; clarifying certain public campaign financing limits; amending Minnesota Statutes 1986, section 10A.25, subdivision 10; Minnesota Statutes 1987 Supplement, sections 10A.255, subdivision 1; 10A.32, subdivision 3; repealing Minnesota Statutes 1986, section 10A.32, subdivision 3b.

PATRICK E. FLAHAVEN, Secretary of the Senate

Johnson, A., moved that the House refuse to concur in the Senate amendments to H. F. No. 2008, that the Speaker appoint a Conference Committee of 3 members of the House, and that the House requests that a like committee be appointed by the Senate to confer on the disagreeing votes of the two houses. The motion prevailed.

ANNOUNCEMENT BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on H. F. No. 2008:

Johnson, A.; Ogren and Quinn.

Wynia moved that the House recess subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by the Speaker.

REPORT FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Wynia, from the Committee on Rules and Legislative Administration, pursuant to House Rule No. 1.9, designated the following bills as Special Orders to be acted upon immediately preceding Special Orders pending for today, Monday, April 25, 1988:

S. F. Nos. 1744, 1618, 2079, 1987, 1304 and 2221.

SPECIAL ORDERS

S. F. No. 1744 was reported to the House.

Scheid moved to amend S. F. No. 1744, as follows:

Delete everything after the enacting clause and insert:

"Section 1. [347.50] [DEFINITIONS.]

Subdivision 1. [TERMS.] For the purpose of sections 1 to 5, the terms defined in this section have the meanings given them.

Subd. 2. [DANGEROUS DOG.] "Dangerous dog" means any dog that has:

(1) without provocation, inflicted substantial bodily harm on a human being on public or private property;

(2) killed a domestic animal without provocation while off the owner's property; or

(3) been found to be potentially dangerous, and after the owner has notice that the dog is potentially dangerous, the dog aggressively bites, attacks, or endangers the safety of humans or domestic animals.

Subd. 3. [POTENTIALLY DANGEROUS DOG.] "Potentially dangerous dog" means any dog that:

(1) when unprovoked, inflicts bites on a human or domestic animal on public or private property;

(2) when unprovoked, chases or approaches a person upon the streets, sidewalks, or any public property in an apparent attitude of attack; or

(3) has a known propensity, tendency, or disposition to attack unprovoked, causing injury or otherwise threatening the safety of humans or domestic animals.

Subd. 4. [PROPER ENCLOSURE.] "Proper enclosure" means securely confined indoors or in a securely enclosed and locked pen or structure suitable to prevent the animal from escaping and providing protection from the elements for the dog.

Subd. 5. [OWNER.] "Owner" means any person, firm, corporation, organization, or department possessing, harboring, keeping, having an interest in, or having custody or control of a dog.

Subd. 6. [SUBSTANTIAL BODILY HARM.] "Substantial bodily harm" has the meaning given it under section 609.02, subdivision 7a.

Sec. 2. [347.51] [DANGEROUS DOGS; REGISTRATION.]

Subdivision 1. [REQUIREMENT.] No person may own a dangerous dog in this state unless the dog is registered as provided in this section.

Subd. 2. [REGISTRATION.] A county shall issue a certificate of registration to the owner of a dangerous dog if the owner presents sufficient evidence that:

(1) a proper enclosure exists for the dangerous dog and a posting on the premises with a clearly visible warning sign, including a warning symbol to inform children, that there is a dangerous dog on the property; and

(2) a surety bond issued by a surety company authorized to conduct business in this state in a form acceptable to the county in the sum of at least $50,000, payable to any person injured by the dangerous dog, or a policy of liability insurance issued by an insurance company authorized to conduct business in this state in the amount of at least $50,000, insuring the owner for any personal injuries inflicted by the dangerous dog.

Subd. 3. [FEE.] The county may charge the owner an annual fee, in addition to any regular dog licensing fees, to obtain a certificate of registration for a dangerous dog under this section.

Subd. 4. [LAW ENFORCEMENT; EXEMPTION.] The provisions of this section do not apply to dangerous dogs used by law enforcement officials for police work.

Subd. 5. [EXEMPTION.] Dogs may not be declared dangerous if the threat, injury, or damage was sustained by a person:

(1) who was committing, at the time, a willful trespass or other tort upon the premises occupied by the owner of the dog;

(2) who was provoking, tormenting, abusing, or assaulting the dog or has, in the past, been observed or reported to have provoked, tormented, abused, or assaulted the dog; or

(3) who was committing or attempting to commit a crime.

Subd. 6. [COUNTIES WITHOUT LICENSING SYSTEMS.] If an owner of a dangerous dog resides in a county that does not license dogs under sections 347.08 to 347.21, the owner shall obtain a certificate as required under this section from the county auditor in the county where the owner resides.

Sec. 3. [347.52] [DANGEROUS DOGS; REQUIREMENTS.]

An owner of a dangerous dog shall keep the dangerous dog, while on the owner's property, in a proper enclosure. If the dog is outside the proper enclosure, the dog must be muzzled and restrained by a substantial chain or leash and under the physical restraint of a responsible person. The muzzle must be made in a manner that will prevent the dog from biting any person or animal, but that will not cause injury to the dog or interfere with its vision or respiration.

Sec. 4. [347.53] [POTENTIALLY DANGEROUS DOGS.]

Any statutory or home rule charter city, or any county, may regulate potentially dangerous dogs. Nothing in sections 1 to 5 limits any restrictions the local jurisdictions may place on owners of potentially dangerous dogs.

Sec. 5. [347.54] [CONFISCATION.]

Subdivision 1. [DANGEROUS DOGS.] The county shall immediately confiscate any dangerous dog if:

(1) the dog is not validly registered under section 2;

(2) the owner does not secure the proper liability insurance or surety coverage as required under section 2, subdivision 2;

(3) the dog is not maintained in the proper enclosure; or

(4) the dog is outside the proper enclosure and not under physical restraint of a responsible person as required under section 3."

Delete the title and insert:

"A bill for an act relating to animals; regulating dangerous and potentially dangerous dogs; proposing coding for new law in Minnesota Statutes, chapter 347."

The motion prevailed and the amendment was adopted.

McKasy was excused between the hours of 7:15 p.m. and 8:00 p.m.

Scheid and Bishop moved to amend S. F. No. 1744, as amended, as follows:

Page 4, after line 7, insert:

"Sec. 6. [347.55] [PENALTY.]

Any person who violates any provision of section 2 or 3 is guilty of a misdemeanor.

Sec. 7. Minnesota Statutes 1986, section 609.226, is amended to read:

609.226 [HARM CAUSED BY A DOG.]

Subdivision 1. [GREAT OR SUBSTANTIAL BODILY HARM.] A person who causes great or substantial bodily harm to another by negligently or intentionally permitting any dog to run uncontrolled off the owner's premises, or negligently failing to keep it properly confined is guilty of a petty misdemeanor. A person who is convicted of a second or subsequent violation of this section involving the same dog is guilty of a gross misdemeanor.

Subd. 2. [DANGEROUS DOGS.] If the owner of a dangerous dog, as defined under section 1, subdivision 2, has been convicted of a misdemeanor under section 6, and the same dog causes bodily injury to a person other than the owner, the owner is guilty of a gross misdemeanor and may be sentenced to imprisonment for not more than one year or to payment of a fine of not more than $3,000, or both.

Subd. 3. [DEFENSE.] If proven by a preponderance of the evidence, it shall be an affirmative defense to liability under this section that the victim provoked the dog to cause the victim's bodily harm.

Sec. 8. Minnesota Statutes 1986, section 609.227, is amended to read:

609.227 [DANGEROUS ANIMALS DESTROYED.]

When a person has been ~~convicted~~ of charged with a ~~crime~~ ~~under~~ violation of section 609.205, clause (4), or ~~of~~ 609.226, subdivision 2 or 3, or a gross misdemeanor violation of section 609.226, subdivision 1, the court ~~may~~ shall order that the animal which caused the death or injury be seized by the appropriate local law enforcement agency ~~and~~. The animal shall be killed in a proper and humane manner if the person has been convicted of the crime for which the animal was seized. The owner of the animal shall pay the cost of confining and killing the animal. This section shall not preempt local ordinances with more restrictive provisions.

Sec. 9. [EFFECTIVE DATE.]

Sections 6 to 8 are effective August 1, 1988, and apply to crimes committed on or after that date."

Delete the title and insert:

"A bill for an act relating to animals; regulating dangerous and potentially dangerous dogs; providing penalties; amending Minnesota Statutes 1986, sections 609.226; and 609.227; proposing coding for new law in Minnesota Statutes, chapter 347."

The motion prevailed and the amendment was adopted.

Kelly moved to amend S. F. No. 1744, as amended, as follows:

Page 4, after line 7, insert:

"Sec. 6. [346.56] [DOGS AND CATS IN MOTOR VEHICLES.]

Subdivision 1. [UNATTENDED DOGS OR CATS.] A person may not leave a dog or a cat unattended in a standing or parked motor vehicle in a manner that endangers the dog's or cat's health or safety.

Subd. 2. [REMOVAL OF DOGS OR CATS.] A peace officer, as defined in section 626.84, a humane agent, a dog warden, or a volunteer or professional member of a fire or rescue department of a political subdivision may use reasonable force to enter a motor vehicle and remove a dog or cat which has been left in the vehicle in violation of subdivision 1. A person removing a dog or a cat under this subdivision shall use reasonable means to contact the owner of the dog or cat to arrange for its return home. If the person is unable

to contact the owner, the person may take the dog or cat to an animal shelter.

Subd. 3. [PETTY MISDEMEANOR.] A person who violates subdivision 1 is subject to a fine of $25."

Renumber the sections in sequence

Correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

S. F. No. 1744, A bill for an act relating to animals; regulating dangerous and potentially dangerous dogs; providing penalties; amending Minnesota Statutes 1986, sections 609.226; and 609.227; proposing coding for new law in Minnesota Statutes, chapter 347.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 114 yeas and 9 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Greenfield	Krueger	Olson, K.	Seaberg
Battaglia	Gruenes	Larsen	Omann	Segal
Bauerly	Gutknecht	Lasley	Onnen	Shaver
Beard	Hartle	Lieder	Orenstein	Skoglund
Begich	Haukoos	Long	Osthoff	Solberg
Bennett	Heap	Marsh	Otis	Stanius
Boo	Himle	McEachern	Ozment	Steensma
Brown	Hugoson	McLaughlin	Pappas	Sviggum
Burger	Jacobs	McPherson	Pauly	Swenson
Carlson, L.	Jaros	Milbert	Pelowski	Tjornhom
Carruthers	Jefferson	Miller	Peterson	Tompkins
Clark	Jennings	Minne	Price	Trimble
Clausnitzer	Jensen	Morrison	Quinn	Tunheim
Cooper	Johnson, R.	Munger	Redalen	Valento
Dauner	Kahn	Murphy	Rest	Vellenga
Dawkins	Kalis	Nelson, C.	Rice	Voss
DeBlieck	Kelly	Nelson, D.	Riveness	Wagenius
Dempsey	Kelso	Nelson, K.	Rodosovich	Welle
DeRaad	Kinkel	Neuenschwander	Rukavina	Wenzel
Dorn	Kludt	O'Connor	Sarna	Winter
Forsythe	Knickerbocker	Ogren	Schafer	Wynia
Frederick	Knuth	Olsen, S.	Scheid	Spk. Vanasek
Frerichs	Kostohryz	Olson, E.	Schreiber	

Those who voted in the negative were:

Bertram	Johnson, V.	Richter	Thiede	Waltman
Dille	McDonald	Rose	Uphus	

The bill was passed, as amended, and its title agreed to.

S. F. No. 1618, A bill for an act relating to armories; increasing the limit on bonded indebtedness; amending Minnesota Statutes 1986, section 193.143.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frerichs	Krueger	Onnen	Segal
Anderson, R.	Greenfield	Larsen	Orenstein	Shaver
Battaglia	Gruenes	Lasley	Osthoff	Skoglund
Bauerly	Gutknecht	Lieder	Otis	Solberg
Beard	Hartle	Long	Ozment	Sparby
Begich	Haukoos	Marsh	Pappas	Stanius
Bennett	Heap	McDonald	Pauly	Steensma
Bertram	Himle	McEachern	Pelowski	Sviggum
Boo	Hugoson	McLaughlin	Peterson	Swenson
Brown	Jacobs	McPherson	Poppenhagen	Thiede
Burger	Jaros	Milbert	Price	Tjornhom
Carlson, D.	Jefferson	Miller	Quinn	Tompkins
Carlson, L.	Jennings	Minne	Quist	Trimble
Carruthers	Jensen	Morrison	Redalen	Tunheim
Clark	Johnson, A.	Munger	Rest	Uphus
Clausnitzer	Johnson, R.	Murphy	Rice	Valento
Cooper	Johnson, V.	Nelson, C.	Richter	Vellenga
Dauner	Kahn	Nelson, D.	Riveness	Voss
Dawkins	Kalis	Nelson, K.	Rodosovich	Wagenius
DeBlieck	Kelly	Neuenschwander	Rose	Waltman
Dempsey	Kelso	O'Connor	Rukavina	Welle
DeRaad	Kinkel	Ogren	Sarna	Wenzel
Dille	Kludt	Olsen, S.	Schafer	Winter
Dorn	Knickerbocker	Olson, E.	Scheid	Wynia
Forsythe	Knuth	Olson, K.	Schreiber	Spk. Vanasek
Frederick	Kostohryz	Omann	Seaberg	

The bill was passed and its title agreed to.

CALL OF THE HOUSE LIFTED

Johnson, V., moved that the call of the House be dispensed with. The motion prevailed and it was so ordered.

S. F. No. 2079 was reported to the House.

Kinkel moved to amend S. F. No. 2079, as follows:

Page 2, line 5, after the period insert:

"(e) The commissioner, in designating a muskellunge water on lakes wholly or partially within an Indian reservation, may not designate a whole lake larger than 29,775 acres in surface area, except that sensitive areas of lakes larger than 29,775 acres may be designated if clause (a) is complied with."

Renumber subsequent section

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Neuenschwander moved to amend S. F. No. 2079, as amended, as follows:

Page 1, after line 7, insert:

"Section 1. [84.97] [CONTROLLED BURNING.]

Subdivision 1. [PROGRAM ESTABLISHED.] The commissioner may establish a controlled burning program on public and private land to propagate wildlife requiring new vegetative growth and brush habitats, to manage the prairie, and to reduce the wildfire hazard.

Subd. 2. [BURNING PERMITS.] (a) A person may not conduct a controlled burn without a permit.

(b) The commissioner may provide a manual that describes financial and technical assistance available and provides detailed information on conducting a controlled burn.

Subd. 3. [ASSISTANCE FOR PRIVATE BURNS.] The commissioner may provide financial and technical assistance to persons who desire to conduct controlled burns approved by the commissioner. Technical assistance includes controlled burn plan development, demonstration controlled burns, and personnel assistance for a controlled burn."

Renumber the remaining sections

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Stanius, Bennett, Rose and Gutknecht moved to amend S. F. No. 2079, as amended, as follows:

Page 2, after line 5, insert:

"Sec. 2. [REPEALER.]

Minnesota Statutes 1986, section 97C.385, subdivisions 1 and 2, are repealed."

Renumber the sections in sequence

Correct internal references

Amend the title accordingly

A roll call was requested and properly seconded.

POINT OF ORDER

Kinkel raised a point of order pursuant to rule 3.9 that the Stanius et al amendment was not in order. The Speaker ruled the point of order not well taken and the amendment in order.

The question recurred on the Stanius et al amendment and the roll was called. There were 48 yeas and 74 nays as follows:

Those who voted in the affirmative were:

Bennett	Gruenes	Knickerbocker	Pauly	Shaver
Boo	Gutknecht	Marsh	Quist	Sparby
Burger	Hartle	McDonald	Redalen	Stanius
Carlson, L.	Haukoos	McPherson	Richter	Swenson
Clausnitzer	Heap	Miller	Rose	Tjornhom
Dempsey	Himle	Morrison	Sarna	Tompkins
DeRaad	Hugoson	Nelson, K.	Schafer	Valento
Forsythe	Jacobs	Olsen, S.	Scheid	Waltman
Frederick	Jennings	Osthoff	Schreiber	
Frerichs	Johnson, V.	Ozment	Seaberg	

Those who voted in the negative were:

Anderson, G.	Carlson, D.	Jaros	Kelso	Long
Anderson, R.	Clark	Jefferson	Kinkel	McEachern
Battaglia	Cooper	Jensen	Kludt	McLaughlin
Bauerly	Dauner	Johnson, A.	Kostohryz	Minne
Beard	Dawkins	Johnson, R.	Krueger	Munger
Begich	DeBlieck	Kahn	Larsen	Murphy
Bertram	Dille	Kalis	Lasley	Nelson, C.
Brown	Greenfield	Kelly	Lieder	Nelson, D.

Neuenschwander	Orenstein	Reding	Solberg	Wagenius
O'Connor	Otis	Rest	Steensma	Welle
Ogren	Pappas	Riveness	Thiede	Wenzel
Olson, E.	Pelowski	Rodosovich	Trimble	Winter
Olson, K.	Peterson	Rukavina	Tunheim	Wynia
Omann	Poppenhagen	Segal	Vellenga	Spk. Vanasek
Onnen	Quinn	Skoglund	Voss	

The motion did not prevail and the amendment was not adopted.

S. F. No. 2079, A bill for an act relating to natural resources; providing for a statement of need and reasonableness before designating muskellunge waters; amending Minnesota Statutes 1986, section 97C.011.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 87 yeas and 41 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Greenfield	McEachern	Pappas	Steensma
Battaglia	Jacobs	McLaughlin	Pelowski	Sviggum
Bauerly	Jaros	McPherson	Peterson	Thiede
Beard	Jefferson	Miller	Poppenhagen	Trimble
Begich	Johnson, A.	Minne	Quinn	Tunheim
Bertram	Johnson, R.	Munger	Quist	Uphus
Brown	Johnson, V.	Murphy	Reding	Vellenga
Burger	Kahn	Nelson, C.	Rest	Voss
Carlson, D.	Kalis	Nelson, D.	Rice	Wagenius
Carlson, L.	Kelly	Neuenschwander	Richter	Waltman
Carruthers	Kelso	O'Connor	Riveness	Welle
Clark	Kinkel	Ogren	Rukavina	Wenzel
Cooper	Kludt	Olson, E.	Sarna	Winter
Dauner	Kostohryz	Olson, K.	Schafer	Wynia
Dawkins	Krueger	Omann	Segal	Spk. Vanasek
DeBlieck	Larsen	Onnen	Skoglund	
Dille	Lasley	Orenstein	Solberg	
Dorn	Lieder	Otis	Sparby	

Those who voted in the negative were:

Bennett	Gruenes	Knickerbocker	Nelson, K.	Scheid
Boo	Gutknecht	Knuth	Olsen, S.	Schreiber
Clausnitzer	Hartle	Long	Osthoff	Seaberg
Dempsey	Haukoos	Marsh	Ozment	Shaver
DeRaad	Heap	McDonald	Pauly	Stanius
Forsythe	Himle	McKasy	Price	Swenson
Frederick	Hugoson	Milbert	Redalen	Tjornhom
Frerichs	Jensen	Morrison	Rose	Tompkins
				Valento

The bill was passed, as amended, and its title agreed to.

There being no objection, the order of business reverted to Introduction and First Reading of House Bills.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House File was introduced:

Wenzel, Sparby, Krueger, DeBlieck and Winter introduced:

H. F. No. 2831, A bill for an act relating to military; making legislative findings concerning the benefits of a full-strength Minnesota national guard; providing for an annual bonus payment of $250 to each member of the Minnesota national guard; increasing the minimum active duty pay for the Minnesota national guard; amending Minnesota Statutes 1986, section 192.51, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 192.

The bill was read for the first time and referred to the Committee on General Legislation, Veterans Affairs and Gaming.

HOUSE ADVISORIES

The following House Advisory was introduced:

Wagenius; Vellenga; Skoglund; Nelson, K., and Orenstein introduced:

H. A. No. 102, A proposal to evaluate metropolitan airports needs and resources.

The advisory was referred to the Committee on Metropolitan Affairs.

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 2008, A bill for an act relating to elections; clarifying certain public campaign financing limits; amending Minnesota

Statutes 1986, section 10A.25, subdivision 10; Minnesota Statutes 1987 Supplement, sections 10A.255, subdivision 1; 10A.32, subdivision 3; repealing Minnesota Statutes 1986, section 10A.32, subdivision 3b.

The Senate has appointed as such Committee:

Messrs. Frank, Pogemiller and Luther.

Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2407, A bill for an act relating to the state and local governments; providing that municipal volunteers are employees for purposes of tort claims; providing that employees and officers of the world trade center board and greater Minnesota corporation are state employees for purposes of state tort claims; providing that officers and directors of public corporations are immune from liability under standards for nonprofit corporations; clarifying immunity from civil liability for certain athletic officials; amending Minnesota Statutes 1986, sections 317.22, subdivision 4; 317.28; and 466.01, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 44A.02, subdivision 3; 116O.03, by adding a subdivision; 116O.04, subdivision 2; 317.201, subdivision 1; and 604.08, subdivision 1.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2477, A bill for an act relating to retirement; making technical changes in the laws governing the teachers retirement association and the public employees retirement association; including certain county historical society employees in the membership of the public employees retirement association; authorizing certain persons to purchase prior service; excluding certain metropolitan transit commission employees from additional disability and survi-

vorship coverage; regulating volunteer firefighters annuity contracts; authorizing changes in certain local police and firefighters relief associations; authorizing optional Medicare coverage for certain public employees; providing for a special referendum; amending certain mandatory retirement age provisions; clarifying eligibility of local elected officials for participation in a deferred compensation program; amending vesting provisions for judges; permitting the payment of certain state aids to the city of Winona; making technical changes in the laws governing the judges retirement plan; establishing an individual retirement account plan for state university and community college faculty; amending Minnesota Statutes 1986, sections 353.01, subdivisions 15, 29, and by adding a subdivision; 353.028, subdivision 2; 353.03, subdivision 1; 353.27, subdivisions 7, 13, and by adding subdivisions; 353.32, subdivision 5; 353.33, subdivision 7; 353.37, subdivision 1; 353.65, subdivision 2; 354.05, by adding a subdivision; 356.24; 424A.02, by adding subdivisions; 471.61, subdivision 1; 473.418; 490.123, subdivision 1; 490.124, subdivision 2; and 490.129; Minnesota Statutes 1987 Supplement, sections 136.82, subdivision 1; 352.85, subdivisions 1 and 2; 353.01, subdivisions 2a, 2b, 10, 16, and 20; 353.27, subdivisions 10 and 12; 353.29, subdivision 6; 353.32, subdivision 1a; 353.34, subdivision 3; 353A.10, subdivision 3; 353C.02; 353C.03; 353C.04; 353C.05; 353C.06, subdivisions 1, 3, and 4; 353C.07; 353C.08, subdivision 5 and by adding a subdivision; 353D.05, subdivision 2; 353D.07, subdivisions 1, 2, and 4; 353D.08; 356.302, subdivisions 1 and 3; and 490.124, subdivision 11; Laws 1955, chapter 151, section 9, subdivision 7, as amended; Laws 1986, chapter 359, section 25; Laws 1987, chapter 372, article 2, section 16; proposing coding for new law in Minnesota Statutes, chapters 60A; 355; and 356; proposing coding for new law as Minnesota Statutes, chapter 354B; repealing Minnesota Statutes 1987 Supplement, section 353D.07, subdivision 5.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2245, A bill for an act relating to education; establishing general education revenue; modifying aspects of educational programs for American Indian people; providing for certain levying authority and limitations; modifying certain levies, aid, and grant programs; establishing learning year program sites; providing for revenue for school facilities; authorizing bonding; approving capital loans; offering free admission to secondary school to eligible persons at least 21 years of age; creating education district revenue; provid-

ing for the sale of permanent school fund lands; requiring certain changes in the state high school league; creating a task force on education organization; appropriating money; amending Minnesota Statutes 1986, sections 92.06, subdivision 4; 92.14, by adding a subdivision; 92.67, subdivision 5; 120.06, by adding a subdivision; 120.075, subdivision 1a, 3, and by adding a subdivision; 120.0751, subdivision 1, and by adding a subdivision; 120.0752, subdivision 1, and by adding a subdivision; 120.08, subdivision 2; 120.73, subdivision 1; 120.74, subdivision 1; 121.15; 121.88, by adding subdivisions; 123.35, subdivision 8; 123.351, by adding a subdivision; 123.3514, by adding a subdivision; 124.17, by adding a subdivision; 124.18, subdivision 2; 124.214, subdivision 2; 124.225, by adding a subdivision; 124.245, by adding a subdivision; 124.43, subdivisions 1, 2, 3, and by adding subdivisions; 124.48, subdivision 2; 124A.036, subdivision 2; 125.12, subdivision 3; 125.17, subdivision 2; 126.151; 126.45; 126.46; 126.47; 126.49, subdivision 1; 126.51, subdivisions 1, 2, 4, and by adding a subdivision; 126.52; 126.531; 126.56; subdivision 2; 129.121, subdivision 2, and by adding subdivisions; 129B.20, subdivision 1; 134.351, subdivision 7; 136D.74, by adding subdivisions; 136D.81; 260.015, subdivision 19; and 275.125, by adding subdivisions; Minnesota Statutes 1987 Supplement, sections 92.46, subdivision 1; 92.67, subdivisions 1, 3, and 4; 120.0752, subdivision 3; 120.101, subdivisions 5 and 9; 120.17, subdivisions 1 and 3b; 121.912, subdivision 1; 122.91, by adding a subdivision; 123.3515, subdivisions 1, 2, 3, 5, 6, and 9; 123.39, subdivision 1; 124.17, subdivision 1; 124.214, subdivision 3; 124.223; 124.225, subdivision 8a; 124.244; 124.26, subdivision 1b; 124.494, subdivisions 4, 5, and 6; 124.495; 124A.036, subdivision 5; 124A.22, subdivision 2, and by adding subdivisions; 124A.23, subdivisions 1, 4, and 5; 124A.24; 124A.27, subdivision 1; 124A.28, subdivision 1, and by adding a subdivision; 126.22, subdivisions 2, 3, 4, and by adding a subdivision; 126.23; 126.67, subdivision 2b; 129.121, subdivision 1; 129B.11, subdivision 2, and by adding a subdivision; 129B.53, subdivision 2; 136D.27; 136D.87; 275.125, subdivision 5; and 422A.101, subdivision 2; Laws 1959, chapter 462, section 3, subdivision 4, as amended; Laws 1987, chapter 398, articles 2, section 13, subdivision 2; 3, sections 38 and 39, subdivisions 7 and 8; 5, section 2, subdivision 12; chapter 400, section 59; proposing coding for new law in Minnesota Statutes, chapters 120; 121; 124; 124A; 126; and 129B; repealing Minnesota Statutes 1986, sections 121.9121, subdivision 7; 124.435; 126.51, subdivision 3; Minnesota Statutes 1987 Supplement, sections 123.3515; 123.703, subdivision 3; 124.245, subdivisions 3, 3a, and 3b; 124A.27, subdivision 10; 129B.74; 129B.75; and 275.125, subdivision 11c; Laws 1984, chapter 463, article 7, section 45.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 1981, A bill for an act relating to claims against the state; providing for payment of various claims; appropriating money.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Kalis moved that the House concur in the Senate amendments to H. F. No. 1981 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1981, A bill for an act relating to claims against the state; providing for payment of various claims; appropriating money.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 127 yeas and 3 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frederick	Knuth	Olson, E.	Schreiber
Anderson, R.	Frerichs	Kostohryz	Omann	Seaberg
Battaglia	Greenfield	Krueger	Onnen	Segal
Bauerly	Gruenes	Larsen	Orenstein	Shaver
Beard	Gutknecht	Lasley	Otis	Skoglund
Begich	Hartle	Lieder	Ozment	Solberg
Bennett	Haukoos	Long	Pappas	Sparby
Bertram	Heap	Marsh	Pauly	Stanius
Boo	Himle	McDonald	Pelowski	Steensma
Brown	Hugoson	McEachern	Peterson	Sviggum
Burger	Jacobs	McKasy	Poppenhagen	Swenson
Carlson, D.	Jaros	McLaughlin	Price	Thiede
Carlson, L.	Jefferson	McPherson	Quinn	Tjornhom
Carruthers	Jennings	Milbert	Quist	Tompkins
Clark	Jensen	Miller	Redalen	Trimble
Clausnitzer	Johnson, A.	Minne	Reding	Tunheim
Cooper	Johnson, R.	Morrison	Rest	Uphus
Dauner	Johnson, V.	Munger	Richter	Valento
Dawkins	Kahn	Murphy	Riveness	Vellenga
DeBlieck	Kalis	Nelson, C.	Rodosovich	Voss
Dempsey	Kelly	Nelson, D.	Rose	Wagenius
DeRaad	Kelso	Nelson, K.	Rukavina	Waltman
Dille	Kinkel	O'Connor	Sarna	Welle
Dorn	Kludt	Ogren	Schafer	Wenzel
Forsythe	Knickerbocker	Olsen, S.	Scheid	Winter
				Wynia
				Spk. Vanasek

Those who voted in the negative were:

Neuenschwander Osthoff Rice

The bill was repassed, as amended by the Senate, and its title agreed to.

SPECIAL ORDERS, Continued

S. F. No. 1987 was reported to the House.

Riveness moved to amend S. F. No. 1987, as follows:

Delete everything after the enacting clause and insert:

"Section 1. [STUDY.]

The commissioner of employee relations shall conduct a study of the use of part-time employees in the executive branch work force. In conducting the study, the commissioner shall consult with exclusive representatives of state employees. The commissioner shall report the results of the study to the legislature by January 15, 1989. The report must include:

(1) a summary showing the percentages of employees in each executive branch appointing authority, and in each job classification with more than ten incumbents, that are full-time unlimited, part-time unlimited, full-time or part-time seasonal, intermittent, temporary, and emergency, as of the date that the commissioner compiles the summary. This summary must note which job classifications are male-dominated, female-dominated, and balanced;

(2) a summary of overall trends in the use of part-time, intermittent, and temporary employment in the executive branch over the past five years, and significant trends in the use of part-time employment in individual executive branch agencies;

(3) the circumstances under which executive branch agencies use part-time employees; and

(4) costs of providing full hospital and medical insurance benefits to part-time employees."

The motion prevailed and the amendment was adopted.

S. F. No. 1987, A bill for an act relating to state government; requiring the commissioner of employee relations to study the use of

part-time employees in the executive branch work force; requiring a report.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 118 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Gruenes	Lasley	Onnen	Shaver
Anderson, R.	Hartle	Lieder	Orenstein	Skoglund
Battaglia	Heap	Long	Osthoff	Solberg
Bauerly	Himle	Marsh	Otis	Sparby
Beard	Hugoson	McDonald	Ozment	Stanius
Begich	Jacobs	McEachern	Pappas	Steensma
Bennett	Jaros	McKasy	Pelowski	Sviggum
Bertram	Jefferson	McLaughlin	Peterson	Swenson
Boo	Jennings	McPherson	Price	Tjornhom
Brown	Jensen	Milbert	Quinn	Tompkins
Burger	Johnson, A.	Miller	Quist	Trimble
Carlson, D.	Johnson, R.	Minne	Redalen	Tunheim
Carlson, L.	Johnson, V.	Munger	Reding	Uphus
Carruthers	Kahn	Murphy	Rest	Vellenga
Clark	Kalis	Nelson, C.	Rice	Voss
Clausnitzer	Kelly	Nelson, D.	Riveness	Wagenius
Cooper	Kelso	Nelson, K.	Rodosovich	Waltman
Dauner	Kinkel	Neuenschwander	Rose	Welle
Dawkins	Kludt	O'Connor	Rukavina	Wenzel
DeBlieck	Knickerbocker	Ogren	Sarna	Winter
DeRaad	Knuth	Olsen, S.	Schafer	Wynia
Dille	Kostohryz	Olson, E.	Scheid	Spk. Vanasek
Dorn	Krueger	Olson, K.	Seaberg	
Greenfield	Larsen	Omann	Segal	

The bill was passed, as amended, and its title agreed to.

S. F. No. 1304 was reported to the House.

Scheid moved to amend S. F. No. 1304, as follows:

Page 2, line 28, after the comma insert "and the carcinogen is reasonably linked to the disabling cancer,"

The motion prevailed and the amendment was adopted.

Murphy; Price; Scheid; Carlson, L.; Munger; Jaros; Voss; Kahn; Nelson, K.; Lasley; Long; Wynia; Wagenius; Orenstein; Rukavina; Milbert; Bauerly; Sparby; Nelson, C.; Otis; Greenfield; Knuth; Krueger; Kludt; Solberg; Ogren; Minne; Rodosovich; Steensma; Segal; Kostohryz; Pelowski; Neuenschwander; Larsen; Olson, K.; Johnson, A.; Battaglia; Pappas; Winter; Rest; Skoglund; Johnson, R.; Begich; Kinkel; Nelson, D.; Welle; McLaughlin; Beard; Quinn;

Riveness; Vellenga; Jacobs and Bertram moved to amend S. F. No. 1304, as amended, as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

INSURANCE REGULATIONS

Section 1. Minnesota Statutes 1987 Supplement, section 62I.02, subdivision 1, is amended to read:

Subdivision 1. [CREATION.] The Minnesota joint underwriting association is created to provide insurance coverage to any person or entity unable to obtain insurance through ordinary methods if the insurance is required by statute, ordinance, or otherwise required by law, or is necessary to earn a livelihood or conduct a business and serves a public purpose. Prudent business practice or mere desire to have insurance coverage is not a sufficient standard for the association to offer insurance coverage to a person or entity. For purposes of this subdivision, directors' and officers' liability insurance is considered to be a business necessity and not merely a prudent business practice. The association shall be specifically authorized to provide insurance coverage to day care providers, foster parents, foster homes, developmental achievement centers, group homes, and sheltered workshops for mentally, emotionally, or physically handicapped persons, ~~and~~ citizen participation groups established pursuant to the housing and community redevelopment act of 1974, Public Law Number 93-383, and surety bonds required by Minnesota Rules, part 2780.2700, for workers' compensation group self-insurers made up of truckers operating under permit or certificates of authority issued by the Minnesota transportation regulation board. Because the activities of certain persons or entities present a risk that is so great, the association shall not offer insurance coverage to any person or entity the board of directors of the association determines is outside the intended scope and purpose of the association because of the gravity of the risk of offering insurance coverage. The association shall not offer environmental impairment liability or product liability insurance. The association shall not offer coverage for activities that are conducted substantially outside the state of Minnesota unless the insurance is required by statute, ordinance, or otherwise required by law. Every insurer authorized to write property and casualty insurance in this state shall be a member of the association as a condition to obtaining and retaining a license to write insurance in this state.

Sec. 2. [62I.065] [TRUCKERS' SURETY BOND.]

Subdivision 1. [JOINT AND SEVERAL LIABILITY RE-

QUIRED.] Surety bonds may not be issued to workers' compensation group self-insurers made up of truckers operating under permit or certificates of authority issued by the Minnesota transportation regulation board if the members do not have joint and several liability.

Subd. 2. [RATE.] The rate for surety bonds which comply with subdivision 1 shall be 120 percent of the average rate for the surety bonds of all other workers' compensation group self-insurers.

Subd. 3. [SECURITY.] The Minnesota joint underwriting association shall require additional security to be posted for any surety bond issued pursuant to this section as is normally required for surety bonds.

Subd. 4. [DIVIDENDS AND PREMIUMS.] The premiums and dividends of a group issued a surety bond pursuant to this section are subject to the prior approval of the commissioner of commerce.

Sec. 3. Minnesota Statutes 1986, section 62I.07, is amended to read:

62I.07 [MEMBERSHIP ASSESSMENTS.]

(a) Each member of the association shall participate in its losses and expenses in the proportion that the direct written premiums of the member bears to the total aggregate direct written premiums written in this state by all members. The members' participation in the association shall be determined annually on the direct written premiums written during the preceding calendar year as reported on the annual statements and other reports filed by the member with the commissioner.

(b) Losses resulting from surety bonds for truckers groups that self-insure for workers' compensation shall be paid by the special compensation fund. The special compensation fund shall seek appropriations in each biennium for any amounts paid pursuant to this paragraph.

Sec. 4. [62I.166] [REINSURANCE ASSOCIATION TO ASSIST.]

The workers' compensation reinsurance association shall assist the association in any manner requested by the association in regard to surety bonds issued to trucker group self-insurers. This assistance may consist of the provision of data, the use of computer programs, or similar aid needed by the association in regard to the bonds. The workers' compensation reinsurance association must provide these services without cost to the association.

Sec. 5. Minnesota Statutes 1986, section 62I.21, is amended to read:

62I.21 [ACTIVATION OF MARKET ASSISTANCE PLAN AND JOINT UNDERWRITING ASSOCIATION.]

At any time the commissioner of commerce deems it necessary to provide assistance with respect to the placement of ~~general liability~~ insurance coverage, including bonds, on Minnesota risks for a class of business, the commissioner shall by notice in the State Register activate the market assistance plan and the joint underwriting association. The plan and association are activated for a period of 180 days from publication of the notice. At the same time the notice is published, the commissioner shall prepare a written petition requesting that a hearing be held to determine whether activation of the market assistance plan and the joint underwriting association is necessary beyond the 180-day period. The hearing must be held in accordance with section 62I.22. The commissioner by order shall deactivate a market assistance program and the joint underwriting association at any time the commissioner finds that the market assistance program and the joint underwriting association are not necessary.

Sec. 6. Minnesota Statutes 1986, section 79.01, subdivision 1, is amended to read:

Subdivision 1. [TERMS.] Unless the language or context clearly indicates that a different meaning is intended, the following terms, for the purposes of sections 79.01 to ~~79.23~~ 34, shall have the meanings ascribed to them.

Sec. 7. Minnesota Statutes 1986, section 79.074, is amended by adding subdivisions to read:

Subd. 3. [UNFAIRLY DISCRIMINATORY.] A rate, rating plan or schedule of rates is unfairly discriminatory in relation to another if it clearly fails to reflect equitably the differences in expected losses, expenses, and the degree of risk. Rates, rating plans or schedules of rates are not unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expense factors, or like expense factors but different loss exposures, so long as the rates, rating plan or schedule of rates reflect the differences with reasonable accuracy.

Subd. 4. [EXCESSIVENESS.] Rates, rating plans or schedules of rates are excessive if the expected underwriting profit, together with expected income from invested reserves for the market in question, that would accrue to an insurer would be unreasonable in relation to the risk undertaken by the insurer in transacting the business.

Subd. 5. [INADEQUACY.] Rates, rating plans or schedules of rates are inadequate if, together with the investment income associated with an insurer's Minnesota workers' compensation insurance business, they are insufficient to sustain projected losses and expenses of the insurer and if their continued use could lead to an insolvent situation for the insurer.

Sec. 8. Minnesota Statutes 1986, section 79.074, is amended by adding a subdivision to read:

Subd. 6. [FLEXIBLE RANGE OF RATES.] An insurer may write insurance at rates that are lower than the rates approved by the commissioner provided the rates are not unfairly discriminatory.

Sec. 9. [79.253] [PRIOR RATES.]

Subdivision 1. Rates, schedules of rates and rating plans that have been filed with the commissioner prior to January 1, 1988, are conclusively presumed to satisfy the requirements of this article until the initial schedule of rates has been approved by order of the commissioner, provided that the rates, schedules of rates and rating plans must be amended as required by section 35.

Subd. 2. If a rate was not filed by an insurer prior to January 1, 1988, then an insurer may file a rate for any classification for which a rate was not previously filed. This rate shall not be used until it is approved by the commissioner. The commissioner may approve a rate up to the rate level approved for use by the assigned risk plan for that rate class. These rates may remain in force until the commissioner has approved an initial schedule of rates pursuant to section 12. If the commissioner disapproves of any rate or rating plan pursuant to authority granted in this subdivision, the disapproval shall not be subject to chapter 14 and the decision shall be final.

Subd. 3. Until the commissioner issues an order approving a schedule of rates pursuant to section 12, an insurer may not, through the use of any rating plan charge a rate higher than the rates applicable to the insurer pursuant to subdivision 1 or 2. This subdivision does not prohibit the use of approved experience rate plans or retrospective rating plans which have been adopted in the filed rates by insurers, the assigned risk plan, or filed by a data service organization. This section shall also not prohibit the adjustment of a schedule of rates to reflect adjustments in the assessment rate for the special fund, the annual adjustment made pursuant to section 176.645, any adjustment in the assessment for the assigned risk plan pursuant to section 79.251, subdivision 5, any adjustment in the assessment for the Minnesota insurance guarantee association pursuant to section 60C.05, or any other assessment required by law.

Subd. 4. Rates, schedules of rates and rating plans filed after December 31, 1987, may not be used after the effective date of this article and the rates, schedules of rates and rating plans in effect prior to January 1, 1988, are reinstated.

Subd. 5. This section shall apply only to policies issued to be effective after the effective date of this section.

Sec. 10. Minnesota Statutes 1986, section 79.50, is amended to read:

79.50 [PURPOSES.]

The purposes of chapter 79 are to:

(a) Promote public welfare by regulating insurance rates so that premiums are not excessive, inadequate, or unfairly discriminatory;

(b) Promote quality and integrity in the data bases used in workers' compensation insurance ratemaking;

(c) Prohibit price fixing agreements and anticompetitive behavior by insurers; and

(d) ~~Promote price competition and provide rates that are responsive to competitive market conditions;~~

~~(e) Provide a means of establishment of proper rates if competition is not effective;~~

~~(f) Define the function and scope of activities of data service organizations;~~

~~(g) Provide for an orderly transition from regulated rates to competitive market conditions; and~~

~~(h)~~ Encourage insurers to provide alternative innovative methods whereby employers can meet the requirements imposed by section 176.181.

Sec. 11. Minnesota Statutes 1986, section 79.59, is amended to read:

79.59 [INSURERS ~~AND~~, DATA SERVICE ORGANIZATIONS, AND RATING ASSOCIATION; PROHIBITED ACTIVITIES.]

Subdivision 1. [MONOPOLIZATION.] No insurer or data service organization or rating association shall attempt to monopolize or

combine or conspire with any other person to monopolize the business of insurance.

Subd. 2. [AGREEMENT PROHIBITED.] No insurer shall agree with any other insurer, rating association, or with a data service organization to adhere to or to use any rate, rating plan, rating schedule, rating rule, or underwriting rule except as specifically authorized by this chapter or for the purpose of creating experience modifications for employers with employees in more than one state.

Subd. 3. [TRADE RESTRAINT.] No insurer, rating association, or data service organization shall make an agreement with any other insurer, data service organization, or other person which has the purpose or the effect of restraining trade or of substantially lessening competition.

Subd. 4. [EXCEPTIONS.] ~~The fact that insurers writing not more than 25 percent of the workers' compensation premiums in Minnesota use the same rates, rating plans, rating schedules, rating rules, underwriting rules, or similar materials shall not alone constitute a violation of subdivision 1 or 2.~~

Two or more insurers under common ownership or operating under common management or control may act in concert between or among themselves with respect to matters authorized under this chapter as if they constituted a single insurer, provided that the rating plan of such insurers shall be considered to be a single plan for the purposes of determining unfair discrimination.

Subd. 5. [ADDITIONAL PROHIBITION.] In addition to other prohibitions contained in this chapter, no data service organization or rating association shall:

(a) Refuse to supply any service for which it is licensed or any data, except for data identifiable to an individual insurer, to any insurer authorized to do business in this state which offers to pay the usual compensation for the service or data;

(b) Require the purchase of any specific service as a condition to obtaining any other services sought;

(c) Participate in the development or distribution of rates, rating plans, or rating rules except as specifically authorized by this chapter or by rules adopted pursuant to this chapter; or

(d) Refuse membership to any licensed insurer.

Sec. 12. [79.71] [RATES; HEARINGS.]

Subdivision 1. [PETITION FOR ADOPTION OF RATE SCHED-

ULE.] The commissioner shall adopt a schedule of workers' compensation insurance rates for use in this state for each classification under which business is written. The schedule of rates shall not be excessive, inadequate, or unfairly discriminatory.

In adopting a schedule of rates, the commissioner may act on the written petition of the association, the department of labor and industry, or any other interested party requesting that a hearing be held to adopt a schedule of rates. Upon receipt of a petition requesting a hearing for adoption of a schedule of rates, the commissioner shall determine whether the petition sufficiently sets forth facts that show that the existing schedule of rates is excessive, inadequate, unfairly discriminatory, or otherwise in need of modification so as to indicate the need to hold a hearing. If the association is a petitioner, the commissioner may decline to grant a hearing if the association has failed to provide information requested by previous orders modifying the schedule of rates, provided that the request was not unreasonable. The commissioner may accept or reject the petition for a hearing and shall give notice of a determination to the petitioning party. If the commissioner rejects the petition, the commissioner shall notify the petitioning party of the reasons for the rejection. If the commissioner of labor and industry petitions the commissioner for a hearing pursuant to this section, the commissioner must hold a hearing if the commissioner of labor and industry certifies that the hearing is necessary because a decision of the supreme court, enactment of a statute or other circumstance has effected a substantial change in the basis upon which the existing schedule of rates was adopted.

Subd. 2. [HEARING.] The commissioner shall determine, within 90 days of receipt of the petition whether to accept or reject the petition. If the commissioner accepts the petition for hearing, the commissioner shall order a hearing on matters set forth in the petition. The hearing shall be held pursuant to the contested case procedures in chapter 14. The burden of proof is on the petitioning party. The commissioner shall forward a copy of the order for hearing to the chief administrative law judge. The chief administrative law judge must, within 30 days of the receipt of the order, set a hearing date, assign an administrative law judge to hear the matter, and notify the commissioner of the hearing date and the administrative law judge assigned to hear the matter. The commissioner shall publish notice of the hearing in the State Register at least 20 days before the hearing date. Approval of the notice prior to publication by the administrative law judge is not required. The administrative law judge may admit documentary and statistical evidence accepted and relied upon by an expert whose expertise is related to workers' compensation rate matters, without the traditional evidentiary foundation. The commissioner of labor and industry is responsible for presenting the public's case. The report of the administrative law judge must be issued within 180 days from the date of receipt of the order by the chief administrative law judge.

Within 60 days of the completion of the hearing, the administrative law judge must submit a report to the commissioner. The parties or the administrative law judge, if the parties cannot agree, shall adjust all time requirements under the contested case procedures to conform with the the time requirements set forth in this subdivision. After the close of the hearing record, the administrative law judge shall transmit to the commissioner the entire record of the hearing, including the transcript, exhibits, and all other material properly accepted into evidence, together with the finding of facts, conclusions, and recommended order made by the administrative law judge. The time for submitting the report may be extended by the chief administrative law judge for good cause.

Subd. 3. [HEARING DETERMINATION.] The commissioner may accept, reject, or modify, in whole or in part, matters raised in the petition for adoption of the schedule of rates or matters raised in the findings and recommendations of the administrative law judge. The commissioner's determination shall be based upon substantial evidence. The commissioner of commerce is an interested party if the commissioner's decision is appealed.

Subd. 4. [DEADLINE FOR DETERMINATION.] The commissioner shall make a final determination with respect to adoption of a schedule of rates within 90 days after receipt of the administrative law judge's report. If the commissioner fails to act within the 90-day period, the findings, conclusions, and recommended order of the administrative law judge become the final order of the commissioner on the 91st day after receipt.

Subd. 5. [CONSULTANTS; COMMISSIONER OF COMMERCE.] The commissioner of commerce may hire consultants, including a consulting actuary and other experts, deemed necessary to assist in the establishment or modification of the schedule of rates. A sum sufficient to pay the costs of conducting the hearing provided under subdivision 2, appeals therefrom, or the establishment or modification of the schedule of rates, including the costs of consultants and related costs, is appropriated from the special compensation fund to the commissioner of commerce and assessed against the rating association and its members by the special compensation fund.

Subd. 6. [CONSULTANTS; COMMISSIONER OF LABOR AND INDUSTRY.] The commissioner of labor and industry may hire consultants, including a consulting actuary and other experts, deemed necessary to assist the commissioner of labor and industry in the hearing for modification of the schedule of rates and appeals therefrom. A sum sufficient to pay the costs of the commissioner of labor and industry in regard to the hearing provided under subdivision 2 and appeals therefrom, including the costs of consultants and related costs, is appropriated from the special compensation fund to the commissioner of labor and industry and assessed against

the rating association and its members by the special compensation fund.

Subd. 7. [CONSULTANTS, ADMINISTRATIVE JUDGES.] The office of administrative hearings, upon approval of the chief administrative law judge, may hire consultants necessary to assist the administrative law judge assigned to a workers' compensation rate proceeding. A sum sufficient to pay the costs of hiring the consultants is appropriated from the special compensation fund to the office of administrative hearings and assessed against the rating association and its members by the special compensation fund.

Subd. 8. [COMMISSIONER OF LABOR AND INDUSTRY AS PUBLIC REPRESENTATIVE.] The commissioner of labor and industry must be a party to all proceedings under this chapter and shall act to assure that the public interest is represented and protected. The commissioner of labor and industry may: (1) inspect at all reasonable times, and copy the books, records, memoranda, and correspondence or other documents and records of any person relating to any business regulated under this chapter; and (2) cause the deposition to be taken of any person concerning the business and affairs of any business regulated under this chapter. Information sought through said deposition shall be for a lawfully authorized purpose and shall be relevant and material to the investigation or hearing before the commissioner of labor and industry. Information obtained from said deposition shall be used by the commissioner of labor and industry only for a lawfully authorized purpose and pursuant to powers and responsibilities conferred upon the department of labor and industry. Said deposition is to be taken in the manner prescribed by law for taking depositions in civil actions in the district court. The commissioner of labor and industry may, on the commissioner's own initiative, investigate any matter subject to the jurisdiction of the department of labor and industry. The costs of the commissioner of labor and industry in discharging this obligation shall be paid by the special compensation fund and assessed against the rating association and its members by the special compensation fund.

Subd. 9. [APPOINTMENT OF ACTUARY.] The commissioner of labor and industry shall employ the services of a casualty actuary experienced in workers' compensation whose duties shall include but not be limited to investigation of complaints by insured parties relative to rates, rate classifications, or discriminatory practices of an insurer. The salary of the actuary employed pursuant to this section is not subject to the provisions of section 43A.17, subdivision 1.

Sec. 13. [79.72] [PETITION FOR REHEARING.]

Subdivision 1. [PETITION CONTENTS.] Any party may petition the commissioner for rehearing and reconsideration of a determina-

tion made pursuant to section 12. The petition for rehearing and reconsideration shall be served on the commissioner and all parties to the rate hearing within 30 days after service of the commissioner's final order. The petition shall set forth factual grounds in support of its petition. Any party adversely affected by a petition for review and reconsideration has 15 days to respond to factual matters alleged in the petition.

Subd. 2. [GRANT OF REHEARING.] The commissioner may grant a rehearing upon the filing of a petition under subdivision 1. On rehearing, the commissioner may limit the scope of factual matters that are subject to rehearing and reconsideration. The rehearing is subject to the provisions of section 12.

Subd. 3. [MODIFICATION OF ORDER.] Following rehearing, the commissioner may modify the terms of the initial order adopting a change in the schedule of rates upon a determination that adequate factual grounds exist to support modification. Adequate factual grounds include, but are not limited to, erroneous testimony by any witness or party to the hearing, material change in Minnesota loss or expense data occurring after a petition for adoption of the schedule of rates has been filed, or any other mistake of fact that has a substantial effect upon the schedule of rates adopted in prior orders of the commissioner.

Sec. 14. [79.73] [JUDICIAL REVIEW.]

Final orders of the commissioner pursuant to sections 12 and 13 are subject to judicial review pursuant to sections 14.63 to 14.69 but shall remain in effect during the pendency of any appeal.

Sec. 15. [79.74] [INTERIM SCHEDULE OF RATES.]

The rating association, the commissioner of labor and industry, or any other interested party may file a petition for an adjustment in the schedule of rates when there has been a law change in the benefit payable under chapter 176. "Law change" means only statutory changes by the legislature or supreme court decisions. When a petition for a change in the schedule of rates due to a law change is received by the commissioner, the commissioner shall review any petition for up to 30 days to determine if it presents facts which warrant a hearing. If the commissioner accepts a petition for hearing it shall be conducted pursuant to the contested case procedures found in chapter 14. The chief administrative law judge shall assign an administrative law judge to hear a petition for a change in the schedule of rates within 30 days. The administrative law judge shall conclude the hearing within 60 days of assignment by the chief administrative law judge and file findings of fact, conclusions of law, and a proposed order with the commissioner within 30 days of concluding the hearing. The administrative law judge shall, after the close of the record, file a report with recommendations in the

same manner as in section 12. The time for holding the hearing and filing the report with the commissioner may be expanded by the chief administrative law judge upon a showing of good cause for an additional 30 days. The commissioner's order may affirm, reverse, or modify the findings and order of the administrative law judge. The petitioning party shall have the burden of proof in any hearing held pursuant to this subdivision. Interim rate hearings are only for changes in the schedule of workers' compensation rates resulting from law changes. All other evidentiary, procedural, and review standards in section 12 shall apply to interim rate hearings except for the time requirements in this subdivision. Interim rate hearings are subject to judicial review pursuant to chapter 14 except that the commissioner's interim rate order shall remain in effect during the pendency of any appeal by any party. The commissioner is an interested party if the commissioner's decision is appealed pursuant to chapter 14. Interim rate hearings may only be held after an initial schedule of rates has been approved by the commissioner unless requested by the commissioner of labor and industry.

Sec. 16. [79.75] [AUTOMATIC ADJUSTMENT OF RATES.]

The commissioner shall adopt a rule to establish a mechanism to automatically adjust a schedule of rates to reflect benefit changes mandated by operation of law after the most recent change in the schedule of rates, an adjustment in the assessment rate for the special fund the annual adjustment made pursuant to section 176.645, any adjustment in the assessment for the assigned risk plan pursuant to section 79.251, subdivision 5, any adjustment in the assessment for the Minnesota insurance guarantee association pursuant to section 60C.05, or any other assessment required by law. The initial automatic adjustment to the schedule of rates, made pursuant to this section is effective on October 1, 1988, or as soon thereafter as possible and is not subject to chapter 14, except the commissioner of commerce shall comply with section 14.38, subdivision 7.

At each rate hearing held pursuant to section 12 or rehearing pursuant to section 13, following an automatic adjustment, the commissioner shall review the rate adjustment to assure that the schedule of rates adopted subsequent to the adjustment are not excessive, inadequate, or unfairly discriminatory. If the commissioner finds that the schedule of rates adopted subsequent to the adjustment are excessive, inadequate, or unfairly discriminatory, the commissioner shall order appropriate remedial action.

Sec. 17. [79.76] [INSURERS SHALL BE MEMBERS OF ASSOCIATION.]

Every insurer issuing workers' compensation insurance in this state shall be a member of the association, known as the Minnesota

Insurers Rating Association, organized under section 18, to be maintained in this state for the following purposes:

(1) to separate the industries of this state that are subject to workers' compensation insurance into proper classes for compensation insurance purposes; to inspect compensation risks and establish the merit and experience rating system approved for use in this state; to establish charges and credits under the system; and to report all facts affecting compensation insurance risks and those necessary for approving policies of compensation insurance as conforming with classifications, rates and rating plans previously promulgated by the association and approved by the commissioner; and

(2) to assist the commissioner and insurers in determining rates, hazards, and other material facts in connection with compensation risks, and to assist in promoting safety in the industries.

Sec. 18. [79.77] [ORGANIZATION OF ASSOCIATION.]

The association shall adopt articles of incorporation, bylaws, and a plan of operation. These articles, bylaws, and plan of operation and all amendments thereto shall be filed with and approved by the commissioner and shall not be effective until so filed and approved. The association shall admit to membership any insurer authorized to transact workers' compensation insurance in this state. The charges and service of the association shall be fixed in the articles or bylaws and shall be equitable and nondiscriminatory as between members. The initial articles, bylaws, and plan of operation shall be filed with the commissioner no later than September 1, 1988. If the initial articles, bylaws, and plan of operation are not filed by September 1, 1988, the commissioner shall adopt the initial articles, bylaws, and plan of operation.

Sec. 19. [79.78] [EXPENSE, HOW PAID.]

Each member of the association shall pay an equitable and nondiscriminatory share of the cost of operating the association. If the members of the association cannot agree upon an apportionment of cost, any member may in writing petition the commissioner to establish a basis for apportioning the cost. If any member is aggrieved by an apportionment made by the association, it may in writing petition the commissioner for a review of the apportionment. The commissioner shall, upon not less than five days notice to each member of the association, hold a hearing upon any such petition at which all members are entitled to be present and be heard. The commissioner shall determine the matter and mail a copy of the determination to each member of the association. The decision of the commissioner shall be final and binding upon all members of the association.

Sec. 20. [79.79] [BOARD OF DIRECTORS.]

A board of directors of the rating association is created and is responsible for the operation of the rating association consistent with the plan of operation and this chapter. The board consists of twelve directors. Ten directors shall represent insurers and the commissioner of commerce shall appoint the remaining directors. Each director is entitled to one vote. Terms of the directors shall be two years. The board shall select a chair and other officers it deems appropriate.

A majority of the directors currently holding office constitutes a quorum. Action may be taken by a majority vote of the directors present.

The board shall take reasonable and prudent action regarding the management of the rating association including but not limited to the management of the daily affairs of the rating association.

The initial board of directors shall consist of the current board of directors of the data service organization authorized by section 79.62 who shall serve until their current data service organization terms expire.

Sec. 21. [79.80] [PLAN OF OPERATION.]

Subdivision 1. [PROVISIONS.] The plan of operation shall provide for all of the following:

(a) the establishment of necessary facilities;

(b) the management and operation of the rating association;

(c) a preliminary assessment, payable by each member in proportion to its total premium in the year preceding the inauguration of the rating association, for initial expenses necessary to commence operation of the rating association;

(d) procedures governing the actual payment of assessments to the rating association;

(e) reimbursement of each member of the board by the rating association for actual and necessary expenses incurred on rating association business; and

(f) any other matters required by or necessary to effectively implement chapter 79.

Subd. 2. [AMENDMENTS.] (a) The plan of operation shall be subject to approval by the commissioner after consultation with the

members of the association, representatives of the public and other affected individuals and organizations. If the commissioner disapproves all or any part of the proposed plan of operation, the directors shall within 15 days submit for review an appropriate revised plan of operation or part thereof. If a revised plan is not submitted within 15 days, the commissioner shall promulgate a plan of operation or part thereof, as the case may be. The plan of operation approved or promulgated by the commissioner shall become effective and operational upon order of the commissioner.

(b) Amendments to the plan of operation may be made by the commissioner or by the directors of the association, subject to the approval of the commissioner.

Sec. 22. [79.81] [APPLICABILITY OF CHAPTER 79.]

Subdivision 1. [EXAMINATION BY COMMISSIONER.] The rating association is subject to all the provisions of this chapter. The commissioner or an authorized representative of the commissioner may visit the rating association at any time and examine, audit, or evaluate the rating association's operations, records and practices. For purposes of this section, "authorized representative of the commissioner" includes employees of the departments of commerce or labor and industry or other parties retained by the commissioner.

Subd. 2. [COSTS AND EXPENSES.] The commissioner shall order and the rating association shall pay the costs and expenses of any examination, audit, or evaluation conducted pursuant to subdivision 1.

Sec. 23. [79.82] [MANUALS.]

Subdivision 1. [INITIAL FILING REQUIRED.] On or before August 1, 1988, the association must file with the commissioner all underwriting and rating manuals which are used in the classification of risks and the calculation of rating plans, rates, and fees. The association must provide the commissioner with at least six copies of each manual. A copy of each manual filed shall also be provided to the commissioner of labor and industry.

The commissioner shall review the manuals and on or before November 1, 1988, approve or disapprove the manuals or any part thereof. The evidentiary, procedural, and review standards of section 12 shall apply to the review of the manuals. Until the commissioner has approved or disapproved the manuals, they shall remain in force. As to any manual or part thereof that is not approved, the association may contest the disapproval pursuant to the contested case procedures of chapter 14.

Until the conclusion of the contested case proceeding, the portions of the manuals that were not approved shall remain in force.

Subd. 2. [NEW MANUALS AND AMENDMENTS.] If the association adopts or amends a manual, the manual or the amendment to the manual shall not be effective until approved by the commissioner. The association must provide the commissioner with at least six copies of each manual or amendment. A copy of each manual or amendment filed shall also be provided to the commissioner of labor and industry. The commissioner shall approve or disapprove any manual or amendment within 90 days of filing. The evidentiary, procedural, and review standards of section 12 shall apply to the review of the manuals. Any manual or amendment not approved within 90 days shall be deemed to be disapproved. As to a disapproved manual or amendment, the association may contest the disapproval pursuant to the contested case procedures of chapter 14.

Subd. 3. [BURDEN OF PROOF.] The burden of proof in a proceeding under this section shall be upon the party requesting the adoption of a manual or an amendment of a manual.

Subd 4. [COSTS.] The costs of the commissioner and the commissioner of labor and industry in regard to a contested case proceeding under this section, including the costs of consultants, staff, and related costs, and costs billed by the attorney general's office shall be paid by the special compensation fund and assessed to the association and its members by the special compensation fund.

Subd. 5. [PUBLIC ACCESS.] Copies of all approved manuals must be made available to the public for inspection during regular business hours at the office of the association. Proposed manuals and amendments to manuals must be made available in the same manner.

Sec. 24. [79.83] [EXEMPTION.]

The rating association is not subject to sections 15.0597 and 471.705 and chapter 13 nor any other law or rule that pertains to a public body. For purposes of Minnesota law or rule, the association is not a public body.

Sec. 25. [79.84] [ANNUAL STATEMENT.]

The association on or before March 1 each year shall file with the commissioner a statement covering its activities for the year ending on the preceding December 31. This report shall cover its financial transactions and other matters connected with its operation, including employee compensation and other specific expenditures as required by the commissioner. The commissioner shall prescribe the form of the report. The association and its members are subject to

supervision and examination by the commissioner or any examiner authorized by the commissioner on such matters as the commissioner deems appropriate. Examination may be made as often as the commissioner deems necessary. A sum sufficient to pay the cost of all examinations is appropriated from the special compensation fund to the commissioner of commerce.

Sec. 26. [79.85] [ASSOCIATION SHALL MAKE CLASSIFICATION.]

The association shall, on behalf of its members, assign each compensation risk and subdivision thereof in this state to its proper classification. The determination as to the proper classification by the association shall be subject to the approval of the commissioner. The association shall, on behalf of all members thereof, inspect and make a written survey of each risk to which the system of merit rating approved for use in this state is applicable. It shall, on behalf of all the members thereof, file with the commissioner its classification of risks and keep on file at the office of the association the written surveys of all risks inspected by it, which survey shall show the location and description of all items producing charges and credits, if any, and such other facts as are material in the writing of insurance thereon. It shall file any subsequent proposed classification or later survey and all rules and regulations which do or may affect the writing of these risks. The association classification shall be binding upon all insurers. The association and its representatives shall give all information as to classifications, rates, surveys, and other facts collected and intended for the common use of insurers subject to chapter 79 to all these insurers at the same time. A copy of the complete survey by the association, with the approved classification and rates based thereon and the effective date thereof, shall be furnished to the insurer of record as soon as approved. The approved classification and rates upon a specific risk shall be furnished upon request to any other insurer upon the payment of a reasonable charge for the service. Every insurer shall promptly file with the association a copy of each payroll audit, which shall be checked by the association for correctness of classification and rate. The commissioner may require the association to file any such copy and may verify any payroll audit by a reaudit of the books of the employer or in such other manner as may appear most expedient. Upon written complaint stating facts sufficient to warrant action by it, the association shall verify any payroll audit reported to the commissioner.

Sec. 27. [79.86] [INFORMATION.]

In addition to other information that the commissioner requests pursuant to section 12, the rating association shall file with the commissioner, the following information on its Minnesota experience: (a) reserves for incurred but not reported losses of its members; (b) paid claims; (c) reserves for open claims; (d) a schedule of claims

in which its members have established a reserve in excess of $50,000; (e) the income on invested reserves of its members; (f) an itemized list of policies written at other than the filed rates; (g) loss adjustment expenses; (h) subrogation recoveries; (i) administrative expenses; (j) commission expenses, and lobbying expenses. Losses and reserves shall be reported separately as to medical and indemity expenses. The rating association shall file an itemized breakdown of its lobbying expenses.

The commissioner shall consider this information in an appropriate manner in adopting a schedule of rates and shall decline to grant a hearing pursuant to section 12 for purposes of considering a rate increase if the association fails to provide the information.

The rating association shall be domiciled, chartered and principally located in the state of Minnesota. Except with the approval of the commissioner the rating association may not contract for its data collection responsibilities with data service organizations domiciled, chartered or principally located outside the state of Minnesota.

Sec. 28. [79.87] [RECORD; ASSOCIATION SHALL FURNISH INFORMATION.]

The association shall keep a careful record of its proceedings. It shall furnish, upon demand, to any employer whose workers' compensation risk has been surveyed, full information as to the survey, including the method of the computation and a detailed description and location of all items producing charges or credits. The association shall provide a means, approved by the commissioner for hearing any member or employer whose risk has been inspected, either in person or by a representative, before the governing or rating committee or other proper representatives with reference to any matter affecting the risk. Any insurer or employer may appeal from a decision of the association to the commissioner. The association shall make rules governing appeals, to be filed with and approved by the commissioner. The commissioner may require the association to file any information connected with its activities.

Sec. 29. [79.88] [RATES SHALL BE FILED.]

Every insurer writing workers' compensation insurance in this state, except as ordered by the commissioner, must file with the commissioner its rates for this compensation insurance and all additions or changes. All rates so filed must comply with the requirements of law and are not effective until approved by the commissioner.

Sec. 30. [79.89] [RATES TO BE UNIFORM; EXCEPTIONS.]

No insurer may write insurance at a rate above that established by the association and approved by the commissioner. The insurer may reduce or increase a rate by the application to individual risks of the system of merit or experience rating which has been approved by the commissioner. This reduction or increase shall be set forth in the policy or by endorsement thereon. Upon written request, an insurer shall furnish a written explanation to the insured of how and why the individual rate was adjusted by application of a system of merit or experience rating. This explanation shall be mailed to the insured within 30 days of the request.

Sec. 31. [79.90] [DUTIES OF COMMISSIONER.]

The commissioner of commerce shall require compensation insurers, or their agents, to file such reports as may be necessary for the purposes of chapter 79 for use by the commissioner.

Sec. 32. [79.91] [VIOLATIONS; PENALTIES.]

In addition to any other penalties prescribed by law, any insurer, rating association, agent, or other representative or employee of any insurer or rating association that fails to comply with, violates any of the provisions of chapter 79, or any order or ruling of the commissioner, shall be punished by a fine of not less than $50 nor more than $5,000. In addition, the license of any insurer, agent, or broker guilty of such violation may be revoked or suspended by the commissioner.

Sec. 33. [79.92] [RULEMAKING.]

The commissioner may adopt rules, including emergency rules, to carry out the commissioner's duties assigned by this article. The emergency rules can be effective until July 1, 1990.

Sec. 34. [79.93] [LIABILITY UNDER OTHER LAW.]

The regulatory scheme established by chapter 79 does not relieve any person from liability under Minnesota Statutes, sections 325D.49 to 325D.66 or 15 United States Code, sections 1 to 36.

Sec. 35. [MANDATED REDUCTIONS.]

As a result of the workers' compensation law changes in article 2 and the resulting savings to the costs of Minnesota's workers' compensation system, an approved schedule of rates in effect on October 1, 1988, must be reduced uniformly by 10.1 percent and applied to all policies issued, renewed, or outstanding on or after that date. An insurer may not adjust its schedule of rates to recoup the 10.1 percent mandated rate reduction under this section. Insurers and data service organizations must file a new schedule of rates

and rating plans which reflect the rate reduction mandated by this section by October 1, 1988. For policies in force on or before October 1, 1988, the reduction must be computed on the basis of a 10.1 percent rate reduction prorated from October 1, 1988, to the expiration of that policy. An insurer shall provide written notice by October 1, 1988, to all employers having an outstanding policy with the insurer as of October 1, 1988, to read as follows: "As a result of the changes in the workers' compensation insurance system enacted by the 1988 legislature, you are entitled to a credit or refund as to your current premium in an amount of $ . . . . . which reflects a 10.1 percent mandated rate reduction prorated from October 1, 1988, to the expiration of your policy."

Notwithstanding section 9, until the initial schedule of rates has been approved under section 12, an insurer may petition the commissioner for an adjustment of its schedule of rates. If in the opinion of the commissioner the petitioner demonstrates that the reduction mandated by this section would have a material adverse affect on the financial condition of the insurer, the commissioner may, by order, adjust the insurer's schedule of rates. The order issued pursuant to this section is not subject to chapter 14 and the decision shall be final.

The adjusted schedule of rates shall remain in effect until the effective date of the initial schedule of rates approved under section 12.

In addition to other requirements of this section, policies not subject to an experience rating that are issued or renewed from October 1, 1988 to September 30, 1989, must include a discount of at least five percent for those policyholders that did not have paid disability claims, allowable under section 176.121, during the five years immediately preceding the effective date of the policy. To be eligible for the discount, the policyholders must have had workers' compensation policies in force for the five years prior to the effective date of the policy.

Sec. 36. [TRANSITION PROVISIONS; EMPLOYEES.]

Until January 1, 1989, initial appointment to the professional positions authorized by section 40 shall be deemed to be provisional or exceptional appointments as defined by section 43A.15, subdivisions 4 and 8, and the commissioner of employee relations must authorize those appointments as requested by the commissioner of commerce or labor and industry. Upon request of the commissioner of commerce or labor and industry, the appointments under this section shall be considered an unusual employment condition as defined by section 43A.17, subdivision 3 and salaries may be set accordingly.

Sec. 37. [RULE SUPERSEDED.]

The security or bonding requirements of Minnesota Rules, part 2780.2700, shall continue in force but without any dollar limitations. The commissioner shall amend the rule as soon as possible to conform with this section. The amendment of the rule is not subject to chapter 14, except that the commissioner shall comply with section 14.38, subdivision 7.

Sec. 38. [LEGISLATIVE INTENT.]

It is the intent of the legislature in enacting this article to reinstate the prior state law regarding workers' compensation insurance rate regulation which was repealed effective January 1, 1984. Judicial and administrative decisions regarding the prior law shall be deemed to be applicable to this article in the same manner as to the prior law.

Sec. 39. [DATA SERVICE ORGANIZATION CONTINUED EXISTENCE.]

A licensed data service organization shall continue to operate pursuant to sections 79.61 and 79.62 until December 31, 1988, or until the plan of operation of the rating association has been approved by the commissioner, whichever occurs first.

Sec. 40. [APPROPRIATION.]

Subdivision 1. $400,000 is appropriated from the special compensation fund to the department of commerce for the purpose of this article. The appropriation is available immediately, does not lapse, and is available until expended. The complement of the department of commerce is increased by 6 positions.

Subd. 2. $500,000 is appropriated from the special compensation fund to the department of labor and industry for the purpose of this article. The appropriation is available immediately, does not lapse, and is available until expended. The complement of the department of labor and industry is increased by eight positions.

Subd. 3. $120,000 is appropriated from the special compensation fund to the attorney general for the purpose of this article. The appropriation is available immediately, does not lapse, and is available until expended. The complement of the attorney general is increased by three positions.

Sec. 41. [INSTRUCTION TO REVISOR.]

The revisor of statutes is directed to change the words "Workers' Compensation Insurers Rating Association of Minnesota" wherever they appear in Minnesota Statutes to "Minnesota Insurers Rating

Association" in Minnesota Statutes 1988 and subsequent editions of the statutes.

Sec. 42. [REPEALER.]

Minnesota Statutes 1986, sections 79.51; 79.52, subdivisions 2 and 12; 79.53; 79.54; 79.55; 79.56; 79.57; 79.58; 79.60; 79.61; and 79.62, are repealed.

Sec. 43. [EFFECTIVE DATE.]

Article 1 is effective the day following final enactment.

ARTICLE 2

WORKERS' COMPENSATION SYSTEM CHANGES

Section 1. Minnesota Statutes 1986, section 176.011, subdivision 18, is amended to read:

Subd. 18. [WEEKLY WAGE.] "Weekly wage" is arrived at by multiplying the daily wage by the number of days and fractional days normally worked in the business of the employer for the employment involved. If the employee normally works less than five days per week or works an irregular number of days per week, the number of days normally worked shall be computed by dividing the total number of days in which the employee actually performed any of the duties of employment in the last 26 weeks by the number of weeks in which the employee actually performed such duties, provided that the weekly wage for part time employment during a period of seasonal or temporary layoff shall be computed on the number of days and fractional days normally worked in the business of the employer for the employment involved. If, at the time of the injury, the employee was regularly employed by two or more employers, the employee's days of work for all such employments shall be included in the computation of weekly wage. Occasional overtime is not to be considered in computing the weekly wage, but if overtime is regular or frequent throughout the year it shall be taken into consideration. The maximum weekly compensation payable to an employee, or to the employee's dependents in the event of death, shall not exceed ~~66 ⅔~~ 80 percent of the ~~product of the daily wage times the number of days normally worked~~ employee's after-tax weekly wage, provided that the compensation payable for permanent partial disability under section 176.101, subdivision 3, and for permanent total disability under section 176.101, subdivision 4, or death under section 176.111, shall not be computed on less than the number of hours normally worked in the employment or industry in which the injury was sustained, subject also to such maximums as are specifically otherwise provided.

Sec. 2. Minnesota Statutes 1986, section 176.011, is amended by adding a subdivision to read:

Subd. 18a. [AFTER-TAX WEEKLY WAGE.] After-tax weekly wage means the weekly wage reduced by the amounts required to be withheld by the Federal Insurance Contributions Act, United States Code, title 16, sections 3101 to 3126, but without regard to the yearly maximum, and by state and federal income tax laws using as the number of allowances the number of exemptions that the employee is entitled to under federal law for the employee and the employee's dependents and without additional allowances.

Sec. 3. Minnesota Statutes 1986, section 176.021, subdivision 3, is amended to read:

Subd. 3. [COMPENSATION, COMMENCEMENT OF PAYMENT.] All employers shall commence payment of compensation at the time and in the manner prescribed by this chapter without the necessity of any agreement or any order of the division. Except for medical, burial, and other nonperiodic benefits, payments shall be made as nearly as possible at the intervals when the wage was payable, provided, however, that payments for permanent partial disability shall be governed by section ~~176.101~~ 11. If doubt exists as to the eventual permanent partial disability, payment ~~for the economic recovery compensation or impairment compensation, whichever is due, pursuant to section 176.101,~~ shall be ~~then~~ made when due for the minimum permanent partial disability ascertainable, and further payment shall be made upon any later ascertainment of greater permanent partial disability. Prior to or at the time of commencement of the payment of ~~economic recovery compensation or lump sum or periodic payment of impairment compensation~~ permanent partial disability compensation, the employee and employer shall be furnished with a copy of the medical report upon which the payment is based and all other medical reports which the insurer has that indicate a permanent partial disability rating, together with a statement by the insurer as to whether the tendered payment is for minimum permanent partial disability or final and eventual disability. After receipt of all reports available to the insurer that indicate a permanent partial disability rating, the employee shall make available or permit the insurer to obtain any medical report that the employee has or has knowledge of that contains a permanent partial disability rating which the insurer does not already have. ~~Economic recovery compensation or impairment compensation pursuant to section 176.101 is payable in addition to but not concurrently with compensation for temporary total disability but is payable pursuant to section 176.101. Impairment compensation is payable concurrently and in addition to compensation for permanent total disability pursuant to section 176.101. Economic recovery compensation or impairment compensation pursuant to section 176.101 shall be withheld pending completion of payment for temporary total disability, and no credit~~

~~shall be taken for payment of economic recovery compensation or impairment compensation against liability for temporary total or future permanent total disability. Liability on the part of an employer or the insurer for disability of a temporary total, temporary partial, and permanent total nature shall be considered as a continuing product and part of the employee's inability to earn or reduction in earning capacity due to injury or occupational disease and compensation is payable accordingly, subject to section 176.101. Economic recovery compensation or impairment compensation is payable for functional loss of use or impairment of function, permanent in nature, and payment therefore shall be separate, distinct, and in addition to payment for any other compensation, subject to section 176.101.~~ The right to receive temporary total, temporary partial, or permanent total disability payments vests in the injured employee or the employee's dependents under this chapter or, if none, in the employee's legal heirs at the time the disability can be ascertained and the right is not abrogated by the employee's death prior to the making of the payment.

The right to receive ~~economic recovery compensation or impairment~~ permanent partial compensation vests in an injured employee or in the employee's dependents under this chapter or, if none, in the employee's legal heirs at the time the disability can be ascertained, provided that the employee lives for at least 30 days beyond the date of the injury. The right is not abrogated by the employee's death prior to the making of the payment. ~~Upon the death of an employee who is receiving economic recovery compensation or impairment compensation, further compensation is payable pursuant to section 176.101. Impairment compensation is payable under this paragraph if vesting has occurred, the employee dies prior to reaching maximum medical improvement, and the requirements and conditions under section 176.101, subdivision 3e, are not met.~~

~~Disability ratings for permanent partial disability shall be based on objective medical evidence.~~

Sec. 4. Minnesota Statutes 1986, section 176.061, subdivision 10, is amended to read:

Subd. 10. [INDEMNITY.] Notwithstanding the provisions of chapter 65B or any other law to the contrary, an employer has a right of indemnity for any compensation paid or payable pursuant to this chapter, including temporary total compensation, temporary partial compensation, permanent partial disability, ~~economic recovery compensation, impairment compensation,~~ medical compensation, rehabilitation, death, and permanent total compensation.

Sec. 5. Minnesota Statutes 1986, section 176.081, subdivision 1, is amended to read:

Subdivision 1. (a) A fee for legal services of 25 percent of the first

$4,000 of compensation awarded to the employee and 20 percent of the next $27,500 of compensation awarded to the employee is permissible and does not require approval by the commissioner, compensation judge, or any other party except as provided in clause (b). If the employer or the insurer or the defendant is given written notice of claims for legal services or disbursements, the claim shall be a lien against the amount paid or payable as compensation. In no case shall fees be calculated on the basis of any undisputed portion of compensation awards. Allowable fees under this chapter shall be based solely upon genuinely disputed portions of claims, including disputes related to the payment of rehabilitation benefits or to other aspects of a rehabilitation plan. Fees for administrative conferences under ~~section 176.242, 176.2421, 176.243, or 176.244~~ sections 176.106 and 176.239 shall be determined on an hourly basis, according to the criteria in subdivision 5.

(b) An attorney who is claiming legal fees ~~under this section~~ for representing an employee in a workers' compensation matter shall file a statement of attorney's fees with the commissioner, compensation judge before whom the matter was heard, or workers' compensation court of appeals on cases before the court. A copy of the signed retainer agreement shall also be filed. The employee, employer, and insurer shall receive a copy of the statement. The statement shall be on a form prescribed by the commissioner, shall report the number of hours spent on the case, and shall clearly and conspicuously state that the employee or insurer has ten calendar days to object to the attorney fees requested. If no objection is timely made by the employee or insurer, the amount requested shall be conclusively presumed reasonable providing the amount does not exceed the limitation in subdivision 1. The commissioner, compensation judge, or court of appeals shall issue an order granting the fees and the amount requested shall be awarded to the party requesting the fee.

If a timely objection is filed, or the fee is determined on an hourly basis, the commissioner, compensation judge, or court of appeals shall review the matter and make a determination based on the criteria in subdivision 5.

If no timely objection is made by an employer or insurer, reimbursement under subdivision 7 shall be made if the statement of fees requested this reimbursement.

(c) An attorney representing employers or insurers shall file a statement of attorney fees or wages with the commissioner, compensation judge before whom the matter was heard, or workers' compensation court of appeals on cases before the court. The statement of attorney fees or wages must contain the following information: the average hourly wage or the value of hours worked on that case if the attorney is an employee of the employer or insurer, the number of hours worked on that case, and the average

hourly rate or amount charged an employer or insurer for that case if the attorney is not an employee of the employer or insurer.

(d) Employers and insurers may not pay attorney fees or wages for legal services of more than $6,500 per case unless the additional fees or wages are approved under subdivision 2.

(e) Each insurer and self-insured employer shall file annual statements with the commissioner detailing the amount of legal fees and other legal costs incurred by the insurer or employer during the year. The statement shall include the amount paid for outside and in-house counsel, deposition and other witness fees, and all other costs relating to litigation.

(f) The commissioner, in cooperation with the office of administrative hearings, shall maintain records of the amount of fees paid to attorneys representing claimants related to any workers' compensation proceeding.

Sec. 6. Minnesota Statutes 1987 Supplement, section 176.081, subdivision 2, is amended to read:

Subd. 2. An application for attorney fees in excess of the amount authorized in subdivision 1 shall be made to the commissioner, compensation judge, or district judge, before whom the matter was heard. An appeal of a decision by the commissioner, a compensation judge, or district court judge on additional fees may be made to the workers' compensation court of appeals. The application shall set forth the fee requested and the basis for the request and whether or not a hearing is requested. The application, with affidavit of service upon the ~~employee~~ parties, including the employer, shall be filed by the attorney requesting the fee. If a hearing is requested by an interested party, a hearing shall be set with notice of the hearing served upon known interested parties. In all cases the employee shall be served with notice of hearing.

Sec. 7. Minnesota Statutes 1986, section 176.081, subdivision 3, is amended to read:

Subd. 3. ~~An employee who~~ Any party that is dissatisfied with attorney fees, may file an application for review by the workers' compensation court of appeals. Such application shall state the basis for the need of review and whether or not a hearing is requested. A copy of such application shall be served upon the attorney ~~for the employee~~ by the court administrator and if a hearing is requested by either party, the matter shall be set for hearing. The notice of hearing shall be served upon known interested parties. ~~The attorney for the employee shall be served with a notice of the hearing.~~ The workers' compensation court of appeals shall have the authority to raise ~~the question of~~ the issue of the attorney fees at any time upon

its own motion and shall have continuing jurisdiction over attorney fees.

Sec. 8. Minnesota Statutes 1986, section 176.101, subdivision 1, is amended to read:

Subdivision 1. [TEMPORARY TOTAL DISABILITY.] (a) For an injury producing temporary total disability, the compensation is ~~66⅔~~ 80 percent of the after-tax weekly wage at the time of injury.

~~(1) provided that during the year commencing on October 1, 1979, and each year thereafter, commencing on October 1,~~ (b) The maximum weekly compensation payable is 105 percent of the statewide average weekly wage for the period ending December 31, of the preceding year.

~~(2)~~ (c) The minimum weekly compensation ~~benefits for temporary total disability shall be not less than 50~~ payable is 20 percent of the statewide average weekly wage or the injured employee's ~~actual~~ after-tax weekly wage, whichever is less. ~~In no case shall a weekly benefit be less than 20 percent of the statewide average weekly wage.~~

(d) ~~Subject to subdivisions 3a to 3u~~ This compensation shall be paid during the period of disability~~, payment to be made at the intervals when the wage was payable, as nearly as may~~ be and shall cease whenever any one of the following occurs:

(1) the disability ends;

(2) the employee returns to work;

(3) the employee retires by withdrawing from the labor market;

(4) the employee refuses an offer of work that is consistent with a plan of rehabilitation filed with the commissioner, which meets the requirements of section 176.102, subdivision 1, or, if no plan has been filed, that the employee can do in the employee's physical condition; or

(5) 90 days have passed after the employee has reached maximum medical improvement, except as provided in section 176.102, subdivision 11, paragraph (b).

(e) For purposes of paragraph (d), clause (5), the 90-day period after maximum medical improvement commences on the earlier of:

(1) the date that the employee receives a written medical report indicating that the employee has reached maximum medical improvement; or

(2) the date that the employer or insurer serves the report on the employee and the employee's legal representative and files a copy with the division.

(f) Once compensation has ceased under paragraph (d), clauses (1), (2), and (3), it may be recommenced at a later date if: the employee returns to work, the employee is laid off due to economic conditions or is medically unable to continue at the job, and the layoff or inability to continue occurs prior to 90 days after the employee reaches maximum medical improvement. Compensation recommenced under this paragraph is subject to cessation under paragraph (d). Recommenced compensation may not be paid beyond 90 days after the employee reaches maximum medical improvement, except as provided under section 176.102, subdivision 11, paragraph (b).

(g) Once compensation has ceased under paragraph (d), clauses (4) and (5), it may not be recommenced at a later date except as provided under section 176.102, subdivision 11, paragraph (b).

Sec. 9. Minnesota Statutes 1986, section 176.101, is amended by adding a subdivision to read:

Subd. 1a. [EXTENDED DISABILITY COMPENSATION.] (a) If an employee, who has a permanent partial disability, is not working because of the personal injury after payment of permanent partial disability benefits is complete, the employee shall be eligible for extended disability compensation. If an employee received any permanent partial compensation in a lump sum, payment will be considered complete after expiration of the period that the employee would have received permanent partial compensation had it been paid periodically.

(b) Extended disability compensation is paid at the rate for temporary total compensation, escalated under section 176.645, for the number of weeks equal to 246 multiplied by the employee's percentage rating of permanent partial disability, determined according to the rules adopted by the commissioner pursuant to section 176.105, subdivision 4. The total extended compensation for any injury may not exceed this product.

(c) Extended disability compensation shall cease if the employee is no longer disabled, returns to work, refuses a job offer described in subdivision 1, paragraph (d), clause (4), or retires from the labor market.

(d) An employee is not eligible for extended disability compensation if, at any time before the employee would have become eligible:

(1) the employee refuses a job offer, as described in subdivision 1, paragraph (d), clause (4); or

(2) the employee returns to work and terminates employment, unless the employee was medically unable to continue work or was terminated without just cause.

(e) An employee is eligible for extended compensation at any time after payment of permanent partial benefits is complete so long as the employee meets the qualifications of this subdivision and has not been paid the maximum number of weeks under paragraph (b) for that injury; provided that, extended compensation may not be paid beyond 350 weeks after the date of injury.

Sec. 10. Minnesota Statutes 1986, section 176.101, subdivision 2, is amended to read:

Subd. 2. [TEMPORARY PARTIAL DISABILITY.] (a) In all cases of temporary partial disability, the compensation shall be ~~66⅔ percent of the difference between the weekly wage of the employee at the time of injury and the wage the employee is able to earn in the employee's partially disabled condition. This compensation shall be paid during the period of disability except as provided in this section, payment to be made at the intervals when the wage was payable, as nearly as may be, and subject to a maximum compensation equal to the statewide average weekly wage.~~ paid as follows:

(1) For the first 52 weeks that the employee is working after the injury, the compensation shall be 80 percent of the difference between the employee's after-tax weekly wage at the time of injury and the after-tax wage the employee is able to earn in the employee's partially disabled condition.

(2) For the second 52 weeks that the employee is working after the injury, the compensation shall be 60 percent of the difference between the employee's after-tax weekly wage at the time of injury and the after-tax wage the employee is able to earn in the employee's partially disabled condition.

(3) For the third 52 weeks that the employee is working after the injury, the compensation shall be 40 percent of the difference between the employee's after-tax weekly wage at the time of injury and the after-tax wage the employee is able to earn in the employee's partially disabled condition.

Temporary partial compensation may not exceed the maximum rate for temporary total compensation.

(b) Temporary partial compensation may be paid only while the employee is working and earning less than the employee earned at

the time of the injury. Temporary partial disability benefits shall not be paid after the employee has worked for 156 weeks, including weeks in which the employee has no wage loss, or beyond 350 weeks after the date of injury, whichever occurs first.

Sec. 11. Minnesota Statutes 1986, section 176.101, is amended by adding a subdivision to read:

Subd. 3. [PERMANENT PARTIAL DISABILITY.] (a) Compensation for permanent partial disability is as provided in this subdivision. Permanent partial disability shall be rated as a percentage of the whole body in accordance with rules adopted by the commissioner under section 176.105. The percentage determined pursuant to the rules shall be multiplied by the corresponding amount in the following table:

Percent of Disability	Amount
0-25	$ 75,000
26-30	80,000
31-35	85,000
36-40	90,000
41-45	95,000
46-50	100,000
51-55	120,000
56-60	140,000
61-65	160,000
66-70	180,000
71-75	200,000
76-80	240,000
81-85	280,000
86-90	320,000
91-95	360,000
96-100	400,000

An employee may not receive compensation for more than a 100 percent disability of the whole body, even if the employee sustains disability to two or more body parts.

(b) Permanent partial disability is payable upon cessation of temporary total disability under subdivision 1. If the employee is not working, the compensation is payable in installments at the same intervals and in the same amount as the initial temporary total disability rate. If the employee returns to work, the remaining compensation is payable in a lump sum 30 days after the employee returned to work provided the employment has not been substan-

tially interrupted by the injury for any part of the 30 days and the employee is still employed at the job at the end of the period. Permanent partial disability is not payable while temporary total compensation is being paid. Permanent partial disability is payable to permanently totally disabled employees in a lump sum at the time the disability can be ascertained.

Sec. 12. Minnesota Statutes 1986, section 176.101, subdivision 4, is amended to read:

Subd. 4. [PERMANENT TOTAL DISABILITY.] For permanent total disability, as defined in subdivision 5, the compensation shall be ~~66⅔~~ 80 percent of the ~~daily wage~~ after-tax weekly wage at the time of the injury, subject to ~~a maximum weekly compensation equal to~~ the maximum ~~weekly compensation for a temporary total disability~~ and ~~a~~ minimum ~~weekly compensation equal to the minimum weekly compensation~~ rates for a temporary total disability. This compensation shall be paid during the permanent total disability of the injured employee but after a total of $25,000 of weekly compensation has been paid, the amount of the weekly compensation benefits being paid by the employer shall be reduced by the amount of any disability benefits being paid by any government disability benefit program if the disability benefits are occasioned by the same injury or injuries which give rise to payments under this subdivision. This reduction shall also apply to any old age and survivor insurance benefits. Payments shall be made at the intervals when the wage was payable, as nearly as may be. In case an employee who is permanently and totally disabled becomes an inmate of a public institution, no compensation shall be payable during the period of confinement in the institution, unless there is wholly dependent on the employee for support some person named in section 176.111, subdivision 1, 2 or 3, in which case the compensation provided for in section 176.111, during the period of confinement, shall be paid for the benefit of the dependent person during dependency. The dependency of this person shall be determined as though the employee were deceased.

Sec. 13. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 2, is amended to read:

Subd. 2. [ADMINISTRATORS.] The commissioner shall hire a director of rehabilitation services in the classified service. The commissioner shall monitor and supervise rehabilitation services, including, but not limited to, making determinations regarding the selection and delivery of rehabilitation services and the criteria used to approve qualified rehabilitation consultants and rehabilitation vendors. The commissioner may also make determinations regarding fees for rehabilitation services and shall, by emergency rules, establish a fee schedule or otherwise limit fees or billings of qualified rehabilitation consultants and rehabilitation vendors. The emergency rules shall remain in effect until September 30, 1991 and

shall continue in effect thereafter until the commissioner adopts permanent rules regulating these fees and billings. The commissioner shall adopt such permanent rules, to become effective October 1, 1991, or as soon thereafter as possible. The commissioner may hire qualified personnel to assist in the commissioner's duties under this section and may delegate the duties and performance.

Sec. 14. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 4, is amended to read:

Subd. 4. [REHABILITATION PLAN; DEVELOPMENT.] (a) An employer or insurer shall provide rehabilitation consultation by a qualified rehabilitation consultant or by another person permitted by rule to provide consultation to an injured employee within five days after the employee has ~~60~~ 90 days of lost work time due to the personal injury~~, except as otherwise provided in this subdivision. Where an employee has incurred an injury to the back, the consultation shall be made within five days after the employee has 30 days of lost work time due to the injury~~. The lost work time ~~in either~~ case may be intermittent lost work time. If an employer or insurer has medical information at any time prior to the time specified in this subdivision that the employee will be unable to return to the ~~job the employee held at the time of the injury~~ preinjury employer, rehabilitation consultation shall be provided immediately after receipt of this information.

For purposes of this section "lost work time" means only those days during which the employee would actually be working but for the injury. In the case of the construction industry, mining industry, or other industry where the hours and days of work are affected by seasonal conditions, "lost work time" shall be computed by using the normal schedule worked when employees are working full time.

The qualified rehabilitation consultant ~~appointed by the employer or insurer~~ shall disclose in writing at the first meeting or written communication with the employee any ownership interest or affiliation between the firm which employs the qualified rehabilitation consultant and the employer, insurer, adjusting or servicing company, including the nature and extent of the affiliation or interest.

The consultant shall also disclose to all parties any affiliation, business referral or other arrangement between the consultant or the firm employing the consultant and any other party ~~to~~, attorney, or health care provider involved in the case ~~, including any attorneys, doctors, or chiropractors~~.

If the employee objects to the employer's selection of a qualified rehabilitation consultant, the employee shall notify the employer and the commissioner in writing of the objection. The notification shall include the name, address, and telephone number of the

qualified rehabilitation consultant chosen by the employee to provide rehabilitation consultation.

The employee may choose a different qualified rehabilitation consultant as follows:

(1) once during the first 60 days following the first in-person contact between the employee and the original consultant;

(2) once after the 60-day period referred to in clause (1); and

(3) subsequent requests shall be determined by the commissioner or compensation judge according to the best interests of the parties.

The employee and employer shall enter into a program if one is prescribed in a rehabilitation plan. A copy of the plan, including a target date for return to work, shall be submitted to the commissioner.

(b) If the employer does not provide rehabilitation consultation as required by this section, the commissioner or compensation judge shall notify the employer that if the employer fails to appoint a qualified rehabilitation consultant or other persons as permitted by clause (a) within 15 days to conduct a rehabilitation consultation, the commissioner or compensation judge shall appoint a qualified rehabilitation consultant to provide the consultation at the expense of the employer unless the commissioner or compensation judge determines the consultation is not required.

(c) In developing a rehabilitation plan consideration shall be given to the employee's qualifications, including but not limited to age, education, previous work history, interest, transferable skills, and present and future labor market conditions.

(d) The commissioner or compensation judge may waive rehabilitation services under this section if the commissioner or compensation judge is satisfied that the employee will return to work in the near future or that rehabilitation services will not be useful in returning an employee to work.

Sec. 15. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 6, is amended to read:

Subd. 6. [PLAN, ELIGIBILITY FOR REHABILITATION, APPROVAL AND APPEAL.] The commissioner or a compensation judge shall determine eligibility for rehabilitation services and shall review, approve, modify, or reject rehabilitation plans developed under subdivision 4. The commissioner or a compensation judge shall also make determinations regarding rehabilitation issues not necessarily part of a plan including, but not limited to, determina-

tions regarding whether an employee is eligible for further rehabilitation and the benefits under subdivisions 9 and 11 to which an employee is entitled. Any plan that is not completed within six months or that will cost more than $3,600, must be approved by the commissioner or compensation judge. This approval may not be waived by the parties.

Sec. 16. Minnesota Statutes 1986, section 176.102, subdivision 11, is amended to read:

Subd. 11. [RETRAINING; COMPENSATION.] (a) Retraining is limited to 156 weeks. An employee who has been approved for retraining may petition ~~the commissioner~~ for additional compensation not to exceed 25 percent of the compensation otherwise payable. If the commissioner or compensation judge determines that this additional compensation is warranted due to unusual or unique circumstances of the employee's retraining plan, the commissioner or compensation judge may award additional compensation in an amount ~~the commissioner determines is appropriate,~~ not to exceed the employee's request. This additional compensation shall cease at any time the commissioner or compensation judge determines the special circumstances are no longer present.

(b) If the employee is not working during a retraining plan that has been specifically approved under this section, temporary total compensation is payable for up to 90 days after the end of the retraining plan, except that payment during the 90 day period is subject to cessation in accordance with section 176.101, subdivision 1, paragraph (d), clauses (1) to (4). If the employee is working during the retraining plan but earning less than at the time of injury, temporary partial compensation is payable at the rate of 80 percent of the difference between the employee's after-tax weekly wage at the time of injury and the after-tax wage the employee is able to earn in the employee's partially disabled condition, subject to the maximum rate for temporary total compensation. Temporary partial compensation is not subject to the 156 week phase-out or the 350 week limitation provided by section 176.101, subdivision 2 during the retraining plan, but is subject to those limitations before and after the plan.

Sec. 17. Minnesota Statutes 1986, section 176.105, subdivision 1, is amended to read:

Subdivision 1. (a) The commissioner of labor and industry shall by rule establish a schedule of degrees of disability resulting from different kinds of injuries.

(b) Disability ratings for permanent partial disability must be based on objective medical evidence.

Sec. 18. Minnesota Statutes 1986, section 176.111, subdivision 6, is amended to read:

Subd. 6. [SPOUSE, NO DEPENDENT CHILD.] If the deceased employee leaves a dependent surviving spouse and no dependent child, there shall be paid to the spouse weekly workers' compensation benefits at ~~50~~ 80 percent of the after-tax weekly wage at the time of the injury for a period of ten years, including adjustments as provided in section 176.645.

Sec. 19. Minnesota Statutes 1986, section 176.111, subdivision 7, is amended to read:

Subd. 7. [SPOUSE, ONE DEPENDENT CHILD.] If the deceased employee leaves a surviving spouse and one dependent child, there shall be paid to the surviving spouse for the benefit of the spouse and child ~~60~~ 80 percent of the ~~daily~~ after-tax weekly wage at the time of the injury of the deceased until the child is no longer a dependent as defined in subdivision 1. At that time there shall be paid to the dependent surviving spouse weekly benefits at ~~a~~ the same rate ~~which is 16⅔ percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent,~~ for a period of ten years, including adjustments as provided in section 176.645.

Sec. 20. Minnesota Statutes 1986, section 176.111, subdivision 8, is amended to read:

Subd. 8. [SPOUSE, TWO DEPENDENT CHILDREN.] If the deceased employee leaves a surviving spouse and two dependent children, there shall be paid to the surviving spouse for the benefit of the spouse and children ~~66⅔~~ 80 percent of the ~~daily~~ after-tax weekly wage at the time of the injury of the deceased until the last dependent child is no longer dependent. At that time the dependent surviving spouse shall be paid weekly benefits at ~~a~~ the same rate ~~which is 25 percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent,~~ for a period of ten years, adjusted according to section 176.645.

Sec. 21. Minnesota Statutes 1986, section 176.111, subdivision 12, is amended to read:

Subd. 12. [ORPHANS.] If the deceased employee leaves a dependent orphan, there shall be paid ~~55~~ 80 percent of the after-tax weekly wage at the time of the injury of the deceased, for two or more orphans there shall be paid ~~66⅔~~ 80 percent of the ~~wages~~ after-tax weekly wage.

Sec. 22. Minnesota Statutes 1986, section 176.111, subdivision 14, is amended to read:

Subd. 14. [PARENTS.] If the deceased employee leave no surviving spouse or child entitled to any payment under this chapter, but leaves both parents wholly dependent on deceased, there shall be paid to such parents jointly ~~45~~ 80 percent of the after-tax weekly wage at the time of the injury of the deceased. In case of the death of either of the wholly dependent parents the survivor shall receive ~~35~~ 80 percent of the after-tax weekly wage thereafter. If the deceased employee leave one parent wholly dependent on the deceased, there shall be paid to such parent ~~35~~ 80 percent of the after-tax weekly wage at the time of the injury of the deceased employee. The compensation payments under this section shall not exceed the actual contributions made by the deceased employee to the support of the employee's parents for a reasonable time immediately prior to the injury which caused the death of the deceased employee.

Sec. 23. Minnesota Statutes 1987 Supplement, section 176.111, subdivision 15, is amended to read:

Subd. 15. [REMOTE DEPENDENTS.] If the deceased employee leaves no surviving spouse or child or parent entitled to any payment under this chapter, but leaves a grandparent, grandchild, brother, sister, mother-in-law, or father-in-law wholly dependent on the employee for support, there shall be paid to such dependent, if but one, ~~30~~ 40 percent of the after-tax weekly wage at the time of injury of the deceased, or if more than one, ~~35~~ 45 percent of the after-tax weekly wage at the time of the injury of the deceased, divided among them share and share alike.

Sec. 24. Minnesota Statutes 1986, section 176.111, subdivision 20, is amended to read:

Subd. 20. [ACTUAL DEPENDENTS, COMPENSATION.] Actual dependents are entitled to take compensation in the order named in subdivision 3 during dependency until ~~66⅔~~ 80 percent of the after-tax weekly wage of the deceased at the time of injury is exhausted. The total weekly compensation to be paid to full actual dependents of a deceased employee shall not exceed in the aggregate an amount equal to the maximum weekly compensation for a temporary total disability.

Sec. 25. Minnesota Statutes 1987 Supplement, section 176.111, subdivision 21, is amended to read:

Subd. 21. [DEATH, BENEFITS; COORDINATION WITH GOVERNMENTAL SURVIVOR BENEFITS.] The following provision shall apply to any dependent entitled to receive weekly compensation benefits under this section as the result of the death of an

employee, and who is also receiving or entitled to receive benefits under any government survivor program:

The combined total of weekly government survivor benefits and workers' compensation death benefits provided under this section shall not exceed 100 percent of the after-tax weekly wage being earned by the deceased employee at the time of the injury causing death; provided, however, that no state workers' compensation death benefit shall be paid for any week in which the survivor benefits paid under the federal program, by themselves, exceed 100 percent of such weekly wage provided, however, the workers' compensation benefits payable to a dependent surviving spouse shall not be reduced on account of any governmental survivor benefits payable to decedent's children if the support of the children is not the responsibility of the dependent surviving spouse.

For the purposes of this subdivision "dependent" means dependent surviving spouse together with all dependent children and any other dependents. For the purposes of this subdivision, mother's or father's insurance benefits received pursuant to United States Code, title 42, section 402(g), are benefits under a government survivor program.

Sec. 26. Minnesota Statutes 1987 Supplement, section 176.131, subdivision 1, is amended to read:

Subdivision 1. If an employee incurs personal injury and suffers disability from that injury alone that is substantially greater, because of a preexisting physical impairment, than what would have resulted from the personal injury alone, the employer or insurer shall pay all compensation provided by this chapter, but the employer shall be reimbursed from the special compensation fund for ~~all~~ compensation paid in excess of 52 weeks of monetary benefits and ~~$2,000~~ $3,500 in medical expenses, subject to the exceptions in paragraphs (a), (b), and (c):

(a) If the disability caused by the subsequent injury is made substantially greater by the employee's registered preexisting physical impairment, there shall be apportionment of liability among all injuries. The special compensation fund shall only reimburse for that portion of the compensation, medical expenses, and rehabilitation expenses attributed to the subsequent injury after the applicable deductible has been met.

(b) If the subsequent personal injury alone results in permanent partial disability to a scheduled member under the schedule adopted by the commissioner pursuant to section 176.105, the special compensation fund shall not reimburse permanent partial disability, medical expenses, or rehabilitation expenses.

(c) Reimbursement for compensation paid shall be at the rate of 75 percent.

Sec. 27. Minnesota Statutes 1986, section 176.131, subdivision 1a, is amended to read:

Subd. 1a. If an employee is employed in an on-the-job training program pursuant to an approved rehabilitation plan under section 176.102 and the employee incurs a personal injury that aggravates the personal injury for which the employee has been certified to enter the on-the-job training program, the on-the-job training employer shall pay the medical expenses and compensation required by this chapter, and shall be reimbursed from the special compensation fund for the compensation and medical expense that is attributable to the aggravated injury; except that, reimbursement for compensation paid shall be at the rate of 75 percent. The employer, at the time of the personal injury for which the employee has been approved for on-the-job training, is liable for the portion of the disability that is attributable to that injury.

Sec. 28. Minnesota Statutes 1986, section 176.131, subdivision 2, is amended to read:

Subd. 2. If the employee's personal injury results in disability or death, and if the injury, death, or disability would not have occurred except for the preexisting physical impairment registered with the special compensation fund, the employer shall pay all compensation provided by this chapter, and shall be ~~fully~~ reimbursed from the special compensation fund for the compensation, except that:

(1) this ~~full~~ reimbursement shall not be made for cardiac disease or a condition registered pursuant to subdivision 8, clause (t) or (u) unless the commissioner by rule provides otherwise; and

(2) reimbursement for compensation paid shall be at the rate of 75 percent.

Sec. 29. Minnesota Statutes 1986, section 176.131, subdivision 3, is amended to read:

Subd. 3. To entitle the employer to secure reimbursement from the special compensation fund, the following provisions must be complied with:

(a) Provisions of section 176.181, subdivisions 1 and 2.

(b) The employee with a preexisting physical impairment must have been registered with the commissioner prior to the employee's personal injury.

(c) The injury for which the employer requests reimbursement must have occurred within five years of the date that the employee

returned to work following the registered injury or five years after the employee was hired by the employer, whichever is later.

Sec. 30. Minnesota Statutes 1986, section 176.131, subdivision 5, is amended to read:

Subd. 5. Registration under this section may be made by the employee or any employer provided:

(a) registration is accompanied by satisfactory evidence of the physical impairment;

(b) registration is in effect as long as the impairment exists, provided that no reimbursement is made to an employer if the injury occurred more than five years after the employee returned to work with or was hired by that employer, whichever is later;

(c) upon request, a registered employee shall be furnished by the commissioner with a registration card evidencing the registration, and other facts as the commissioner deems advisable.

Sec. 31. Minnesota Statutes 1987 Supplement, section 176.131, subdivision 8, is amended to read:

Subd. 8. As used in this section the following terms have the meanings given them:

"Physical impairment" means any physical or mental condition that is permanent in nature, whether congenital or due to injury, disease or surgery and which is or is likely to be a hindrance or obstacle to obtaining employment except that physical impairment is limited to the following:

(a) Epilepsy,

(b) Diabetes,

(c) Hemophilia,

(d) Cardiac disease, provided that objective medical evidence substantiates at least the minimum permanent partial disability listed in the workers' compensation permanent partial disability schedule,

(e) Partial or entire absence of thumb, finger, hand, foot, arm or leg,

(f) Lack of sight in one or both eyes or vision in either eye not correctable to 20/40,

(g) Residual disability from poliomyelitis,

(h) Cerebral Palsy,

(i) Multiple Sclerosis,

(j) Parkinson's disease,

(k) Cerebral vascular accident,

(l) Chronic Osteomyelitis,

(m) Muscular Dystrophy,

(n) Thrombophlebitis,

(o) Brain tumors,

(p) Pott's disease,

(q) Seizures,

(r) Cancer of the bone,

(s) Leukemia,

(t) Any other physical impairment resulting in a disability rating of at least ~~ten~~ 25 percent of the whole body if the physical impairment were evaluated according to standards used in workers' compensation proceedings, and

(u) Any other physical impairments of a permanent nature which the commissioner may by rule prescribe;

"Compensation" has the meaning defined in section 176.011;

"Employer" includes insurer;

"Disability" means, unless otherwise indicated, any condition causing either temporary total, temporary partial, permanent total, permanent partial, death, medical expense, or rehabilitation.

Sec. 32. Minnesota Statutes 1986, section 176.131, is amended by adding a subdivision to read:

Subd. 13. [APPLICABLE LAW.] The right to reimbursement under this section is governed by the law in effect on the date of the subsequent injury.

Sec. 33. Minnesota Statutes 1987 Supplement, section 176.135, subdivision 3, is amended to read:

Subd. 3. [LIMITATION OF LIABILITY.] (a) The pecuniary liability of the employer for the treatment, articles and supplies required by this section shall be limited to the charges therefor as prevail in the same community for similar treatment, articles and supplies furnished to injured persons of a like standard of living when the same are paid for by the injured persons. On this basis the commissioner or compensation judge may determine the reasonable value of all such services and supplies and the liability of the employer is limited to the amount so determined.

(b) For any treatment provided after December 31, 1988, an employer is not liable for the cost of any ongoing therapy treatment after four months after the first treatment, unless a treatment plan is specifically approved in advance by the commissioner as reasonable and necessary. This approval may not be waived by the parties. Therapy treatments during the first four months of treatment must still be reasonable and necessary. The commissioner may adopt emergency rules to establish standards for reasonable and necessary therapy treatments.

Sec. 34. Minnesota Statutes 1986, section 176.136, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE.] The commissioner shall by rule establish procedures for determining whether or not the charge for a health service is excessive. In order to accomplish this purpose, the commissioner shall consult with insurers, associations and organizations representing the medical and other providers of treatment services and other appropriate groups. The procedures established by the commissioner shall limit the charges allowable for medical, chiropractic, podiatric, surgical, hospital and other health care provider treatment or services, as defined and compensable under section 176.135, to the 75th percentile of usual and customary fees or charges based upon billings for each class of health care provider during all of the calendar year preceding the year in which the determination is made of the amount to be paid the health care provider for the billing, except that the medical fee rules promulgated on October 1, 1988, and based upon 1987 medical cost data, shall remain in effect until September 30, 1991. The commissioner may modify provisions of the medical fee rules, other than the amount of the fees, by emergency rules which shall remain in effect until September 30, 1991, and continue in effect thereafter until the commissioner adopts permanent rules. The commissioner shall adopt permanent rules, to be effective after September 30, 1991, or as soon thereafter as possible, regulating these fees. The procedures established by the commissioner for determining whether or not the charge for a health service is excessive shall be structured to encourage providers to develop and deliver services for rehabilita-

tion of injured workers. The procedures shall incorporate the provisions of sections 144.701, 144.702, and 144.703 to the extent that the commissioner finds that these provisions effectively accomplish the intent of this section or are otherwise necessary to insure that quality hospital care is available to injured employees.

Sec. 35. Minnesota Statutes 1986, section 176.136, is amended by adding a subdivision to read:

Subd. 1a. [HOSPITAL CHARGES.] The commissioner shall by emergency rules, reasonably limit inpatient as well as outpatient hospital charges. The emergency rules shall remain in effect until September 30, 1991, and continue in effect thereafter until the commissioner adopts permanent rules. The commissioner shall adopt permanent rules regulating these charges, which will become effective after September 30, 1991, or as soon thereafter as possible. Hospital charges may be limited under subdivision 1 or by any other prudent, cost-effective method, or under both subdivision 1 and this subdivision.

Sec. 36. Minnesota Statutes 1986, section 176.136, is amended by adding a subdivision to read:

Subd. 1b. [CHARGES FOR INDEPENDENT MEDICAL EXAMINATIONS.] The commissioner shall adopt emergency rules that reasonably limit amounts which may be charged for, or in connection with, independent, adverse, or neutral medical examinations requested by any party, including the amount that may be charged for depositions, witness fees or other expenses. The scheduled amount for the examination itself may not exceed the scheduled amount for complex consultations by treating physicians, although additional reasonable charges may be permitted in the rules to reflect additional duties or activities. An insurer or employer may not pay fees above the amount permitted in the rules. The emergency rules shall remain in effect until September 30, 1991, and continue until permanent rules are adopted. The commissioner shall adopt permanent rules, to be effective after September 30, 1991, or as soon thereafter as possible, regulating these fees.

Sec. 37. Minnesota Statutes 1986, section 176.136, subdivision 5, is amended to read:

Subd. 5. [PERMANENT RULES.] ~~Where permanent rules have been adopted to implement this section,~~ The commissioner shall ~~annually~~ give notice in the State Register of the 75th percentile to meet the requirements of subdivision 1. The notice shall be in lieu of the requirements of chapter 14 if the ~~75th percentile for the service~~ data meets the requirements of paragraphs (a) to ~~(c)~~ (d).

(a) The data base includes at least three different providers of the service.

(b) The data base contains at least 20 billings for the service.

(c) ~~The standard deviation as a percentage of the mean of billings for the service is 50 percent or less.~~

~~(d) The means of the Blue Cross and Blue Shield data base and of the department of human services data base for the service are within 20 percent of each other~~ The value of the 75th percentile is not greater than or equal to three times the value of the 25th percentile.

~~(e)~~ The data is taken from the data base of Blue Cross and Blue Shield ~~or the department of human services~~.

(d) If the commissioner identifies a problem with the data base such that the 75th percentile does not logically reflect a usual and customary charge, then, upon consultation with the medical services review board, the commissioner may eliminate the category from the rules or adjust the rate to correct the inconsistency or error.

Sec. 38. Minnesota Statutes 1986, section 176.136, is amended by adding a subdivision to read:

Subd. 6. [LEGISLATIVE INTENT.] It is the intent of the legislature to control workers' compensation costs by limiting the amount workers' compensation insurers must pay for medical expenses. Given rapidly rising medical costs which have had a direct impact on the rise in workers' compensation costs in recent years, the legislature mandates that these costs must be controlled. Therefore, the legislature is conferring authority upon the commissioner to develop a means of limiting allowable medical and hospital charges.

Sec. 39. Minnesota Statutes 1987 Supplement, section 176.155, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYER'S PHYSICIAN.] The injured employee must submit to examination by the employer's physician, if requested by the employer, and at reasonable times thereafter upon the employer's request. The examination must be scheduled at a location within 150 miles of the employee's residence unless the employer can show cause to the department to order an examination at a location further from the petitioner's residence. The employee is entitled upon request to have a personal physician present at any such examination. Each party shall defray the cost of that party's physician. Any report or written statement made by the employer's physician as a result of an examination of the employee, regardless of whether the examination preceded the injury or was made subsequent to the injury, shall be made available, upon request and without charge, to the injured employee or representative of the employee. The employer shall pay reasonable travel expenses in-

curred by the employee in attending the examination including mileage, parking, and, if necessary, lodging and meals. The employer shall advance anticipated travel expenses to the employee upon the employee's request. The employer shall also pay the employee for any lost wages resulting from attendance at the examination. A self-insured employer or insurer who is served with a claim petition pursuant to section 176.271, subdivision 1, or 176.291, shall schedule any necessary examinations of the employee, if an examination by the employer's physician or health care provider is necessary to evaluate benefits claimed. The examination shall be completed and the report of the examination shall be served on the employee and filed with the commissioner within 120 days of service of the claim petition.

No evidence relating to the examination or report shall be received or considered by the commissioner, a compensation judge, or the court of appeals in determining any issues unless the report has been served and filed as required by this section, unless a written extension has been granted by the commissioner or compensation judge. The commissioner or a compensation judge shall extend the time for completing the adverse examination and filing the report upon good cause shown. The extension must not be for the purpose of delay and the insurer must make a good faith effort to comply with this subdivision. Good cause shall include but is not limited to:

(1) that the extension is necessary because of the limited number of physicians or health care providers available with expertise in the particular injury or disease, or that the extension is necessary due to the complexity of the medical issues, or

(2) that the extension is necessary to gather addition information which was not included on the petition as required by section 176.291.

Sec. 40. Minnesota Statutes 1986, section 176.179, is amended to read:

176.179 [PAYMENTS OF COMPENSATION RECEIVED IN GOOD FAITH.]

Notwithstanding section 176.521, subdivision 3, or any other provision of this chapter to the contrary, except as provided in this section, no lump sum or weekly payment, or settlement, which is voluntarily paid to an injured employee or the survivors of a deceased employee in apparent or seeming accordance with the provisions of this chapter by an employer or insurer, or is paid pursuant to an order of the workers' compensation division, a compensation judge, or court of appeals relative to a claim by an injured employee or the employee's survivors, and received in good faith by the employee or the employee's survivors shall be refunded to the paying employer or insurer in the event that it is subsequently

determined that the payment was made under a mistake in fact or law by the employer or insurer. When the payments have been made to a person who is entitled to receive further payments of compensation for the same injury, the mistaken compensation may be taken as a full credit against future lump sum benefit entitlement and as a partial credit against future weekly benefits. The credit applied against further payments of temporary total disability, temporary partial disability, permanent total disability, retraining benefits, death benefits, or weekly payments of ~~economic recovery or impairment~~ permanent partial compensation shall not exceed 20 percent of the amount that would otherwise be payable.

A credit may not be applied against medical expenses due or payable.

Sec. 41. Minnesota Statutes 1986, section 176.221, subdivision 6a, is amended to read:

Subd. 6a. [MEDICAL, REHABILITATION, ~~ECONOMIC RECOVERY, AND IMPAIRMENT~~ PERMANENT PARTIAL COMPENSATION.] The penalties provided by this section apply in cases where payment for treatment under section 176.135, or rehabilitation expenses under section 176.102, subdivisions 9 and 11, ~~economic recovery compensation or impairment~~ permanent partial compensation are not made in a timely manner as required by law or by rule adopted by the commissioner.

Sec. 42. Minnesota Statutes 1987 Supplement, section 176.238, is amended by adding a subdivision to read:

Subd. 1a. [NOTICE OF REEMPLOYMENT.] An employer or insurer must notify the employee within 30 days of the notice of maximum medical improvement whether the employer will offer the employee a job with the preinjury employer. A copy of the notice must be filed with the department. The commissioner may impose a penalty of up to $200 for any failure to provide or file the notices as required by this subdivision.

Sec. 43. Minnesota Statutes 1986, section 176.261, is amended to read:

176.261 [EMPLOYEE OF COMMISSIONER OF THE DEPARTMENT OF LABOR AND INDUSTRY MAY ACT FOR AND ADVISE A PARTY TO A PROCEEDING.]

Subdivision 1. When requested by an employer or an employee or an employee's dependent, the commissioner of the department of labor and industry may designate one or more of the division employees to advise that party of rights under this chapter, and as far as possible to assist in adjusting differences between the parties.

The person so designated may appear in person in any proceedings under this chapter as the representative or adviser of the party. In such case, the party need not be represented by an attorney at law.

Subd. 2. The workers' compensation legal assistance fund is created for purposes provided in this subdivision. The commissioner is the administrator of this fund. The commissioner may contract to provide legal representation to claimants, who are not represented by private counsel, in any proceeding under this chapter, provided that such representation is limited to medical and rehabilitation issues, including conferences under 176.106, and any subsequent hearings; disputes over the degree of permanent partial disability; disputes involving no more than $1,500; and other disputes where the commissioner determines that private counsel will not be available. The employee may not be charged a fee, but is liable for costs and expenses not reimbursable under section 176.511. An employer or insurer is liable for attorney's fees for representation provided to employees under this contract as in all other cases, and shall pay the fees to the workers' compensation legal assistance fund, including fees for medical and rehabilitation issues and under section 176.081, subdivision 8. For purposes of section 176.081, subdivisions 7 and 7a, reimbursement shall be made as if the usual and customary fee for a private attorney were charged except that reimbursement shall also be made on the first $250 of fees. Fees shall be paid directly to the workers' compensation legal assistance fund and calculated at a level designed to recover the cost of the contract for legal services. The commissioner is appropriated the proceeds of the workers' compensation legal assistance fund to pay the costs of the contract for legal services.

Sec. 44. Minnesota Statutes 1986, section 176.421, subdivision 6, is amended to read:

Subd. 6. [POWERS OF WORKERS' COMPENSATION COURT OF APPEALS ON APPEAL.] On an appeal taken under this section, the workers' compensation court of appeals' review is limited to the issues raised by the parties in the notice of appeal or by a cross-appeal. In these cases, on those issues raised by the appeal, the workers' compensation court of appeals may:

(1) grant an oral argument based on the record before the compensation judge;

(2) examine the record;

(3) substitute for the findings of fact made by the compensation judge findings based on the total evidence;

(4) sustain, reverse, make or modify an award or disallowance of compensation or other order based on the facts, findings, and law; and,

(5) summarily affirm without opinion the decision of the commissioner or compensation judge; and

(6) remand or make other appropriate order.

Sec. 45. Minnesota Statutes 1986, section 176.645, subdivision 2, is amended to read:

Subd. 2. [TIME OF FIRST ADJUSTMENT.] For injuries occurring on or after October 1, 1981, the initial adjustment made pursuant to subdivision 1 shall be deferred until the first anniversary of the date of the injury. For injuries occurring on or after October 1, 1988, the initial adjustment under subdivision 1 shall be deferred until the third anniversary of the date of injury.

Sec. 46. Minnesota Statutes 1986, section 176.66, subdivision 11, is amended to read:

Subd. 11. [AMOUNT OF COMPENSATION.] The compensation for an occupational disease is ~~66⅔~~ 80 percent of the employee's after-tax weekly wage on the date of injury subject to a maximum compensation equal to the maximum compensation in effect on the date of last exposure. The employee shall be eligible for supplementary benefits notwithstanding the provisions of section 176.132, after four years have elapsed since the date of last significant exposure to the hazard of the occupational disease if that employee's weekly compensation rate is less than the current supplementary benefit rate.

Sec. 47. Minnesota Statutes 1986, section 176.83, is amended by adding a subdivision to read:

Subd. 16. [EMERGENCY RULES EFFECTIVE DATES.] Notwithstanding sections 14.29 to 14.36, emergency rules authorized by sections 13, 34, 35, and 36 may be adopted beyond the 180-day period referred to in section 14.29 and, once adopted, shall remain in effect until September 30, 1991, and shall continue in effect until permanent rules are adopted under those sections.

Sec. 48. [176.90] [AFTER-TAX CALCULATION.]

For purposes of section 176.011, subdivision 18 and 18a, section 176.101, subdivisions 1, 2, 3, and 4, section 176.111, subdivisions 6, 7, 8, 12, 14, 15, 20, and 21, and section 176.66, the commissioner shall publish by September 1 of each year tables or formulas for determining the after-tax weekly wage to take effect the following October 1. The tables or formulas must be based on the applicable federal income tax and social security laws and state income tax laws in effect on the preceding April 1. These tables or formulas are conclusive for the purposes of converting weekly wage into after-tax

weekly wage. The commissioner may contract with the department of revenue or any other person or organization in order to adopt the tables or formulas. The adoption of the tables or formulas is exempt from the administrative rulemaking provisions of chapter 14.

Sec. 49. [176.95] [ADMINISTRATIVE COSTS.]

The annual cost of administering the workers' compensation system under this chapter must be charged to the state general fund. Administrative costs include the cost of administering the workers' compensation division of the department of labor and industry, the workers' compensation division of the office of administrative hearings, and the workers' compensation court of appeals.

Sec. 50. Minnesota Statutes 1986, section 176A.03, is amended by adding a subdivision to read:

Subd. 3. [COVERAGE OUTSIDE STATE.] Policies issued by the fund pursuant to this chapter may also provide workers' compensation coverage required under the laws of states other than Minnesota, including coverages commonly known as "all states coverage." The fund may apply for and obtain any licensure required in any other state in order to issue such coverage.

Sec. 51. [REPORTS TO THE LEGISLATURE; RECOMMENDATIONS ON MEDICAL ISSUES.]

The commissioner of labor and industry shall present a detailed report to the legislature before January 1, 1990, concerning medical cost issues in the workers' compensation system. The report shall also develop and evaluate a detailed proposal for establishing a system of neutral doctors for use in such areas as determining maximum medical improvement and rating permanent partial disabilities.

Sec. 52. [NEUTRAL QUALIFIED REHABILITATION CONSULTANTS.]

The commissioner shall develop a plan to assure neutrality of qualified rehabilitation consultants and shall consider alternative methods of selection of qualified rehabilitation consultants for injured workers. The commissioner shall report to the legislature by January 1, 1989, regarding the plan.

Sec. 53. [PERMANENT TOTAL DISABILITY.]

The commissioner shall present a report concerning permanent total disabilities to the legislature by January 1, 1989. The report shall analyze those cases that qualify for permanent total disability benefits, as well as examine cases of other employees who are

unable to return to work following a work injury and consider the definition of permanent total disability. The report must consider the number of permanent total disability cases in other states and the definition in those states. The report must contain recommendations concerning permanent total disability cases.

Sec. 54. [HEARINGS AT THE OFFICE OF ADMINISTRATIVE HEARINGS; REPORT OF THE CHIEF ADMINISTRATIVE LAW JUDGE.]

The chief administrative law judge shall consider methods to reduce the formality and length of hearings in workers' compensation cases at the office of administrative hearings, with a goal of completing 50 percent of the hearings in less than two hours, 75 percent in less than four hours and nearly all of the cases in less than one day. Before January 1, 1989, the chief judge shall report to the legislature on the efforts to meet these goals, including any recommendations for legislation needed to achieve these goals.

Sec. 55. [APPROPRIATION.]

$505,500 is appropriated from the special compensation fund to the department of labor and industry for the purposes of article 2. This appropriation is available immediately, does not lapse, and is available until expended. The complement of the department of labor and industry is increased by eleven positions.

Sec. 56. [APPROPRIATION.] $100,000 is appropriated from the special compensation fund to the department of labor and industry to cover the initial costs of the program established under section 43. The appropriation is available from the day following enactment until June 30, 1989. The workers' compensation legal assistance fund shall reimburse the special compensation fund this appropriation when it has sufficient funds, but no later than June 30, 1989.

Sec. 57. [REPEALER.]

Minnesota Statutes 1986, sections 176.011, subdivision 26; 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, 3u; and 176.111, subdivision 8a, are repealed.

Sec. 58. [EFFECTIVE DATE.]

Sections 13, 14, 26 to 32, 34 to 39, 43 to 44, 47, 48, 50 and 51 to 54 are effective July 1, 1988. Sections 1 to 12, 15 to 25, 33, 40, 41, 42, 45, 46 and 57 are effective October 1, 1988. Section 49 is effective July 1, 1989. Sections 55 and 56 are effective the day following final enactment.

ARTICLE 3

MISCELLANEOUS TECHNICAL AMENDMENT

Section 1. Minnesota Statutes 1986, section 129A.05, subdivision 2, is amended to read:

Subd. 2. When the employees of the ~~department~~ division of rehabilitation services have knowledge relating to the nature and extent of an injury or disability or have knowledge of other relevant or material facts with respect to any claim made pursuant to chapter 176 by an injured employee, the commissioner shall ~~first obtain the written consent of the injured employee to the~~ release ~~of~~ the information and shall ~~then~~ report to any party to the claim under the workers' compensation law and to the workers' compensation division or the workers' compensation court of appeals, as the case may be, all of the facts within ~~ten~~ seven days after the ~~department~~ division of rehabilitation services has received written request for such information ~~from the workers' compensation division or the workers' compensation court of appeals, as the case may be~~. At a hearing before a compensation judge or the workers' compensation court of appeals on appeal, an employee of the ~~department may, upon the written consent of the injured employee,~~ division of rehabilitation services shall disclose the facts and conclusions upon which the vocational rehabilitation evaluation of the injured employee was made.

Sec. 2. Minnesota Statutes 1986, section 175.171, is amended to read:

175.171 [POWERS AND DUTIES, DEPARTMENT OF LABOR AND INDUSTRY.]

The department of labor and industry shall have the following powers and duties:

(1) To exercise all powers and perform all duties of the department consistent with the provisions of this chapter;

(2) To adopt reasonable and proper rules relative to the exercise of its powers and duties, and proper rules to govern its proceedings and to regulate the mode and manner of all investigations and hearings~~, which shall not be effective until ten days after their adoption, and a copy of these rules shall be delivered to every citizen making application therefor~~;

(3) To collect, collate, and publish statistical and other information relating to the work under its jurisdiction, to keep records and to make public reports in its judgment necessary; and on or before October 1 in each even-numbered year the department shall report

its doings, conclusions, and recommendations to the governor, which report shall be printed and distributed by November 15 of each even-numbered year to the legislature pursuant to section 3.195, and otherwise as the department may direct;

(4) To establish and maintain branch offices as needed for the conduct of its affairs.

Sec. 3. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 3, is amended to read:

Subd. 3. [REVIEW PANEL.] There is created a rehabilitation review panel composed of the commissioner or a designee, who shall serve as an ex officio member and ~~two members~~ one member each from employers, insurers, ~~rehabilitation,~~ and medicine, ~~one member representing chiropractors, and four~~ two members each representing labor and rehabilitation vendors, and six qualified rehabilitation consultants. The members shall be appointed by the commissioner and shall serve four-year terms which may be renewed. Compensation for members shall be governed by section 15.0575. The panel shall select a chair. The panel shall review and make a determination with respect to appeals from orders of the commissioner regarding certification approval of qualified rehabilitation consultants and vendors. The hearings are de novo and initiated by the panel under the contested case procedures of chapter 14, and are appealable to the workers' compensation court of appeals in the manner provided by section 176.421.

Sec. 4. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 3a, is amended to read:

Subd. 3a. [DISCIPLINARY ACTIONS.] The panel has authority to discipline qualified rehabilitation consultants and vendors and may impose a penalty of up to $1,000 per violation, and may suspend or revoke certification. Complaints against registered qualified rehabilitation consultants and vendors shall be made to the commissioner who shall investigate all complaints. If the investigation indicates a violation of this chapter or rules adopted under this chapter, the commissioner may initiate a contested case proceeding under the provisions of chapter 14. In these cases, the rehabilitation review panel shall make the final decision following receipt of the report of an administrative law judge. The decision of the panel is appealable to the workers' compensation court of appeals in the manner provided by section 176.421. The panel shall continuously study rehabilitation services and delivery, develop and recommend rehabilitation rules to the commissioner, and assist the commissioner in accomplishing public education.

~~The commissioner may appoint alternates for one-year terms to serve as a member when a member is unavailable. The number of alternates shall not exceed one labor member, one employer or~~

~~insurer member, and one member representing medicine, chiropractic, or rehabilitation.~~

Sec. 5. Minnesota Statutes 1987 Supplement, section 176.103, subdivision 3, is amended to read:

Subd. 3. [MEDICAL SERVICES REVIEW BOARD; SELECTION; POWERS.] (a) There is created a medical services review board composed of the commissioner or the commissioner's designee as an ex officio member, two persons representing chiropractic, one person representing hospital administrators, and six physicians representing different specialties which the commissioner determines are the most frequently utilized by injured employees. The board shall also have one person representing employees, one person representing employers or insurers, and one person representing the general public. The members shall be appointed by the commissioner and shall be governed by section 15.0575. Terms of the board's members may be renewed. The board may appoint from its members whatever subcommittees it deems appropriate.

The commissioner may appoint alternates for one-year terms to serve as a member when a member is unavailable. The number of alternates shall not exceed one chiropractor, one hospital administrator, three physicians, one employee representative, one employer or insurer representative, and one representative of the general public.

The board shall review clinical results for adequacy and recommend to the commissioner scales for disabilities and apportionment.

The board shall review and recommend to the commissioner rates for individual clinical procedures and aggregate costs. The board shall assist the commissioner in accomplishing public education.

In evaluating the clinical consequences of the services provided to an employee by a clinical health care provider, the board shall consider the following factors in the priority listed:

(1) the clinical effectiveness of the treatment;

(2) the clinical cost of the treatment; and

(3) the length of time of treatment.

The board shall advise the commissioner on the adoption of rules regarding all aspects of medical care and services provided to injured employees.

(b) The medical services review board may upon petition from the commissioner and after hearing, issue a penalty of ~~$100~~ $1,000 per

violation, disqualify, or suspend a provider from receiving payment for services rendered under this chapter if a provider has violated any part of this chapter or rule adopted under this chapter. The hearings are initiated by the commissioner under the contested case procedures of chapter 14. The board shall make the final decision following receipt of the recommendation of the administrative law judge. The board's decision is appealable to the workers' compensation court of appeals in the manner provided by section 176.421.

(c) The board may adopt rules of procedure. The rules may be joint rules with the rehabilitation review panel.

Sec. 6. Minnesota Statutes 1986, section 176.104, subdivision 1, is amended to read:

Subdivision 1. [DISPUTE.] ~~If there exists a dispute regarding medical causation or whether an injury arose out of and in the course and scope of employment and an employee has been disabled for the requisite time under section 176.102, subdivision 4, prior to determination of liability, the employee shall be referred by the commissioner to the division of vocational rehabilitation which shall provide rehabilitation consultation if appropriate~~ If the employee claims entitlement to rehabilitation services but the employer does not furnish or pay for the services, the division of rehabilitation services may provide the services, is entitled to full reimbursement upon a determination of compensability under this chapter, and may intervene in any action to recover its interest. The services provided by the division of vocational rehabilitation and the scope and term of the rehabilitation are governed by section 176.102 and rules adopted pursuant to that section. Rehabilitation costs and services under this subdivision shall be monitored by the commissioner.

Sec. 7. Minnesota Statutes 1987 Supplement, section 176.106, subdivision 7, is amended to read:

Subd. 7. [REQUEST FOR HEARING.] The decision of the commissioner is final unless any party aggrieved by the decision ~~of the commissioner may request~~ requests a formal hearing by filing the request on a prescribed form with the commissioner no later than 30 days after the decision. The request shall be referred to the office of administrative hearings for a de novo hearing before a compensation judge. The commissioner shall refer a timely request to the office of administrative hearings within ~~five working~~ ten calendar days after filing of the request ~~and~~. The hearing at the office of administrative hearings must be held on the first date that all parties are available but not later than 60 days after the office of administrative hearings receives the matter. Following the hearing, the compensation judge must issue the decision within 30 days. The decision of the compensation judge is appealable pursuant to section 176.421.

Sec. 8. Minnesota Statutes 1987 Supplement, section 176.106, subdivision 9, is amended to read:

Subd. 9. [SUBSEQUENT CAUSATION ISSUES.] If initial liability for an injury has been admitted or established and an issue subsequently arises regarding causation between the employee's condition and the work injury, the commissioner may make the subsequent causation determination subject to de novo hearing by a compensation judge with a right to review by the court of appeals, as provided in this chapter.

A causation determination by the commissioner which is not appealed is final for that particular claim; however, the causation determination is not binding in subsequent actions.

Sec. 9. Minnesota Statutes 1987 Supplement, section 176.135, subdivision 1, is amended to read:

Subdivision 1. [MEDICAL, CHIROPRACTIC, PODIATRIC, SURGICAL, HOSPITAL.] (a) The employer shall furnish any medical, chiropractic, podiatric, surgical and hospital treatment, including nursing, medicines, medical, chiropractic, podiatric, and surgical supplies, crutches and apparatus, including artificial members, or, at the option of the employee, if the employer has not filed notice as hereinafter provided, Christian Science treatment in lieu of medical treatment, chiropractic medicine and medical supplies, as may reasonably be required at the time of the injury and any time thereafter to cure and relieve from the effects of the injury. This treatment shall include treatments necessary to physical rehabilitation. Exposure to rabies is an injury and an employer shall furnish preventive treatment to employees exposed to rabies. The employer shall furnish replacement or repair for artificial members, glasses, or spectacles, artificial eyes, podiatric orthotics, dental bridge work, dentures or artificial teeth, hearing aids, canes, crutches, or wheel chairs damaged by reason of an injury arising out of and in the course of the employment. In case of the employer's inability or refusal seasonably to do so the employer is liable for the reasonable expense incurred by or on behalf of the employee in providing the same, including ~~costs of copies of any medical records or medical reports that are in existence, obtained from health care providers, and that directly relate to the items for which payment is sought under this chapter, limited to the charges allowed by subdivision 7, and~~ attorney fees incurred by the employee. ~~No action to recover the cost of copies may be brought until the commissioner adopts a schedule of reasonable charges under subdivision 7.~~ Attorney's fees shall be determined on an hourly basis according to the criteria in section 176.081, subdivision 5. The employer shall pay for the reasonable value of nursing services by a member of the employee's family in cases of permanent total disability.

(b) Both the commissioner and the compensation judges have

authority to make determinations under this section in accordance with sections 176.106 and 176.305.

Sec. 10. Minnesota Statutes 1987 Supplement, section 176.135, subdivision 6, is amended to read:

Subd. 6. [COMMENCEMENT OF PAYMENT.] Notwithstanding subdivision 7, as soon as reasonably possible, and no later than 30 calendar days after receiving the bill, the employer or insurer shall pay the charge or any portion of the charge which is not denied, deny all or a part of the charge ~~on~~ detailing the basis of excessiveness or noncompensability, or specify the additional data needed, with written notification to the employee and the provider.

Sec. 11. Minnesota Statutes 1986, section 176.135, is amended by adding a subdivision to read:

Subd. 6a. [EXCESSIVE TREATMENT OR SERVICES.] (a) If the commissioner or compensation judge determines that certain treatment or service of a health care provider was not reasonable or necessary, no payment for that treatment or service shall be made under this chapter nor may the provider collect or attempt to collect from the injured employee or any other insurer or government for the treatment or service. This subdivision shall apply only if the treatment or service is for a work-related injury or condition. A determination under this subdivision may be appealed by the health care provider in the same manner as provided for the parties.

(b) When the reasonableness and necessity of medical treatment or service is at issue, the treating health care provider must be afforded notice and opportunity to present evidence establishing the reasonableness or necessity either in person or by affidavit admissible at the conference or hearing.

Sec. 12. Minnesota Statutes 1986, section 176.191, subdivision 3, is amended to read:

Subd. 3. If a dispute exists as to whether an employee's injury is compensable under this chapter and the employee is otherwise covered by an insurer pursuant to chapters 62A, 62C and 62D, that insurer shall pay any medical costs incurred by the employee for the injury up to the limits of the applicable coverage and shall make any disability payments otherwise payable by that insurer in the absence of or in addition to workers' compensation liability. If the injury is subsequently determined to be compensable pursuant to this chapter, the workers' compensation insurer shall be ordered to reimburse the insurer that made the payments ~~for all payments made under this subdivision by~~ but only to the ~~insurer~~ extent payable under this chapter, including interest at a rate of 12 percent a year. If a payment pursuant to this subdivision exceeds the reasonable value as permitted by sections 176.135 and 176.136, the provider shall

reimburse the ~~workers' compensation insurer~~ health or hospitalization carrier for ~~all~~ the excess ~~as provided by rules promulgated by the commissioner~~.

Sec. 13. Minnesota Statutes 1986, section 176.221, subdivision 9, is amended to read:

Subd. 9. [PAYMENT OF FULL WAGES.] An employer who pays full wages to an injured employee is not relieved of the obligation for reporting the injury ~~and~~ within the time frame in section 176.231, making a liability determination ~~within the times specified in this chapter~~, and notifying the injured employee and the division of the determination within 14 days of notice to or knowledge by the employer of an injury or new period of disability. Failure to make a liability determination and to give timely notice may subject the employer or insurer to the same penalties provided for late payments or notices under this section and section 176.225.

If the full wage is paid the employer's insurer or self-insurer shall report the amount of this payment to the division and determine the portion which is temporary total compensation for purposes of administering this chapter and special compensation fund assessments. The employer shall also make appropriate adjustments to the employee's payroll records within 30 days of the liability determination to assure that the employee's sick leave or the vacation time is not inappropriately charged against the employee, and to assure the proper income tax treatment for the payments.

Sec. 14. Minnesota Statutes 1986, section 176.225, subdivision 5, is amended to read:

Subd. 5. [PENALTY.] ~~Where the~~ An employer ~~is guilty of inexcusable delay in making payments, the payments which are found to be delayed shall be increased by ten percent. Withholding~~ or insurer who fails to:

(1) make payments as provided by section 176.221 when a claim has not been denied;

(2) make other payment of temporary total, temporary partial, permanent total, or permanent partial disability benefits within ten days of the date provided by statute or rule;

(3) make any other payment required by chapter 176 in a timely fashion; or

(4) release amounts unquestionably due because the injured employee refuses to execute a release of the employee's right to claim further benefits;

will be ~~regarded as inexcusable delay in the making of compensation payments~~ subject to an additional penalty of ten percent of the payments which are found to be delayed, said penalty to be paid directly to the employee. An employer or insurer who feels that this penalty is unwarranted shall have the burden of proving that the delay was excusable. If any sum ordered by the department to be paid is not paid when due, and no appeal of the order is made, the sum shall bear interest at the rate of 12 percent per annum. Any penalties paid pursuant to this section shall not be considered as a loss or expense item for purposes of a petition for a rate increase made pursuant to chapter 79.

Sec. 15. Minnesota Statutes 1986, section 176.231, subdivision 8, is amended to read:

Subd. 8. [NO PUBLIC ~~INSPECTION OF REPORTS~~ ACCESS TO CERTAIN DATA.] Subject to subdivision 9, ~~a report or its copy which has been filed with~~ data on individuals collected, created, or maintained by the commissioner of the department of labor and industry under this ~~section is not available to public inspection~~ chapter is classified as private data. Any person who has access to such ~~a report~~ data shall not disclose ~~its contents~~ it to anyone ~~in any manner~~ except as provided in this section.

A person who ~~unauthorizedly~~ discloses ~~a report or its contents~~ private data to another without authorization is guilty of a misdemeanor.

Sec. 16. Minnesota Statutes 1986, section 176.231, subdivision 9, is amended to read:

Subd. 9. [USES WHICH MAY BE MADE OF ~~REPORTS~~ PRIVATE DATA.] ~~Reports filed with~~ Private data collected, created, or maintained by the commissioner ~~under this section~~ may be used in ~~hearings~~ proceedings held under this chapter, and for the purpose of state investigations and for statistics including statistics on individual employers and insurers. ~~These reports are~~ Subject to the protections and penalties provided by chapters 13 and 176, this data is also available ~~to the department of revenue for use in enforcing Minnesota income tax and property tax refund laws, and the information shall be protected as provided in section 290.61 or 290A.17.~~:

(1) pursuant to section 13.05;

(2) pursuant to court order;

(3) to the Minnesota department of revenue for use in enforcing Minnesota income tax and property tax refund laws, this information shall be protected as provided in section 290.61 or 290A.17;

(4) to the Minnesota department of human services for use in enforcing the child support and welfare laws;

(5) to the social security administration for use in enforcing social security laws and administering social security programs including Medicare; and

(6) to the workers' compensation reinsurance association for use by the association in carrying out its responsibilities under chapter 79.

Data filed in anticipation of a proceeding under this chapter shall be public except that medical records or medical reports on an individual shall be private unless they are accepted into evidence at the proceeding.

The division or office of administrative hearings or workers' compensation court of appeals may permit the examination of its file by the employer, insurer, employee, or dependent of a deceased employee or any person who furnishes written authorization to do so from the employer, insurer, employee, or dependent of a deceased employee. ~~Reports filed under this section and other information the commissioner has regarding injuries or deaths shall be made available to the workers' compensation reinsurance association for use by the association in carrying out its responsibilities under chapter 79.~~

Sec. 17. Minnesota Statutes 1987 Supplement, section 176.238, subdivision 1, is amended to read:

Subdivision 1. [NECESSITY FOR NOTICE AND SHOWING; CONTENTS.] Except as provided in section 176.221, subdivision 1, once the employer has commenced payment of benefits, the employer may not discontinue payment of compensation until it provides the employee and the department with notice in writing of intention to do so. ~~A copy of the notice shall be filed with the division by the employer.~~ The notice to the employee and the copy to the division shall state the date of intended discontinuance and set forth a statement of facts clearly indicating the reason for the action. Copies of whatever medical reports or other written reports in the employer's possession which are relied on for the discontinuance shall be attached to the notice.

Sec. 18. Minnesota Statutes 1987 Supplement, section 176.238, subdivision 9, is amended to read:

Subd. 9. [SERVICE ON ATTORNEY.] If the employee has been ~~presently~~ represented by an attorney for the same injury, all notices required by this section shall also be served on the last attorney of record.

Sec. 19. Minnesota Statutes 1987 Supplement, section 176.305, subdivision 1, is amended to read:

Subdivision 1. [HEARINGS ON PETITIONS.] The petitioner shall serve a copy of the petition on each adverse party personally or by first class mail. The original petition shall then be filed with the commissioner together with an appropriate affidavit of service. When any petition has been filed with the workers' compensation division, the commissioner shall~~, within ten days,~~ refer the matter presented by the petition for a settlement conference under this section, for an administrative conference under section 176.106, or for hearing to the office.

Sec. 20. Minnesota Statutes 1987 Supplement, section 176.305, subdivision 4, is amended to read:

Subd. 4. [STRIKING FROM CALENDAR.] A compensation judge or the commissioner~~, after receiving a properly served motion,~~ may strike a case from the active trial calendar after the employee has been given 30 days to correct the deficiency if it is shown that the information on the petition or included with the petition is incomplete. Once a case is stricken, it may not be reinstated until the missing information is provided to the adverse parties and filed with the commissioner or compensation judge. If a case has been stricken from the calendar for one year or more and no corrective action has been taken, the commissioner or a compensation judge may, upon the commissioner's or judge's own motion or a motion of a party which is properly served on all parties, dismiss the case. The petitioner must be given at least 30 days advance notice of the proposed dismissal before the dismissal is effective.

Sec. 21. Minnesota Statutes 1986, section 176.451, subdivision 4, is amended to read:

Subd. 4. [MATTERS FOR DETERMINATION; JUDGMENT.] When a judge hears the application for judgment upon the award, the judge has authority to determine only the facts of the award ~~and~~, the regularity of the proceedings upon which the award is based, interest, and attorney fees. When judgment is entered under this section, the judge shall order the employer or insurer to pay interest at the rate of 12 percent from the date of the administrative award plus reasonable attorney fees to the payer necessitated by the collection action. The judge shall enter judgment accordingly.

Judgment shall not be entered upon an award while an appeal is pending.

Sec. 22. Minnesota Statutes 1987 Supplement, section 176.521, subdivision 1, is amended to read:

176.521 [SETTLEMENT OF CLAIMS.]

Subdivision 1. [VALIDITY.] An agreement including a mediated agreement between an employee or an employee's dependent and the employer or insurer to settle any claim, which is not upon appeal before the court of appeals, for compensation under this chapter is valid where it has been executed in writing and signed by the parties and intervenors in the matter, and, where one or more of the parties is not represented by an attorney, the commissioner or a compensation judge has approved the settlement and made an award thereon. If the matter is upon appeal before the court of appeals or district court, the court of appeals or district court is the approving body. The legislature specifically encourages the reduction of litigation through voluntary dispute resolution, including mediated agreements approved by the division under this section.

Sec. 23. Minnesota Statutes 1987 Supplement, section 176B.01, subdivision 2, is amended to read:

Subd. 2. [PEACE OFFICER.] "Peace officer" means:

(a) a police officer employed by the state of Minnesota or any governmental subdivision within the state to enforce the criminal laws;

(b) a Minnesota state patrol officer;

(c) a sheriff or full-time deputy sheriff with power of arrest by warrant;

(d) a state conservation officer as defined in section 84.028, subdivision 3;

(e) a person employed by the bureau of criminal apprehension as a police officer with power of arrest by warrant;

(f) a correction officer employed at any correctional institution and charged with maintaining the safety, security, discipline and custody of inmates at such institutions;

(g) a firefighter employed on a full-time basis by a fire department of any governmental subdivision of the state who is engaged in the hazards of firefighting or a regularly enrolled member of a volunteer fire department or member of an independent nonprofit firefighting corporation who is engaged in the hazards of fire fighting;

(h) a good samaritan who complies with the request or direction of a peace officer to assist the officer;

(i) a reserve police officer or a reserve deputy sheriff acting under the supervision and authority of a political subdivision; and

(j) a driver or attendant with a licensed basic or advanced life support transportation service, or current certified member of a bona fide rescue squad, who is engaged in providing emergency care.

Sec. 24. [REPEALER.]

Minnesota Statutes 1986, sections 176.021, subdivision 3a; and 176.136, subdivision 3, are repealed.

Sec. 25. [EFFECTIVE DATE.]

This article is effective July 1, 1987.

ARTICLE 4

RECODIFICATION

Section 1. [RECODIFICATION OF WORKERS' COMPENSATION LAW.]

The revisor of statutes shall recodify the workers' compensation law, including Minnesota Statutes, chapter 176.

The recodification must not make any substantive changes but shall provide a comprehensive, accurate, and complete restatement.

Each state department agency and legislative staff, including senate counsel and house research, may provide assistance in the recodification as requested by the revisor of statutes.

The revisor shall report to the legislature by January 15, 1989, on the progress of the recodification. The revisor shall prepare a bill to implement its recommendations for recodification by January 15, 1990.

ARTICLE 5

FIREFIGHTERS' OCCUPATIONAL DISEASE

Section 1. Minnesota Statutes 1987 Supplement, section 176.011, subdivision 15, is amended to read:

Subd. 15. [OCCUPATIONAL DISEASE.] (a) "Occupational dis-

ease" means a disease arising out of and in the course of employment peculiar to the occupation in which the employee is engaged and due to causes in excess of the hazards ordinary of employment and shall include undulant fever. Ordinary diseases of life to which the general public is equally exposed outside of employment are not compensable, except where the diseases follow as an incident of an occupational disease, or where the exposure peculiar to the occupation makes the disease an occupational disease hazard. A disease arises out of the employment only if there be a direct causal connection between the conditions under which the work is performed and if the occupational disease follows as a natural incident of the work as a result of the exposure occasioned by the nature of the employment. An employer is not liable for compensation for any occupational disease which cannot be traced to the employment as a direct and proximate cause and is not recognized as a hazard characteristic of and peculiar to the trade, occupation, process, or employment or which results from a hazard to which the worker would have been equally exposed outside of the employment.

(b) If immediately preceding the date of disablement or death, an employee was employed on active duty with an organized fire or police department of any municipality, as a member of the Minnesota state patrol, conservation officer service, state crime bureau, as a forest officer by the department of natural resources, or sheriff or full time deputy sheriff of any county, and the disease is that of myocarditis, coronary sclerosis, pneumonia or its sequel, and at the time of employment such employee was given a thorough physical examination by a licensed doctor of medicine, and a written report thereof has been made and filed with such organized fire or police department, with the Minnesota state patrol, conservation officer service, state crime bureau, department of natural resources, or sheriff's department of any county, which examination and report negatived any evidence of myocarditis, coronary sclerosis, pneumonia or its sequel, the disease is presumptively an occupational disease and shall be presumed to have been due to the nature of employment.

(c) A firefighter on active duty with an organized fire department who is unable to perform duties in the department by reason of a disabling cancer of a type caused by exposure to heat, radiation, or a known or suspected carcinogen, as defined by the International Agency for Research on Cancer, if the exposure arose out of and in the course of employment, is presumed to have an occupational disease under paragraph (a). If a firefighter who enters the service after August 1, 1988, is examined by a physician prior to being hired and the examination discloses the existence of a cancer of a type described in this paragraph, the firefighter is not entitled to the presumption unless a subsequent medical determination is made that the firefighter no longer has the cancer.

ARTICLE 6

BOMB DISPOSAL WORKERS

Section 1. Minnesota Statutes 1987 Supplement, section 3.732, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] As used in this section and section 3.736 the terms defined in this section have the meanings given them.

(1) "State" includes each of the departments, boards, agencies, commissions, courts, and officers in the executive, legislative, and judicial branches of the state of Minnesota and includes but is not limited to the Minnesota housing finance agency, the Minnesota higher education coordinating board, the Minnesota higher education facilities authority, the armory building commission, the Minnesota zoological board, the state agricultural society, the University of Minnesota, state universities, community colleges, state hospitals, and state penal institutions. It does not include a city, town, county, school district, or other local governmental body corporate and politic.

(2) "Employee of the state" means all present or former officers, members, directors, or employees of the state, members of the Minnesota national guard, bomb disposal employees employed by a municipality defined in section 466.01 when engaged in the disposal or neutralization of bombs outside the jurisdiction of the municipality but within the state, or persons acting on behalf of the state in an official capacity, temporarily or permanently, with or without compensation, but does not include either an independent contractor or members of the Minnesota national guard while engaged in training or duty under United States Code, title 10, or United States Code, title 32, section 316, 502, 503, 504, or 505, as amended through December 31, 1983.

(3) "Scope of office or employment" means that the employee was acting on behalf of the state in the performance of duties or tasks lawfully assigned by competent authority.

Sec. 2. [176.192] [BOMB DISPOSAL UNIT EMPLOYEES.]

For purposes of this chapter, a member of a bomb disposal unit employed by a municipality defined in section 466.01, is considered a state employee when disposing of or neutralizing bombs or other similar hazardous explosives for another municipality or otherwise outside the jurisdiction of the employer-municipality but within the state."

Delete the title and insert:

"A bill for an act relating to workers' compensation; providing a comprehensive reform; providing penalties; appropriating money; amending Minnesota Statutes 1986, sections 62I.07; 62I.21; 79.01, subdivision 1; 79.074, by adding subdivisions; 79.50; 79.59; 129A.05, subdivision 2; 175.171; 176.011, subdivision 18, and by adding a subdivision; 176.021, subdivision 3; 176.061, subdivision 10; 176.081, subdivisions 1 and 3; 176.101, subdivisions 1, 2, 4, and by adding subdivisions; 176.102, subdivision 11; 176.104, subdivision 1; 176.105, subdivision 1; 176.111, subdivisions 6, 7, 8, 12, 14, and 20; 176.131, subdivisions 1a, 2, 3, 5, and by adding a subdivision; 176.135, by adding a subdivision; 176.136, subdivisions 1, 5, and by adding subdivisions; 176.179; 176.191, subdivision 3; 176.221, subdivisions 6a and 9; 176.225, subdivision 5; 176.231, subdivisions 8 and 9; 176.261; 176.421, subdivision 6; 176.451, subdivision 4; 176.645, subdivision 2; 176.66, subdivision 11; 176.83, by adding a subdivision; and 176A.03, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 3.732, subdivision 1; 62I.02, subdivision 1; 176.011, subdivision 15; 176.081, subdivision 2; 176.102, subdivisions 2, 3, 3a, 4, and 6; 176.103, subdivision 3; 176.106, subdivisions 7 and 9; 176.111, subdivisions 15 and 21; 176.131, subdivisions 1 and 8; 176.135, subdivisions 1, 3, and 6; 176.155, subdivision 1; 176.183, subdivision 2; 176.238, subdivisions 1 and 9, and by adding a subdivision; 176.305, subdivisions 1 and 4; 176.521, subdivision 1; and 176B.01, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 62I; 79; and 176; repealing Minnesota Statutes 1986, sections 79.51; 79.52; 79.53; 79.54; 79.55; 79.56; 79.57; 79.58; 79.60; 79.61; 79.62; 176.011, subdivision 26; 176.021, subdivision 3a; 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, and 3u; 176.111, subdivision 8a; and 176.136, subdivision 3."

A roll call was requested and properly seconded.

Murphy moved to amend the Murphy et al amendment to S. F. No. 1304, as follows:

Page 12, after line 20, insert:

"Subd. 10. [REINSURANCE ASSOCIATION AS PARTY.] Premiums charged members of the reinsurance association shall be recognized in section 12 hearings. The reinsurance association is a party to hearings pursuant to section 12 and shall have the same burden of proof as to the basis for such premiums as the petitioning party has in regard to a proposed schedule of rates. In a section 12 hearing the reinsurance association may be required to provide the information required of the rating association by section 27.

Notwithstanding any inconsistent provisions of chapter 79, the schedule of rates of the reinsurance association shall be subject to prior approval by the commissioner of commerce. The evidentiary,

procedural and review standards of section 12 apply to the approval of the schedule of rates."

Page 21, line 24, delete everything after the semicolon

Page 21, line 25, delete everything before "(g)" and insert:

"(f) An explanation of the cost of living escalation assumptions used and the life expectancy projection of each claim for which members have established a reserve in excess of $50,000."

Page 21, line 29, after "expenses" insert "and may also, at the commissioner's request, be reported net of the lower retention level of the reinsurance association"

Page 26, line 23, after "Sections" insert "79.40"

Page 26, after line 29, insert:

"Section 1. Minnesota Statutes 1986, section 176.011, subdivision 11a, is amended to read:

Subd. 11a. [FAMILY FARM.] "Family farm" means any farm operation which (1) pays or is obligated to pay less than ~~$8,000~~ $20,000 in cash wages, exclusive of machine hire, to farm laborers for services rendered during the preceding calendar year, and (2) has total liability and medical payment coverage equal to $250,000 and $5,000, respectively, under a farm liability insurance policy. For purposes of this subdivision, farm laborer does not include any spouse, parent or child, regardless of age, of a farmer employed by the farmer, or any executive officer of a family farm corporation as defined in section 500.24, subdivision 2, or any spouse, parent or child, regardless of age, of such an officer employed by that family farm corporation, or other farmers in the same community or members of their families exchanging work with the employer. Notwithstanding any law to the contrary, a farm laborer shall not be considered as an independent contractor for the purposes of this chapter; provided that a commercial baler or commercial thresher shall be considered an independent contractor."

Page 78, after line 17, insert:

"ARTICLE 7

WORKERS' COMPENSATION COURT OF APPEALS

Section 1. Minnesota Statutes 1987 Supplement, section 176.011, subdivision 6, is amended to read:

Subd. 6. (1) "Court of appeals" means the ~~workers' compensation~~ court of appeals ~~of Minnesota~~ established under section 480A.01.

(2) "Division" means the workers' compensation division of the department of labor and industry.

(3) "Department" means the department of labor and industry.

(4) "Commissioner," unless the context clearly indicates otherwise, means the commissioner of labor and industry.

(5) "Office" means the office of administrative hearings.

Sec. 2. Minnesota Statutes 1986, section 176.421, subdivision 1, is amended to read:

Subdivision 1. [TIME FOR TAKING; GROUNDS.] Except as otherwise provided in section 5, when a petition has been heard before a compensation judge, within 30 days after a party in interest has been served with notice of an award or disallowance of compensation, or other order affecting the merits of the case, the party may appeal to the workers' compensation court of appeals on any of the following grounds:

(1) the order does not conform with this chapter; or

(2) the compensation judge committed an error of law; or

(3) the findings of fact and order were clearly erroneous and unsupported by substantial evidence in view of the entire record as submitted; or

(4) the findings of fact and order were procured by fraud, or coercion, or other improper conduct of a party in interest.

Sec. 3. Minnesota Statutes 1986, section 176.421, subdivision 6, is amended to read:

Subd. 6. [POWERS OF WORKERS' COMPENSATION COURT OF APPEALS ON APPEAL.] On an appeal taken under this section, the workers' compensation court of appeals' review is limited to the issues raised by the parties in the notice of appeal or by a cross-appeal. On review, the court may not substitute its judgment for that of the compensation judge as to the weight or credibility of the evidence on any finding of fact. In these cases, on those issues raised by the appeal, the workers' compensation court of appeals may:

(1) grant an oral argument based on the record before the compensation judge;

(2) examine the record;

(3) ~~substitute for the findings of fact made by the compensation judge findings based on the total evidence;~~

~~(4)~~ sustain, reverse, make or modify an award or disallowance of compensation or other order based on the facts, findings, and law; and,

~~(5)~~ (4) remand or make other appropriate order.

Sec. 4. Minnesota Statutes 1987 Supplement, section 176.442, is amended to read:

176.442 [APPEALS FROM DECISIONS OF COMMISSIONER.]

Except as provided in section 5, except for a commissioner's decision which may be heard de novo in another proceeding including but not limited to a decision from an administrative conference under section 176.102, 176.103, 176.106, 176.239, or a summary decision under section 176.305, any decision or determination of the commissioner affecting a right, privilege, benefit, or duty which is imposed or conferred under this chapter is subject to review by the workers' compensation court of appeals. A person aggrieved by the determination may appeal to the workers' compensation court of appeals by filing a notice of appeal with the commissioner in the same manner and within the same time as if the appeal were from an order or decision of a compensation judge to the workers' compensation court of appeals.

Sec. 5. [176.443] [APPEALS TO THE COURT OF APPEALS.]

Upon agreement by all parties in interest, except for a person who has an interest as provided under section 176.361, appeals under section 176.421 or section 176.442 may be taken directly from a decision by the commissioner or a compensation judge to the court of appeals. The same procedures as required under sections 176.421 and 176.442 must be followed when taking appeals directly to the court of appeals.

Sec. 6. Minnesota Statutes 1986, section 176.471, is amended to read:

176.471 [REVIEW BY COURT OF APPEALS ON CERTIORARI.]

Subdivision 1. [TIME FOR SEEKING REVIEW; GROUNDS.] Where the workers' compensation court of appeals has made an award or disallowance of compensation or other order, a party in interest who acts within 30 days from the date the party was served with notice of the order may have the order reviewed by the ~~supreme~~

~~court~~ court of appeals on certiorari upon one of the following grounds:

(1) the order does not conform with this chapter; or,

(2) the workers' compensation court of appeals committed any other error of law; or,

(3) the findings of fact and order were unsupported by substantial evidence in view of the entire record as submitted.

Subd. 2. [EXTENSION OF TIME FOR SEEKING REVIEW OR FOR FILING OTHER PAPERS.] Where cause is shown within the 30 day period referred to in subdivision 1, the ~~supreme court~~ court of appeals may extend the time for seeking review on certiorari. The ~~supreme court~~ court of appeals may also extend the time for filing any other paper which this chapter requires to be filed with that court.

Subd. 3. [SERVICE OF WRIT AND BOND; FILING FEE.] To effect a review upon certiorari, the party shall serve a writ of certiorari and a bond upon the administrator of the workers' compensation court of appeals within the 30 day period referred to in subdivision 1. The party shall also at this time pay to the administrator the fee prescribed by rule 103.01 of the rules of civil appellate procedure which shall be disposed of in the manner provided by that rule.

Subd. 4. [CONTENTS OF WRIT.] The writ of certiorari required by subdivision 3 shall show that a review is to be had in the ~~supreme court~~ court of appeals of the proceedings of the workers' compensation court of appeals upon which the order is based.

Subd. 5. [BOND.] The bond required by subdivision 3 shall be executed in such amount and with such sureties as the workers' compensation court of appeals directs and approves. The bond shall be conditioned to pay the cost of the review.

Subd. 6. [TRANSMITTAL OF FEE AND RETURN.] When the writ of certiorari has been served upon the administrator of the workers' compensation court of appeals, the bond has been filed, and the filing fee has been paid, the administrator shall immediately transmit to the clerk of the appellate courts that filing fee and the return to the writ of certiorari and bond.

Subd. 7. [JURISDICTION VESTED.] Filing such return and payment of the filing fee referred to in subdivision 6 vests the ~~supreme court~~ court of appeals with jurisdiction of the case.

Subd. 8. [RETURN OF PROCEEDINGS TRANSMITTED TO

COURT.] Within 30 days after the writ of certiorari, bond, and filing fee have been filed with the administrator of the workers' compensation court of appeals, the administrator shall transmit to the clerk of the appellate courts a true and complete return of the proceedings of the workers' compensation court of appeals under review, or the part of those proceedings necessary to allow the ~~supreme court~~ court of appeals to review properly the questions presented.

The workers' compensation court of appeals shall certify the return of the proceedings under its seal. The petitioner or relator shall pay to the administrator of the workers' compensation court of appeals the reasonable expense of preparing the return.

Subd. 9. [APPLICATION OF RULES GOVERNING APPEALS IN CIVIL ACTIONS.] When the return of the proceedings before the workers' compensation court of appeals has been filed with the clerk of the appellate courts, the ~~supreme court~~ court of appeals shall hear and dispose of the matter as in other civil cases.

Subd. 10. [RULES.] The ~~supreme court~~ court of appeals may adopt rules which are consistent with this chapter and necessary or convenient to the impartial and speedy disposition of these cases.

Sec. 7. Minnesota Statutes 1986, section 176.481, is amended to read:

176.481 [ORIGINAL JURISDICTION OF COURT OF APPEALS.]

On review upon certiorari under this chapter, the ~~supreme court~~ court of appeals has original jurisdiction. It may reverse, affirm, or modify the order allowing or disallowing compensation and enter such judgment as it deems just and proper. Where necessary the ~~supreme court~~ court of appeals may remand the cause to the workers' compensation court of appeals or to the office of administrative hearings for a new hearing or for further proceedings with such directions as the court deems proper.

Sec. 8. Minnesota Statutes 1986, section 176.491, is amended to read:

176.491 [STAY OF PROCEEDINGS PENDING DISPOSITION OF CASE.]

Where a writ of certiorari has been perfected under this chapter, it stays all proceedings for the enforcement of the order being reviewed until the case has been finally disposed of either in the supreme court or the court of appeals or, where the cause has been remanded for a new hearing before a compensation judge or further proceedings before the workers' compensation court of appeals.

Sec. 9. Minnesota Statutes 1986, section 480A.06, subdivision 3, is amended to read:

Subd. 3. [CERTIORARI REVIEW.] The court of appeals shall have jurisdiction to issue writs of certiorari to all agencies, public corporations and public officials, except the tax court ~~and the workers' compensation court of appeals~~. The court of appeals shall have jurisdiction to review decisions of the commissioner of jobs and training, pursuant to section 268.10.

Sec. 10. Minnesota Statutes 1986, section 480A.06, subdivision 4, is amended to read:

Subd. 4. [ADMINISTRATIVE REVIEW.] The court of appeals shall have jurisdiction to review on the record: the validity of administrative rules, as provided in sections 14.44 and 14.45~~, and~~; the decisions of administrative agencies in contested cases, as provided in sections 14.63 to 14.69; and workers' compensation cases and peace officer death benefits cases, as provided under chapters 176 and 176A.

Sec. 11. [EFFECTIVE DATE.]

Sections 2 and 3 are effective the day following final enactment. Sections 1 and 4 to 10 are effective April 1, 1989."

Renumber the sections in sequence

Correct internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the amendment to the amendment and the roll was called. There were 126 yeas and 3 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Carruthers	Frerichs	Jensen	Larsen
Anderson, R.	Clark	Greenfield	Johnson, A.	Lasley
Battaglia	Clausnitzer	Gruenes	Johnson, R.	Lieder
Bauerly	Cooper	Gutknecht	Johnson, V.	Marsh
Beard	Dauner	Hartle	Kahn	McDonald
Begich	Dawkins	Haukoos	Kalis	McEachern
Bennett	DeBlieck	Heap	Kelly	McKasy
Bertram	Dempsey	Himle	Kelso	McLaughlin
Boo	DeRaad	Hugoson	Kinkel	McPherson
Brown	Dille	Jacobs	Kludt	Milbert
Burger	Dorn	Jaros	Knuth	Miller
Carlson, D.	Forsythe	Jefferson	Kostohryz	Minne
Carlson, L.	Frederick	Jennings	Krueger	Morrison

Munger	Otis	Rice	Solberg	Vellenga
Murphy	Ozment	Richter	Sparby	Voss
Nelson, C.	Pappas	Riveness	Stanius	Wagenius
Nelson, D.	Pauly	Rodosovich	Steensma	Waltman
Nelson, K.	Pelowski	Rose	Sviggum	Welle
Neuenschwander	Peterson	Rukavina	Swenson	Wenzel
O'Connor	Poppenhagen	Sarna	Thiede	Winter
Ogren	Price	Schafer	Tjornhom	Wynia
Olson, E.	Quinn	Schreiber	Tompkins	Spk. Vanasek
Olson, K.	Quist	Seaberg	Trimble	
Omann	Redalen	Segal	Tunheim	
Onnen	Reding	Shaver	Uphus	
Orenstein	Rest	Skoglund	Valento	

Those who voted in the negative were:

Knickerbocker	Olsen, S.	Osthoff

The motion prevailed and the amendment to the amendment was adopted.

CALL OF THE HOUSE

On the motion of Heap and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Anderson, G.	Greenfield	Larsen	Onnen	Seaberg
Battaglia	Gruenes	Lasley	Orenstein	Segal
Bauerly	Gutknecht	Lieder	Osthoff	Skoglund
Beard	Hartle	Marsh	Otis	Solberg
Begich	Haukoos	McDonald	Ozment	Sparby
Bennett	Heap	McEachern	Pappas	Stanius
Bertram	Himle	McKasy	Pauly	Steensma
Boo	Hugoson	McLaughlin	Pelowski	Sviggum
Brown	Jacobs	McPherson	Peterson	Swenson
Burger	Jaros	Milbert	Poppenhagen	Thiede
Carlson, D.	Jefferson	Miller	Price	Tjornhom
Carlson, L.	Jennings	Minne	Quinn	Tompkins
Carruthers	Jensen	Morrison	Quist	Trimble
Clark	Johnson, A.	Munger	Redalen	Tunheim
Cooper	Johnson, R.	Murphy	Reding	Uphus
Dauner	Johnson, V.	Nelson, C.	Rest	Valento
Dawkins	Kahls	Nelson, D.	Richter	Vellenga
DeBlieck	Kelly	Nelson, K.	Riveness	Voss
Dempsey	Kelso	Neuenschwander	Rodosovich	Wagenius
DeRaad	Kinkel	O'Connor	Rose	Waltman
Dille	Kludt	Ogren	Rukavina	Welle
Dorn	Knickerbocker	Olsen, S.	Sarna	Wenzel
Forsythe	Knuth	Olson, E.	Schafer	Winter
Frederick	Kostohryz	Olson, K.	Scheid	Wynia
Frerichs	Krueger	Omann	Schreiber	

Wynia moved that further proceedings of the roll call be dispensed with and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

Gruenes moved to amend the Murphy et al amendment, as amended, to S. F. No. 1304, as follows:

Page 24, line 17, after the period insert "If the Governor had not vetoed workers' compensation insurance bills passed by the Minnesota legislature your credit or refund would be $ ..... which would have been a 16 per cent reduction in rates."

A roll call was requested and properly seconded.

The question was taken on the amendment to the amendment, as amended, and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 53 yeas and 77 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Frerichs	Knickerbocker	Ozment	Stanius
Bennett	Gruenes	Marsh	Pauly	Sviggum
Boo	Gutknecht	McDonald	Poppenhagen	Swenson
Burger	Hartle	McKasy	Quist	Thiede
Carlson, D.	Haukoos	McPherson	Redalen	Tjornhom
Clausnitzer	Heap	Miller	Richter	Tompkins
Dempsey	Himle	Morrison	Rose	Uphus
DeRaad	Hugoson	Olsen, S.	Schafer	Valento
Dille	Jennings	Olson, E.	Schreiber	Waltman
Forsythe	Johnson, V.	Omann	Seaberg	
Frederick	Kalis	Onnen	Shaver	

Those who voted in the negative were:

Anderson, G.	Jacobs	Lieder	Otis	Solberg
Battaglia	Jaros	Long	Pappas	Sparby
Bauerly	Jefferson	McEachern	Pelowski	Steensma
Beard	Jensen	McLaughlin	Peterson	Trimble
Begich	Johnson, A.	Minne	Price	Tunheim
Bertram	Johnson, R.	Munger	Quinn	Vellenga
Brown	Kahn	Murphy	Reding	Voss
Carlson, L.	Kelly	Nelson, C.	Rest	Wagenius
Carruthers	Kelso	Nelson, D.	Rice	Welle
Clark	Kinkel	Nelson, K.	Riveness	Wenzel
Cooper	Kludt	Neuenschwander	Rodosovich	Winter
Dauner	Knuth	O'Connor	Rukavina	Wynia
Dawkins	Kostohryz	Ogren	Sarna	Spk. Vanasek
DeBlieck	Krueger	Olson, K.	Scheid	
Dorn	Larsen	Orenstein	Segal	
Greenfield	Lasley	Osthoff	Skoglund	

The motion did not prevail and the amendment to the amendment, as amended, was not adopted.

The question recurred on the Murphy et al amendment, as amended, and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 77 yeas and 53 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Jaros	Long	Otis	Solberg
Battaglia	Jefferson	McEachern	Pappas	Sparby
Bauerly	Jensen	McLaughlin	Pelowski	Steensma
Beard	Johnson, A.	Milbert	Peterson	Trimble
Begich	Johnson, R.	Minne	Price	Tunheim
Brown	Kahn	Munger	Quinn	Vellenga
Carlson, L.	Kalis	Murphy	Reding	Voss
Carruthers	Kelly	Nelson, C.	Rest	Wagenius
Clark	Kinkel	Nelson, D.	Rice	Welle
Cooper	Kludt	Nelson, K.	Riveness	Wenzel
Dauner	Knuth	Neuenschwander	Rodosovich	Winter
Dawkins	Kostohryz	O'Connor	Rukavina	Wynia
DeBlieck	Krueger	Ogren	Sarna	Spk. Vanasek
Dorn	Larsen	Olson, E.	Scheid	
Greenfield	Lasley	Olson, K.	Segal	
Jacobs	Lieder	Orenstein	Skoglund	

Those who voted in the negative were:

Anderson, G.	Frerichs	Knickerbocker	Ozment	Stanius
Bennett	Gruenes	Marsh	Pauly	Sviggum
Boo	Gutknecht	McDonald	Poppenhagen	Swenson
Burger	Hartle	McKasy	Quist	Thiede
Carlson, D.	Haukoos	McPherson	Redalen	Tjornhom
Clausnitzer	Heap	Miller	Richter	Tompkins
Dempsey	Himle	Morrison	Rose	Uphus
DeRaad	Hugoson	Olsen, S.	Schafer	Valento
Dille	Jennings	Omann	Schreiber	Waltman
Forsythe	Johnson, V.	Onnen	Seaberg	
Frederick	Kelso	Osthoff	Shaver	

The motion prevailed and the amendment, as amended, was adopted.

Sviggum moved to amend S. F. No. 1304, as amended, as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

Section 1. Minnesota Statutes 1987 Supplement, section 176.155, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYER'S PHYSICIAN.] The injured employee must submit to examination by the employer's physician, if requested by the employer, and at reasonable times thereafter upon the employer's request. The examination must be scheduled at a location within 150 miles of the employee's residence unless the employer can show cause to the department or a compensation judge to order an examination at a location further from the petitioner's residence. The employee is entitled upon request to have a personal

physician present at any such examination. Each party shall defray the cost of that party's physician. Any report or written statement made by the employer's physician as a result of an examination of the employee, regardless of whether the examination preceded the injury or was made subsequent to the injury, shall be made available, upon request and without charge, to the injured employee or representative of the employee. The employer shall pay reasonable travel expenses, in advance if requested, incurred by the employee in attending the examination including mileage, parking, and, if necessary, lodging and meals. The employer shall also pay the employee for any lost wages resulting from attendance at the examination. A self-insured employer or insurer who is served with a claim petition pursuant to section 176.271, subdivision 1, or 176.291, shall schedule any necessary examinations of the employee, if an examination by the employer's physician or health care provider is necessary to evaluate benefits claimed. The examination shall be completed and the report of the examination shall be served on the employee and filed with the commissioner within 120 days of service of the claim petition.

No evidence relating to the examination or report shall be received or considered by the commissioner, a compensation judge, or the court of appeals in determining any issues unless the report has been served and filed as required by this section, unless a written extension has been granted by the commissioner or compensation judge. The commissioner or a compensation judge shall extend the time for completing the adverse examination and filing the report upon good cause shown. The extension must not be for the purpose of delay and the insurer must make a good faith effort to comply with this subdivision. Good cause shall include but is not limited to:

(1) that the extension is necessary because of the limited number of physicians or health care providers available with expertise in the particular injury or disease, or that the extension is necessary due to the complexity of the medical issues, or

(2) that the extension is necessary to gather addition information which was not included on the petition as required by section 176.291.

ARTICLE 2
WORKERS' COMPENSATION SYSTEM CHANGES

Section 1. Minnesota Statutes 1986, section 176.011, subdivision 11a, is amended to read:

Subd. 11a. [FAMILY FARM.] "Family farm" means any farm operation which (1) pays or is obligated to pay less than ~~$8,000~~ $20,000 in cash wages, exclusive of machine hire, to farm laborers for services rendered during the preceding calendar year, and (2) has total liability and medical payment coverage equal to $250,000 and

$5,000, respectively, under a farm liability insurance policy. For purposes of this subdivision, farm laborer does not include any spouse, parent or child, regardless of age, of a farmer employed by the farmer, or any executive officer of a family farm corporation as defined in section 500.24, subdivision 2, or any spouse, parent or child, regardless of age, of such an officer employed by that family farm corporation, or other farmers in the same community or members of their families exchanging work with the employer. Notwithstanding any law to the contrary, a farm laborer shall not be considered as an independent contractor for the purposes of this chapter; provided that a commercial baler or commercial thresher shall be considered an independent contractor.

Sec. 2. Minnesota Statutes 1986, section 176.011, subdivision 18, is amended to read:

Subd. 18. [WEEKLY WAGE.] "Weekly wage" is arrived at by multiplying the daily wage by the number of days and fractional days normally worked in the business of the employer for the employment involved. If the employee normally works less than five days per week or works an irregular number of days per week, the number of days normally worked shall be computed by dividing the total number of days in which the employee actually performed any of the duties of employment in the last 26 weeks by the number of weeks in which the employee actually performed such duties, provided that the weekly wage for part time employment during a period of seasonal or temporary layoff shall be computed on the number of days and fractional days normally worked in the business of the employer for the employment involved. If, at the time of the injury, the employee was regularly employed by two or more employers, the employee's days of work for all such employments shall be included in the computation of weekly wage. Occasional overtime is not to be considered in computing the weekly wage, but if overtime is regular or frequent throughout the year it shall be taken into consideration. The maximum weekly compensation payable to an employee, or to the employee's dependents in the event of death, shall not exceed ~~66 ⅔~~ 80 percent of the ~~product of the daily wage times the number of days normally worked~~ employee's after-tax weekly wage, provided that the compensation payable for permanent partial disability under section 176.101, subdivision 3, and for permanent total disability under section 176.101, subdivision 4, or death under section 176.111, shall not be computed on less than the number of hours normally worked in the employment or industry in which the injury was sustained, subject also to such maximums as are specifically otherwise provided.

Sec. 3. Minnesota Statutes 1986, section 176.011, is amended by adding a subdivision to read:

Subd. 18a. [AFTER-TAX WEEKLY WAGE.] After-tax weekly wage means the weekly wage reduced by the amounts required to be

withheld by the Federal Insurance Contributions Act, United States Code, Title 16, sections 3101 to 3126, but without regard to the yearly maximum, and by state and federal income tax laws using as the number of allowances the number of exemptions that the employee is entitled to under federal law for the employee and the employee's dependents.

Sec. 4. Minnesota Statutes 1986, section 176.021, subdivision 3, is amended to read:

Subd. 3. [COMPENSATION, COMMENCEMENT OF PAYMENT.] All employers shall commence payment of compensation at the time and in the manner prescribed by this chapter without the necessity of any agreement or any order of the division. Except for medical, burial, and other nonperiodic benefits, payments shall be made as nearly as possible at the intervals when the wage was payable, provided, however, that payments for permanent partial disability shall be governed by section ~~176.101~~ 13. If doubt exists as to the eventual permanent partial disability, payment ~~for the economic recovery compensation or impairment compensation, whichever is due, pursuant to section 176.101,~~ shall be ~~then~~ made when due for the minimum permanent partial disability ascertainable, and further payment shall be made upon any later ascertainment of greater permanent partial disability. Prior to or at the time of commencement of the payment of ~~economic recovery compensation or lump sum or periodic payment of impairment compensation~~ permanent partial disability compensation, the employee and employer shall be furnished with a copy of the medical report upon which the payment is based and all other medical reports which the insurer has that indicate a permanent partial disability rating, together with a statement by the insurer as to whether the tendered payment is for minimum permanent partial disability or final and eventual disability. After receipt of all reports available to the insurer that indicate a permanent partial disability rating, the employee shall make available or permit the insurer to obtain any medical report that the employee has or has knowledge of that contains a permanent partial disability rating which the insurer does not already have. ~~Economic recovery compensation or impairment compensation pursuant to section 176.101 is payable in addition to but not concurrently with compensation for temporary total disability but is payable pursuant to section 176.101. Impairment compensation is payable concurrently and in addition to compensation for permanent total disability pursuant to section 176.101. Economic recovery compensation or impairment compensation pursuant to section 176.101 shall be withheld pending completion of payment for temporary total disability, and no credit shall be taken for payment of economic recovery compensation or impairment compensation against liability for temporary total or future permanent total disability. Liability on the part of an employer or the insurer for disability of a temporary total, temporary partial, and permanent total nature shall be considered as a~~

~~continuing product and part of the employee's inability to earn or reduction in earning capacity due to injury or occupational disease and compensation is payable accordingly, subject to section 176.101. Economic recovery compensation or impairment compensation is payable for functional loss of use or impairment of function, permanent in nature, and payment therefore shall be separate, distinct, and in addition to payment for any other compensation, subject to section 176.101.~~ The right to receive temporary total, temporary partial, or permanent total disability payments vests in the injured employee or the employee's dependents under this chapter or, if none, in the employee's legal heirs at the time the disability can be ascertained and the right is not abrogated by the employee's death prior to the making of the payment.

The right to receive ~~economic recovery compensation or impairment~~ permanent partial compensation vests in an injured employee or in the employee's dependents under this chapter or, if none, in the employee's legal heirs at the time the disability can be ascertained, provided that the employee lives for at least 30 days beyond the date of the injury. The right is not abrogated by the employee's death prior to the making of the payment. ~~Upon the death of an employee who is receiving economic recovery compensation or impairment compensation, further compensation is payable pursuant to section 176.101. Impairment compensation is payable under this paragraph if vesting has occurred, the employee dies prior to reaching maximum medical improvement, and the requirements and conditions under section 176.101, subdivision 3e, are not met.~~

~~Disability ratings for permanent partial disability shall be based on objective medical evidence.~~

Sec. 5. Minnesota Statutes 1987 Supplement, section 176.041, subdivision 4, is amended to read:

Subd. 4. [OUT-OF-STATE EMPLOYMENTS.] (a) Except as provided in paragraph (b), if an employee who regularly performs the primary duties of employment outside of this state or is hired to perform the primary duties of employment outside of this state, receives an injury within this state in the employ of the same employer, such injury shall be covered within the provisions of this chapter if the employee chooses to forego any workers' compensation claim resulting from the injury that the employee may have a right to pursue in some other state, provided that the special compensation fund is not liable for payment of benefits pursuant to section 176.183 if the employer is not insured against workers' compensation liability pursuant to this chapter and the employee is a nonresident of Minnesota on the date of the personal injury.

(b) An employee who has been hired outside of this state, or regularly performs the primary duties of employment outside of this state, and the employee's employer, are exempt from the provisions

of this chapter while the employee is temporarily within this state performing work for the employer provided the employer has furnished workers' compensation insurance coverage under the workers' compensation law or other similar law of another state which covers the employee's employment while in this state. The benefits under the workers' compensation law or similar law of the other state, or other remedies under that state's law, are the exclusive remedy against the employer for any injury, whether resulting in death or not, received by the employee while working for that employer within this state. A certificate from the commissioner of labor and industry or other similar official of another state certifying that the employer is insured in that state and has provided extraterritorial coverage insuring its employees while working within this state is prima facie evidence that the employer carries workers' compensation insurance on those employees.

Sec. 6. Minnesota Statutes 1986, section 176.061, subdivision 10, is amended to read:

Subd. 10. [INDEMNITY.] Notwithstanding the provisions of chapter 65B or any other law to the contrary, an employer has a right of indemnity for any compensation paid or payable pursuant to this chapter, including temporary total compensation, temporary partial compensation, permanent partial disability, ~~economic recovery compensation, impairment compensation,~~ medical compensation, rehabilitation, death, and permanent total compensation.

Sec. 7. Minnesota Statutes 1986, section 176.081, subdivision 1, is amended to read:

Subdivision 1. (a) A fee for legal services of 25 percent of the first $4,000 of compensation awarded to the employee and 20 percent of the next $27,500 of compensation awarded to the employee is permissible and does not require approval by the commissioner, compensation judge, or any other party except as provided in ~~clause~~ paragraph (b). If the employer or the insurer or the defendant is given written notice of claims for legal services or disbursements, the claim shall be a lien against the amount paid or payable as compensation. In no case shall fees be calculated on the basis of any undisputed portion of compensation awards. Allowable fees under this chapter shall be based solely upon genuinely disputed portions of claims, including disputes related to the payment of rehabilitation benefits or to other aspects of a rehabilitation plan. Fees for administrative conferences under ~~section 176.242, 176.2421, 176.243, or 176.244~~ sections 176.106 and 176.239 shall be determined on an hourly basis, according to the criteria in subdivision 5.

(b) An attorney who is claiming legal fees ~~under this section~~ for representing an employee in a workers' compensation matter shall file a statement of ~~attorney's~~ attorney fees with the commissioner, compensation judge before whom the matter was heard, or workers'

compensation court of appeals on cases before the court. A copy of the signed retainer agreement shall also be filed. The employee and insurer shall receive a copy of the statement. The statement shall be on a form prescribed by the commissioner and shall clearly and conspicuously state that the employee or insurer has ten calendar days to object to the attorney fees requested. If no objection is timely made by the employee or insurer, the amount requested shall be conclusively presumed reasonable providing the amount does not exceed the limitation in subdivision 1. The commissioner, compensation judge, or court of appeals shall issue an order granting the fees and the amount requested shall be awarded to the party requesting the fee. If a timely objection is filed, or the fee is determined on an hourly basis, the commissioner, compensation judge, or court of appeals shall review the matter and make a determination based on the criteria in subdivision 5. If no timely objection is made by an employer or insurer, reimbursement under subdivision 7 shall be made if the statement of fees requested this reimbursement.

(c) An attorney representing employers or insurers shall file a statement of attorney fees or wages with the commissioner, compensation judge before whom the matter was heard, or workers' compensation court of appeals on cases before the court. The statement of attorney fees or wages must contain the following information: the average hourly wage or the value of hours worked on that case if the attorney is an employee of the employer or insurer, the number of hours worked on that case, and the average hourly rate or amount charged an employer or insurer for that case if the attorney is not an employee of the employer or insurer.

(d) Employers and insurers may not pay attorney fees or wages for legal services of more than $6,500 per case unless the additional fees or wages are approved under subdivision 2.

Sec. 8. Minnesota Statutes 1987 Supplement, section 176.081, subdivision 2, is amended to read:

Subd. 2. An application for attorney fees in excess of the amount authorized in subdivision 1 shall be made to the commissioner, compensation judge, or district judge, before whom the matter was heard. An appeal of a decision by the commissioner, a compensation judge, or district court judge on additional fees may be made to the workers' compensation court of appeals. The application shall set forth the fee requested ~~and~~, the number of hours spent on the case, the basis for the request, and whether or not a hearing is requested. The application, with affidavit of service upon the ~~employee~~ attorney's client, shall be filed by the attorney requesting the fee. If a hearing is requested by an interested party, a hearing shall be set with notice of the hearing served upon known interested parties. In all cases the employee shall be served with notice of hearing.

Sec. 9. Minnesota Statutes 1986, section 176.081, subdivision 3, is amended to read:

Subd. 3. ~~An employee who~~ A party that is dissatisfied with its attorney fees, may file an application for review by the workers' compensation court of appeals. Such application shall state the basis for the need of review and whether or not a hearing is requested. A copy of such application shall be served upon the party's attorney ~~for the employee~~ by the court administrator and if a hearing is requested by either party, the matter shall be set for hearing. The notice of hearing shall be served upon known interested parties. ~~The attorney for the employee shall be served with a notice of the hearing.~~ The workers' compensation court of appeals shall have the authority to raise ~~the question of~~ the issue of the attorney fees at any time upon its own motion and shall have continuing jurisdiction over attorney fees.

Sec. 10. Minnesota Statutes 1986, section 176.101, subdivision 1, is amended to read:

Subdivision 1. [TEMPORARY TOTAL DISABILITY.] (a) For an injury producing temporary total disability, the compensation is ~~66⅔~~ 80 percent of the after-tax weekly wage at the time of injury.

~~(1) provided that during the year commencing on October 1, 1979, and each year thereafter, commencing on October 1,~~ (b) The maximum weekly compensation payable is 105 percent of the statewide average weekly wage for the period ending December 31, of the preceding year.

~~(2)~~ (c) The minimum weekly compensation benefits for temporary total disability shall be not less than ~~50~~ 20 percent of the statewide average weekly wage or the injured employee's ~~actual~~ after-tax weekly wage, whichever is less. ~~In no case shall a weekly benefit be less than 20 percent of the statewide average weekly wage.~~

(d) ~~Subject to subdivisions 3a to 3u~~ This compensation shall be paid during the period of disability, payment to be made at the intervals when the wage was payable, as nearly as may be, and shall cease whenever any one of the following occurs:

(1) the disability ends;

(2) the employee returns to work;

(3) the employee retires by withdrawing from the labor market;

(4) the employee refuses an offer of work that is consistent with a plan of rehabilitation filed with the commissioner, which meets the requirements of section 176.102, subdivision 1, or, if no plan has

been filed, that the employee can do in the employee's physical condition; or

(5) 90 days have passed after the employee has reached maximum medical improvement, except as provided in section 176.102, subdivision 11, paragraph (b).

(e) For purposes of paragraph (d), clause (5), the 90-day period after maximum medical improvement commences on the earlier of:

(1) the date that the employee receives a written medical report indicating that the employee has reached maximum medical improvement; or

(2) the date that the employer or insurer serves the report on the employee and the employee's legal representative and files a copy with the division.

(f) Once compensation has ceased under paragraph (d), clauses (1), (2), and (3), it may be recommenced at a later date if: the employee returns to work, the employee is laid off due to economic conditions or is medically unable to continue at the job, and the layoff or inability to continue occurs prior to 90 days after the employee reaches maximum medical improvement. Compensation recommenced under this paragraph is subject to cessation under paragraph (d). Recommenced compensation may not be paid beyond 90 days after the employee reaches maximum medical improvement, except as provided under section 176.102, subdivision 11, paragraph (b).

(g) Once compensation has ceased under paragraph (d), clauses (4) and (5), it may not be recommenced at a later date except as provided under section 176.102, subdivision 11, paragraph (b).

Sec. 11. Minnesota Statutes 1986, section 176.101, is amended by adding a subdivision to read:

Subd. 1a. [EXTENDED DISABILITY COMPENSATION.] (a) If an employee, who has a permanent partial disability, is not working because of the personal injury after payment of permanent partial disability benefits is complete, the employee shall be eligible for extended disability compensation. If an employee received any permanent partial compensation in a lump sum, payment will be considered complete after expiration of the period that the employee would have received permanent partial compensation had it been paid periodically.

(b) Extended disability compensation is paid at the rate for temporary total compensation, escalated under section 176.645, for the number of weeks equal to 246 multiplied by the employee's

percentage rating of permanent partial disability, determined according to the rules adopted by the commissioner pursuant to section 176.105, subdivision 4. The total extended compensation for any injury may not exceed this product.

(c) Extended disability compensation shall cease if the employee is no longer disabled, returns to work, refuses a job offer described in subdivision 1, paragraph (d), clause (4), or retires from the labor market.

(d) An employee is not eligible for extended disability compensation if, at any time before the employee would have become eligible:

(1) the employee refuses a job offer, as described in subdivision 1, paragraph (d), clause (4); or

(2) the employee returns to work and terminates employment, unless the employee was medically unable to continue work or was terminated without just cause.

(e) An employee is eligible for extended compensation at any time after payment of permanent partial benefits is complete so long as the employee meets the qualifications of this section and has not been paid the maximum number of weeks under paragraph (b) for that injury; provided that, extended compensation may not be paid beyond 350 weeks after the date of injury.

Sec. 12. Minnesota Statutes 1986, section 176.101, subdivision 2, is amended to read:

Subd. 2. [TEMPORARY PARTIAL DISABILITY.] (a) In all cases of temporary partial disability the compensation shall be ~~66⅔ percent of the difference between the weekly wage of the employee at the time of injury and the wage the employee is able to earn in the employee's partially disabled condition.~~ paid as follows:

(1) for the first 26 weeks that the employee returns to work, the compensation shall be 80 percent of the difference between the after-tax weekly wage of the employee at the time of injury and the after-tax weekly wage the employee is earning in the employee's partially disabled condition;

(2) for the second 26 weeks that the employee returns to work, the compensation shall be 60 percent of the difference between the after-tax weekly wage of the employee at the time of injury and the after-tax weekly wage the employee is earning in the employee's partially disabled condition; and

(3) for the third 26 weeks that the employee returns to work, the compensation shall be 40 percent of the difference between the

after-tax weekly wage of the employee at the time of injury and the after-tax weekly wage the employee is earning in the employee's partially disabled condition.

(b) This compensation shall be paid during the period of disability except as provided in this section, payment to be made at the intervals when the wage was payable, as nearly as may be, and subject to a maximum compensation equal to 105 percent of the statewide average weekly wage.

(c) Temporary partial compensation may be paid only while the employee is working and earning less than the employee's weekly wage at the time of the injury. Except as provided in section 176.102, subdivision 11, paragraph (b), temporary partial compensation may not be paid after the employee has returned to work for 78 weeks or after 350 weeks after the date of injury, whichever occurs first.

Sec. 13. Minnesota Statutes 1986, section 176.101, is amended by adding a subdivision to read:

Subd. 3. [PERMANENT PARTIAL DISABILITY.] (a) Compensation for permanent partial disability is as provided in this subdivision. For permanent partial disability up to the percent of the whole body shown in the following schedule, the amount of compensation is equal to the proportion that the loss of function of the disabled part bears to the whole body multiplied by the amount aligned with that percent in the following schedule:

Percent of Disability	Amount
0-25	$ 75,000
26-30	80,000
31-35	85,000
36-40	90,000
41-45	95,000
46-50	100,000
51-55	120,000
56-60	140,000
61-65	160,000
66-70	180,000
71-75	200,000
76-80	240,000
81-85	280,000
86-90	320,000
91-95	360,000
96-100	400,000

An employee may not receive compensation for more than a 100

percent disability of the whole body, even if the employee sustains disability to two or more body parts.

(b) Permanent partial disability is payable upon cessation of temporary total disability under subdivision 1. If the employee is not working, the compensation is payable in installments at the same intervals and in the same amount as the initial temporary total disability rate. If the employee returns to work, the remaining compensation is payable in a lump sum 30 days after the employee returned to work provided the employment has not been substantially interrupted by the injury for any part of the 30 days and the employee is still employed at the job at the end of the period.

Sec. 14. Minnesota Statutes 1986, section 176.101, subdivision 4, is amended to read:

Subd. 4. [PERMANENT TOTAL DISABILITY.] For permanent total disability, as defined in subdivision 5, the compensation shall be ~~66⅔~~ 80 percent of the ~~daily~~ after-tax weekly wage at the time of the injury, subject to a maximum weekly compensation equal to the maximum weekly compensation for a temporary total disability and a minimum weekly compensation equal to the minimum weekly compensation for a temporary total disability. This compensation shall be paid during the permanent total disability of the injured employee but after a total of $25,000 of weekly compensation has been paid, the amount of the weekly compensation benefits being paid by the employer shall be reduced by the amount of any disability benefits being paid by any government disability benefit program if the disability benefits are occasioned by the same injury or injuries which give rise to payments under this subdivision. This reduction shall also apply to any old age and survivor insurance benefits. Payments shall be made at the intervals when the wage was payable, as nearly as may be. In case an employee who is permanently and totally disabled becomes an inmate of a public institution, no compensation shall be payable during the period of confinement in the institution, unless there is wholly dependent on the employee for support some person named in section 176.111, subdivision 1, 2 or 3, in which case the compensation provided for in section 176.111, during the period of confinement, shall be paid for the benefit of the dependent person during dependency. The dependency of this person shall be determined as though the employee were deceased.

Sec. 15. Minnesota Statutes 1986, section 176.101, subdivision 5, is amended to read:

Subd. 5. [~~TOTAL DISABILITY~~ DEFINITION.] (a) For purposes of subdivision 4, permanent total disability means only:

(1) the total and permanent loss of the sight of both eyes, the loss of both arms at the shoulder, the loss of both legs so close to the hips

that no effective artificial members can be used, complete and permanent paralysis, total and permanent loss of mental faculties~~,~~; or

(2) any other injury which totally and permanently incapacitates the employee from working at an occupation which brings the employee an income ~~constitutes total disability~~.

(b) For purposes of paragraph (a), clause (2), totally and permanently incapacitated means that the employee's physical disability, in combination with the employee's age, education and training, and experience, causes the employee to be unable to secure anything more than sporadic employment resulting in an insubstantial income. Local labor market conditions may only be considered in making the total and permanent incapacitation determination if no suitable job that the employee can do is available in the employee's local labor market, then the employer shall pay the employee's actual, reasonable, and necessary moving expenses, up to a maximum of $10,000 to a Minnesota market labor where a job exists that the employee can do.

Sec. 16. Minnesota Statutes 1986, section 176.102, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] (a) This section only applies to vocational rehabilitation of injured employees and their spouses as provided under subdivision 1a. Physical rehabilitation of injured employees is considered treatment subject to section 176.135.

(b) Rehabilitation is intended to restore the injured employee~~, through physical and vocational rehabilitation,~~ so the employee may return to a job related to the employee's former employment or to a job in another work area which produces an economic status as close as possible to that the employee would have enjoyed without disability. Rehabilitation to a job with a higher economic status than would have occurred without disability is permitted if it can be demonstrated that this rehabilitation is necessary to increase the likelihood of reemployment. Economic status is to be measured not only by opportunity for immediate income but also by opportunity for future income.

Sec. 17. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 2, is amended to read:

Subd. 2. [ADMINISTRATORS.] The commissioner shall hire a director of rehabilitation services in the classified service. The commissioner shall monitor and supervise rehabilitation services, including, but not limited to, making determinations regarding the selection and delivery of rehabilitation services and the criteria used to approve qualified rehabilitation consultants and rehabilitation vendors. The commissioner may also make determinations regard-

ing fees for rehabilitation services and shall by rule, subject to chapter 14, establish a fee schedule or otherwise limit fees charged by qualified rehabilitation consultants and vendors. The commissioner may hire qualified personnel to assist in the commissioner's duties under this section and may delegate the duties and performance.

Sec. 18. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 3, is amended to read:

Subd. 3. [REVIEW PANEL.] There is created a rehabilitation review panel composed of the commissioner or a designee, who shall serve as an ex officio member and ~~two members~~ one member each ~~from~~ representing employers, insurers, ~~rehabilitation,~~ and medicine, ~~one member representing chiropractors, and four~~ two members each representing labor and rehabilitation vendors, and six members who are qualified rehabilitation consultants. The members shall be appointed by the commissioner and shall serve four-year terms which may be renewed. Compensation for members shall be governed by section 15.0575. The panel shall select a chair. The panel shall review and make a determination with respect to appeals from orders of the commissioner regarding certification approval of qualified rehabilitation consultants and vendors. The hearings are de novo and initiated by the panel under the contested case procedures of chapter 14, and are appealable to the workers' compensation court of appeals in the manner provided by section 176.421.

Sec. 19. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 3a, is amended to read:

Subd. 3a. [DISCIPLINARY ACTIONS.] The panel has authority to discipline qualified rehabilitation consultants and vendors and may impose a penalty of up to $1,000 per violation, and may suspend or revoke certification. Complaints against registered qualified rehabilitation consultants and vendors shall be made to the commissioner who shall investigate all complaints. If the investigation indicates a violation of this chapter or rules adopted under this chapter, the commissioner may initiate a contested case proceeding under the provisions of chapter 14. In these cases, the rehabilitation review panel shall make the final decision following receipt of the report of an administrative law judge. The decision of the panel is appealable to the workers' compensation court of appeals in the manner provided by section 176.421. The panel shall continuously study rehabilitation services and delivery, develop and recommend rehabilitation rules to the commissioner, and assist the commissioner in accomplishing public education.

The commissioner may appoint alternates for one-year terms to serve as a member when a member is unavailable. The number of alternates shall not exceed one labor member, one employer or

insurer member, ~~and~~ one member representing medicine~~, chiropractic,~~ or rehabilitation vendors, and one member representing qualified rehabilitation consultants.

Sec. 20. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 6, is amended to read:

Subd. 6. [PLAN, ELIGIBILITY FOR REHABILITATION, APPROVAL AND APPEAL.] The commissioner or a compensation judge shall determine eligibility for rehabilitation services and shall review, approve, modify, or reject rehabilitation plans developed under subdivision 4. The commissioner or a compensation judge shall also make determinations regarding rehabilitation issues not necessarily part of a plan including, but not limited to, determinations regarding whether an employee is eligible for further rehabilitation and the benefits under subdivisions 9 and 11 to which an employee is entitled. A plan that is not completed within six months or that will cost more than $3,000 must be specifically approved by the commissioner. This approval may not be waived by the parties.

Sec. 21. Minnesota Statutes 1986, section 176.102, subdivision 7, is amended to read:

Subd. 7. [PLAN IMPLEMENTATION; REPORTS.] (a) Upon request by the commissioner, insurer, employer or employee, medical and rehabilitation reports shall be made by the provider of the medical and rehabilitation service to the commissioner, insurer, employer, or employee.

(b) If a rehabilitation plan has not already been filed pursuant to subdivision 4, an employer shall report to the commissioner after 90 days from the date of the injury, but before 120 days therefrom, as to what rehabilitation consultation and services, if any, have been provided to the injured employee or why rehabilitation consultation and services have not been provided.

Sec. 22. Minnesota Statutes 1986, section 176.102, subdivision 11, is amended to read:

Subd. 11. [RETRAINING; COMPENSATION.] (a) Retraining is limited to 156 weeks. An employee who has been approved for retraining may petition ~~the commissioner~~ for additional compensation not to exceed 25 percent of the compensation otherwise payable. If the commissioner or compensation judge determines that this additional compensation is warranted due to unusual or unique circumstances of the employee's retraining plan, the commissioner or compensation judge may award additional compensation in an amount ~~the commissioner determines is appropriate,~~ not to exceed the employee's request. This additional compensation shall cease at any time the commissioner or compensation judge determines the special circumstances are no longer present.

(b) Pursuant to section 176.101, subdivisions 1 and 2, temporary total disability or temporary partial disability shall be paid during a retraining plan that has been specifically approved under this section and for up to 90 days after the end of the plan; except that, payment during the 90-day period is subject to cessation in accordance with section 176.101, subdivision 1, paragraph (d), clauses (1) to (4). Compensation paid under this paragraph must cease if the employee terminates participation in the approved retraining plan without good cause.

Sec. 23. Minnesota Statutes 1986, section 176.105, subdivision 1, is amended to read:

Subdivision 1. (a) The commissioner of labor and industry shall by rule establish a schedule of degrees of disability resulting from different kinds of injuries. The commissioner, in consultation with the medical services review board, shall annually review these rules to determine whether any injuries omitted from the schedule should be compensable and, if so, amend the rules accordingly.

(b) Disability ratings for permanent partial disability must be based on objective medical evidence.

Sec. 24. Minnesota Statutes 1986, section 176.111, subdivision 6, is amended to read:

Subd. 6. [SPOUSE, NO DEPENDENT CHILD.] If the deceased employee leaves a dependent surviving spouse and no dependent child, there shall be paid to the spouse weekly workers' compensation benefits at ~~50~~ 80 percent of the after-tax weekly wage at the time of the injury for a period of ten years, including adjustments as provided in section 176.645.

Sec. 25. Minnesota Statutes 1986, section 176.111, subdivision 7, is amended to read:

Subd. 7. [SPOUSE, ONE DEPENDENT CHILD.] If the deceased employee leaves a surviving spouse and one dependent child, there shall be paid to the surviving spouse for the benefit of the spouse and child ~~60~~ 80 percent of the ~~daily~~ after-tax weekly wage at the time of the injury of the deceased until the child is no longer a dependent as defined in subdivision 1. ~~At that time there shall be paid to the dependent surviving spouse weekly benefits at a rate which is 16⅔ percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent, for a period of ten years, including adjustments as provided in section 176.645.~~

Sec. 26. Minnesota Statutes 1986, section 176.111, subdivision 8, is amended to read:

Subd. 8. [SPOUSE, TWO DEPENDENT CHILDREN.] If the deceased employee leaves a surviving spouse and two dependent children, there shall be paid to the surviving spouse for the benefit of the spouse and children ~~66⅔~~ 80 percent of the ~~daily~~ after-tax weekly wage at the time of the injury of the deceased until the last dependent child is no longer dependent. ~~At that time the dependent surviving spouse shall be paid weekly benefits at a rate which is 25 percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent, for a period of ten years, adjusted according to section 176.645.~~

Sec. 27. Minnesota Statutes 1986, section 176.111, subdivision 12, is amended to read:

Subd. 12. [ORPHANS.] If the deceased employee leaves a dependent orphan, there shall be paid ~~55~~ 80 percent of the after-tax weekly wage at the time of the injury of the deceased, for two or more orphans there shall be paid ~~66⅔~~ 80 percent of the ~~wages~~ after-tax weekly wage.

Sec. 28. Minnesota Statutes 1986, section 176.111, subdivision 14, is amended to read:

Subd. 14. [PARENTS.] If the deceased employee leave no surviving spouse or child entitled to any payment under this chapter, but leaves both parents wholly dependent on deceased, there shall be paid to such parents jointly ~~45~~ 80 percent of the after-tax weekly wage at the time of the injury of the deceased. In case of the death of either of the wholly dependent parents the survivor shall receive ~~35~~ 80 percent of the after-tax weekly wage thereafter. If the deceased employee leave one parent wholly dependent on the deceased, there shall be paid to such parent ~~35~~ 80 percent of the after-tax weekly wage at the time of the injury of the deceased employee. The compensation payments under this section shall not exceed the actual contributions made by the deceased employee to the support of the employee's parents for a reasonable time immediately prior to the injury which caused the death of the deceased employee.

Sec. 29. Minnesota Statutes 1987 Supplement, section 176.111, subdivision 15, is amended to read:

Subd. 15. [REMOTE DEPENDENTS.] If the deceased employee leaves no surviving spouse or child or parent entitled to any payment under this chapter, but leaves a grandparent, grandchild, brother, sister, mother-in-law, or father-in-law wholly dependent on the employee for support, there shall be paid to such dependent, if but one, ~~30~~ 40 percent of the after-tax weekly wage at the time of injury of the deceased, or if more than one, ~~35~~ 45 percent of the after-tax weekly wage at the time of the injury of the deceased, divided among them share and share alike.

Sec. 30. Minnesota Statutes 1986, section 176.111, subdivision 20, is amended to read:

Subd. 20. [ACTUAL DEPENDENTS, COMPENSATION.] Actual dependents are entitled to take compensation in the order named in subdivision 3 during dependency until ~~66⅔~~ 80 percent of the after-tax weekly wage of the deceased at the time of injury is exhausted. The total weekly compensation to be paid to full actual dependents of a deceased employee shall not exceed in the aggregate an amount equal to the maximum weekly compensation for a temporary total disability.

Sec. 31. Minnesota Statutes 1987 Supplement, section 176.111, subdivision 21, is amended to read:

Subd. 21. [DEATH, BENEFITS; COORDINATION WITH GOVERNMENTAL SURVIVOR BENEFITS.] The following provision shall apply to any dependent entitled to receive weekly compensation benefits under this section as the result of the death of an employee, and who is also receiving or entitled to receive benefits under any government survivor program:

The combined total of weekly government survivor benefits and workers' compensation death benefits provided under this section shall not exceed 100 percent of the after-tax weekly wage being earned by the deceased employee at the time of the injury causing death; provided, however, that no state workers' compensation death benefit shall be paid for any week in which the survivor benefits paid under the federal program, by themselves, exceed 100 percent of such weekly wage provided, however, the workers' compensation benefits payable to a dependent surviving spouse shall not be reduced on account of any governmental survivor benefits payable to decedent's children if the support of the children is not the responsibility of the dependent surviving spouse.

For the purposes of this subdivision "dependent" means dependent surviving spouse together with all dependent children and any other dependents. For the purposes of this subdivision, mother's or father's insurance benefits received pursuant to United States Code, title 42, section 402(g), are benefits under a government survivor program.

Sec. 32. Minnesota Statutes 1987 Supplement, section 176.131, subdivision 1, is amended to read:

Subdivision 1. If an employee incurs personal injury and suffers disability from that injury alone that is substantially greater, because of a preexisting physical impairment, than what would have resulted from the personal injury alone, the employer or insurer shall pay all compensation provided by this chapter, but the employer shall be reimbursed from the special compensation fund for ~~all~~ compensation paid in excess of 52 weeks of monetary benefits and

~~$2,000~~ $3,500 in medical expenses, subject to the exceptions in paragraphs (a), (b), and (c):

(a) If the disability caused by the subsequent injury is made substantially greater by the employee's registered preexisting physical impairment, there shall be apportionment of liability among all injuries. The special compensation fund shall only reimburse for that portion of the compensation, medical expenses, and rehabilitation expenses attributed to the subsequent injury after the applicable deductible has been met.

(b) If the subsequent personal injury alone results in permanent partial disability to a scheduled member under the schedule adopted by the commissioner pursuant to section 176.105, the special compensation fund shall not reimburse permanent partial disability, medical expenses, or rehabilitation expenses.

(c) Reimbursement for compensation paid shall be at the rate of 75 percent.

Sec. 33. Minnesota Statutes 1986, section 176.131, subdivision 1a, is amended to read:

Subd. 1a. If an employee is employed in an on-the-job training program pursuant to an approved rehabilitation plan under section 176.102 and the employee incurs a personal injury that aggravates the personal injury for which the employee has been certified to enter the on-the-job training program, the on-the-job training employer shall pay the medical expenses and compensation required by this chapter, and shall be reimbursed from the special compensation fund for the compensation and medical expense that is attributable to the aggravated injury; except that, reimbursement for compensation paid shall be at the rate of 75 percent. The employer, at the time of the personal injury for which the employee has been approved for on-the-job training, is liable for the portion of the disability that is attributable to that injury.

Sec. 34. Minnesota Statutes 1986, section 176.131, subdivision 2, is amended to read:

Subd. 2. If the employee's personal injury results in disability or death, and if the injury, death, or disability would not have occurred except for the preexisting physical impairment registered with the special compensation fund, the employer shall pay all compensation provided by this chapter, and shall be ~~fully~~ reimbursed from the special compensation fund for the compensation, except that:

(1) this ~~full~~ reimbursement shall not be made for cardiac disease or a condition registered pursuant to subdivision 8, clause (t) or (u) unless the commissioner by rule provides otherwise; and

(2) reimbursement for compensation paid shall be at the rate of 75 percent.

Sec. 35. Minnesota Statutes 1987 Supplement, section 176.131, subdivision 8, is amended to read:

Subd. 8. As used in this section the following terms have the meanings given them:

"Physical impairment" means any physical or mental condition that is permanent in nature, whether congenital or due to injury, disease or surgery and which is or is likely to be a hindrance or obstacle to obtaining employment except that physical impairment is limited to the following:

(a) Epilepsy,

(b) Diabetes,

(c) Hemophilia,

(d) Cardiac disease, provided that objective medical evidence substantiates at least the minimum permanent partial disability listed in the workers' compensation permanent partial disability schedule,

(e) Partial or entire absence of thumb, finger, hand, foot, arm or leg,

(f) Lack of sight in one or both eyes or vision in either eye not correctable to 20/40,

(g) Residual disability from poliomyelitis,

(h) Cerebral Palsy,

(i) Multiple Sclerosis,

(j) Parkinson's disease,

(k) Cerebral vascular accident,

(l) Chronic Osteomyelitis,

(m) Muscular Dystrophy,

(n) Thrombophlebitis,

(o) Brain tumors,

(p) Pott's disease,

(q) Seizures,

(r) Cancer of the bone,

(s) Leukemia,

(t) Any other physical impairment resulting in a disability rating of at least ~~ten~~ 25 percent of the whole body if the physical impairment were evaluated according to standards used in workers' compensation proceedings, and

(u) Any other physical impairments of a permanent nature which the commissioner may by rule prescribe;

"Compensation" has the meaning defined in section 176.011;

"Employer" includes insurer;

"Disability" means, unless otherwise indicated, any condition causing either temporary total, temporary partial, permanent total, permanent partial, death, medical expense, or rehabilitation.

Sec. 36. Minnesota Statutes 1986, section 176.131, is amended by adding a subdivision to read:

Subd. 13. [APPLICABLE LAW.] The right to reimbursement under this section is governed by the law in effect on the date of the subsequent injury.

Sec. 37. Minnesota Statutes 1986, section 176.132, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBLE RECIPIENTS.] (a) ~~An employee who has suffered personal injury prior to October 1, 1983 for which benefits are payable under section 176.101 and who has been totally disabled for more than 104 weeks shall be eligible for supplementary benefits as prescribed in this section after 104 weeks have elapsed and for the remainder of the total disablement. Regardless of the number of weeks of total disability, no totally disabled person is ineligible for supplementary benefits after four years have elapsed since the first date of the total disability, except as provided by clause (b), provided that all periods of disability are caused by the same injury.~~

~~(b)~~ An employee who has suffered personal injury after October 1, 1983, and before August 1, 1988, is eligible to receive supplementary benefits after the employee has been receiving temporary total or permanent total benefits for 208 weeks. Regardless of the number

of weeks of total disability, no person who is receiving temporary total compensation shall be ineligible for supplementary benefits after four years have elapsed since the first date of the total disability, provided that all periods of disability are caused by the same injury.

(b) An employee who has suffered personal injury after August 1, 1988, that caused a permanent total disability, as defined in section 176.101, subdivision 5, is eligible to receive supplementary benefits after four years have elapsed since the first date of the total disability, provided that the employee continues to have a permanent total disability.

Sec. 38. Minnesota Statutes 1986, section 176.132, subdivision 2, is amended to read:

Subd. 2. [AMOUNT.] (a) ~~The supplementary benefit payable under this section shall be the difference between the amount the employee receives on or after January 1, 1976, under section 176.101, subdivision 1 or 4, and 65 percent of the statewide average weekly wage as computed annually.~~ The supplementary benefit payable under this section is:

(1) the sum of the amount the employee receives under section 176.101, subdivision 4, plus the amount of any disability benefits being paid by any government disability benefit program if those benefits are occasioned by the same injury or injuries giving rise to payments under section 176.101, subdivision 4, plus any old age and survivor's insurance benefits, subtracted from

(2) 50 percent of the statewide average weekly wage, as computed annually.

(b) In the event an eligible recipient is currently receiving no compensation or is receiving a reduced level of compensation because of a credit being applied as the result of a third party liability or damages, the employer or insurer shall compute the offset credit as if the individual were entitled to the actual benefit or ~~65~~ 50 percent of the statewide average weekly wage as computed annually, whichever is greater. If this results in the use of a higher credit than otherwise would have been applied and the employer or insurer becomes liable for compensation benefits which would otherwise not have been paid, the additional benefits resulting shall be handled according to this section.

(c) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of a valid agreement in settlement of a claim, no supplementary benefit shall be payable under this section. Attorney's fees shall be allowed in settlements of claims for supplementary benefits in accordance with this chapter.

~~(d) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of prior limitations in the maximum amount payable for permanent total disability or because of reductions resulting from the simultaneous receipt of old age or disability benefits, the supplementary benefit shall be payable for the difference between the actual amount of compensation currently being paid and 65 percent of the statewide average weekly wage as computed annually.~~

~~(e)~~ (d) In the event that an eligible recipient is receiving simultaneous benefits from any government disability program, the amount of supplementary benefits payable under this section shall be reduced by five percent. If the individual does not receive the maximum benefits for which the individual is eligible under other governmental disability programs due to the provisions of United States Code, title 42, section 424a(d), this reduction shall not apply.

Sec. 39. Minnesota Statutes 1986, section 176.132, subdivision 3, is amended to read:

Subd. 3. [PAYMENT.] The payment of supplementary benefits shall be the responsibility of the employer or insurer ~~currently paying total disability benefits, or any other payer of such benefits. When the eligible individual is not currently receiving benefits because the total paid has reached the *maximum* prescribed by law the employer and insurer shall, nevertheless, pay the supplementary benefits that are prescribed by law~~. The employer or insurer paying the supplementary benefit shall have the right of full reimbursement from the special compensation fund for the amount of such benefits paid.

Sec. 40. Minnesota Statutes 1986, section 176.136, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE.] (a) The commissioner shall by rule establish procedures for determining whether or not the charge for a health service is excessive. In order to accomplish this purpose, the commissioner shall consult with insurers, associations and organizations representing the medical and other providers of treatment services and other appropriate groups. The procedures established by the commissioner ~~shall~~ must limit the charges allowable for medical, chiropractic, podiatric, surgical, hospital and other health care provider treatment or services, as defined and compensable under section 176.135, to the 75th percentile of usual and customary fees or charges based upon billings for each class of health care provider during all of the calendar year preceding the year in which the determination is made of the amount to be paid the health care provider for the billing.

(b) The medical fee rules for providers other than hospitals, which are promulgated on October 1, 1987, and based upon 1986 medical

cost data, must remain in effect until September 30, 1989; and the medical fee rules for providers other than hospitals, which are promulgated on October 1, 1989, must be based on the 1987 medical cost data and must remain in effect until September 30, 1990.

(c) The procedures established by the commissioner for determining whether or not the charge for a health service is excessive ~~shall~~ must be structured to encourage providers to develop and deliver services for rehabilitation of injured workers. The procedures ~~shall~~ must incorporate the provisions of sections 144.701, 144.702, and 144.703 to the extent that the commissioner finds that these provisions effectively accomplish the intent of this section or are otherwise necessary to insure that quality hospital care is available to injured employees.

Sec. 41. Minnesota Statutes 1986, section 176.136, is amended by adding a subdivision to read:

Subd. 1a. [CHARGES FOR INDEPENDENT MEDICAL EXAMINATIONS.] The commissioner shall adopt rules that reasonably limit amounts which may be charged for, or in connection with, independent or adverse medical examinations requested by any party, including the amount that may be charged for depositions, witness fees, or other expenses. The scheduled amount for the examination itself may not exceed the scheduled amount for complex consultations by treating physicians, although additional reasonable charges may be permitted to reflect additional duties or activities. An insurer or employer may not pay fees above the amount in the schedule.

Sec. 42. Minnesota Statutes 1987 Supplement, section 176.221, subdivision 1, is amended to read:

Subdivision 1. [COMMENCEMENT OF PAYMENT.] Within 14 days of notice to or knowledge by the employer of an injury compensable under this chapter the payment of temporary total compensation shall commence. Within 14 days of notice to or knowledge by an employer of a new period of temporary total disability which is caused by an old injury compensable under this chapter, the payment of temporary total compensation shall commence; provided that the employer or insurer may file for an extension with the commissioner within this 14-day period, in which case the compensation need not commence within the 14-day period but shall commence no later than 30 days from the date of the notice to or knowledge by the employer of the new period of disability. Commencement of payment by an employer or insurer does not waive any rights to any defense the employer has on any claim or incident either with respect to the compensability of the claim under this chapter or the amount of the compensation due. Where there are multiple employers, the first employer shall pay, unless it is shown that the injury has arisen out of employment with the second

or subsequent employer. Liability for compensation under this chapter may be denied by the employer or insurer by giving the employee written notice of the denial of liability. If liability is denied for an injury which is required to be reported to the commissioner under section 176.231, subdivision 1, the denial of liability must be filed with the commissioner within 14 days after notice to or knowledge by the employer of an injury which is alleged to be compensable under this chapter. If the employer or insurer has commenced payment of compensation under this subdivision but determines within ~~30~~ 60 days of notice to or knowledge by the employer of the injury that the disability is not a result of a personal injury, payment of compensation may be terminated upon the filing of a notice of denial of liability within ~~30~~ 60 days of notice or knowledge. After the ~~30-day~~ 60-day period, payment may be terminated only by the filing of a notice as provided under section 176.239. Upon the termination, payments made may be recovered by the employer if the commissioner or compensation judge finds that the employee's claim of work related disability was not made in good faith. A notice of denial of liability must state in detail specific reasons explaining why the claimed injury or occupational disease was determined not to be within the scope and course of employment and shall include the name and telephone number of the person making this determination.

Sec. 43. Minnesota Statutes 1986, section 176.645, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT.] For injuries occurring after October 1, 1975 for which benefits are payable under section 176.101, subdivisions 1, 2 and 4, and section 176.111, subdivision 5, the total benefits due the employee or any dependents shall be adjusted in accordance with this section. On October 1, 1981, and thereafter on the anniversary of the date of the employee's injury the total benefits due shall be adjusted by multiplying the total benefits due prior to each adjustment by a fraction, the denominator of which is the statewide average weekly wage for December 31, of the year two years previous to the adjustment and the numerator of which is the statewide average weekly wage for December 31, of the year previous to the adjustment. For injuries occurring after October 1, 1975, all adjustments provided for in this section shall be included in computing any benefit due under this section. Any limitations of amounts due for daily or weekly compensation under this chapter shall not apply to adjustments made under this section. No adjustment increase made on October 1, 1977 or thereafter under this section shall exceed ~~six~~ four percent a year. In those instances where the adjustment under the formula of this section would exceed this maximum the increase shall be deemed to be ~~six~~ four percent.

Sec. 44. Minnesota Statutes 1986, section 176.645, subdivision 2, is amended to read:

Subd. 2. [TIME OF FIRST ADJUSTMENT.] For injuries occurring on or after October 1, 1981, the initial adjustment made pursuant to subdivision 1 ~~shall be~~ is deferred until the first anniversary of the date of the injury. For injuries occurring on or after August 1, 1988, the initial adjustment under subdivision 1 is deferred until the third anniversary of the date of injury.

Sec. 45. Minnesota Statutes 1986, section 176.66, subdivision 11, is amended to read:

Subd. 11. [AMOUNT OF COMPENSATION.] The compensation for an occupational disease is ~~66⅔~~ 80 percent of the employee's after-tax weekly wage on the date of injury subject to a maximum compensation equal to the maximum compensation in effect on the date of last exposure. The employee shall be eligible for supplementary benefits notwithstanding the provisions of section 176.132, after four years have elapsed since the date of last significant exposure to the hazard of the occupational disease if that employee's weekly compensation rate is less than the current supplementary benefit rate.

Sec. 46. [176.90] [AFTER-TAX CALCULATION.]

For purposes of section 176.011, subdivision 18, section 176.101, subdivisions 1, 2, 3, and 4, section 176.111, subdivisions 6, 7, 8, 12, 14, 15, 20, and 21, and section 176.66, the commissioner shall publish by September 1 of each year tables or formulas for determining the after-tax weekly wage to take effect the following October 1. The tables or formulas must be based on the applicable federal income tax and social security laws and state income tax laws in effect on the preceding April 1. These tables or formulas are conclusive for the purposes of converting weekly wage into after-tax weekly wage. The commissioner may contract with the department of revenue or any other person or organization in order to adopt the tables or formulas. The adoption of the tables or formulas is exempt from the administrative rulemaking provisions of chapter 14.

Sec. 47. [176.95] [ADMINISTRATIVE COSTS.]

The annual cost to the commissioner of labor and industry of administering the workers' compensation system under this chapter must be charged to the state general fund. Administrative costs include the cost of administering the workers' compensation division of the department of labor and industry and the workers' compensation division of the office of administrative hearings.

Sec. 48. [ADMINISTRATIVE COSTS CHANGE-OVER.]

For the biennium beginning July 1, 1989, 50 percent of the costs of administering the workers' compensation system must be charged

to the state general fund and 50 percent to the special compensation fund.

Sec. 49. [EXISTING DISABILITY RATINGS.]

Existing disability ratings adopted under section 176.105, subdivision 1, may not be changed before June 30, 1991.

Sec. 50. [AFTER-TAX CALCULATION.]

Notwithstanding section 46, the commissioner of labor and industry shall publish by July 15, 1988, a table or formula for determining the after-tax weekly wage effective August 1, 1988, until October 1, 1988, as otherwise required under that section.

Sec. 51. [APPROPRIATION.]

$434,800 is appropriated from the workers' compensation special compensation fund to the commissioner of labor and industry to administer the workers' compensation system in accordance with this article. $124,800 is for fiscal year 1988 and is available until June 30, 1989. $310,000 is for fiscal year 1989. The approved complement of the department of labor and industry is increased by ten positions.

Sec. 52. [REPEALER.]

Minnesota Statutes 1986, sections 176.011, subdivision 26; and 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, 3u, and 6, are repealed.

Sec. 53. [EFFECTIVE DATE.]

Sections 5, 17, 18, 19, 23, 42, 46, 49, and 50 are effective the day following final enactment. Section 47 is effective July 1, 1991. Notwithstanding section 176.1321, sections 1 to 4, 6 to 16, 20 to 22, 24 to 40, 43 to 45, 48, and 52 are effective August 1, 1988. Section 41 is effective January 1, 1989.

ARTICLE 3

WORKERS' COMPENSATION INSURANCE

Section 1. Minnesota Statutes 1986, section 79.095, is amended to read:

79.095 [APPOINTMENT OF ACTUARY.]

The commissioner ~~shall~~ may employ the services of ~~a~~ casualty ~~actuary~~ actuaries experienced in ~~worker's~~ workers' compensation whose duties shall include but not be limited to investigation of complaints by insured parties relative to rates, rate classifications, or discriminatory practices of an insurer. The salary of ~~the~~ an actuary employed pursuant to this section is not subject to the provisions of section 43A.17, subdivision 1.

Sec. 2. Minnesota Statutes 1986, section 79.55, subdivision 2, is amended to read:

Subd. 2. [EXCESSIVENESS.] ~~No premium is excessive in a competitive market. In the absence of a competitive market,~~ Premiums are excessive if the expected underwriting profit, together with expected income from invested reserves for the market in question, that would accrue to an insurer would be unreasonably high in relation to the risk undertaken by the insurer in transacting the business.

Sec. 3. Minnesota Statutes 1986, section 79.56, is amended by adding a subdivision to read:

Subd. 5. [RATE REGULATION.] (a) Whenever an insurer files a change in its existing rate level or rating plan, the commissioner may hold a hearing to determine if the rate level or rating plan is excessive, inadequate, or unfairly discriminatory. The hearing must be conducted pursuant to chapter 14. The commissioner shall give notice of intent to hold a hearing within 90 days of the filing of the change. It is the responsibility of the insurer to show that the rate level or rating plan is not excessive, inadequate, or unfairly discriminatory. The rate level or rating plan is effective unless it is determined as a result of the hearing that the rate level or rating plan is excessive, inadequate, or unfairly discriminatory. Upon such a finding, the rate level or rating plan is retroactively rescinded and any premiums collected thereunder must be refunded. This subdivision applies only to changes resulting from an insurer's utilization of either: (1) the pure premium base rate level filed by any data service organization, plus the insurer's loading for expenses and profit; or (2) the insurer's own filed rate levels and rating plan. This subdivision does not apply to any changes resulting from assessments for the assigned risk plan, reinsurance association, guarantee fund, special compensation fund, or statutory benefit level changes to sections 176.101, subdivisions 1, 2, and 4, 176.111, 176.132, and 176.645 as a result of annual adjustments in the statewide average weekly wage. The disapproval of a rate level or rating plan under this subdivision must be done in the same manner as under section 70A.11, except that the standards of section 79.55 apply.

(b) Notwithstanding paragraph (a), if the commissioner of labor and industry petitions the commissioner for a hearing pursuant to this subdivision, the commissioner must hold a hearing if the

commissioner of labor and industry certifies that the hearing is necessary because a decision of the supreme court or enactment of a statute has effected a substantial change in the basis upon which the existing rate levels or rating plan was filed. The commissioner of labor and industry must make a prima facie showing that law change has effected a substantial change in the basis upon which the existing rate levels or rating plan was filed.

(c) Notwithstanding paragraph (a), the commissioner may hold a hearing if the commissioner determines that the hearing is necessary because of circumstances which result in a substantial change in the basis upon which the existing rate levels or rating plan was filed. The commissioner must make a prima facie showing that the circumstances resulted in a substantial change in the basis upon which the existing rate levels or rating plan was filed.

Sec. 4. [79.561] [PARTICIPATION.]

An employer, or person representing a group of employers, which will be directly affected by a change in an insurer's existing rate level or rating plan filed under section 3, and the commissioner of labor and industry, must be allowed to participate in any hearing under that subdivision challenging the change in rate level or rating plan as being excessive, inadequate, or unfairly discriminatory.

Sec. 5. Minnesota Statutes 1986, section 79.61, subdivision 1, is amended to read:

Subdivision 1. [REQUIRED ACTIVITY.] Any data service organization shall perform the following activities:

(a) File statistical plans, including classification definitions, amendments to the plans, and definitions, with the commissioner for approval, and assign each compensation risk written by its members to its approved classification for reporting purposes;

(b) Establish requirements for data reporting and monitoring methods to maintain a high quality data base;

(c) Prepare and distribute a periodic report, in a form prescribed by the commissioner, on ratemaking including, but not limited to the following elements:

(i) development factors and alternative derivations;

(ii) trend factors and alternative derivations and applications;

(iii) pure premium relativities for the approved classification system for which data are reported, provided that the relativities for

insureds engaged in similar occupations and presenting substantially similar risks shall, if different, differ by at least ten percent; and

(iv) an evaluation of the effects of changes in law on loss data.

The report shall also include explicit discussion and explanation of methodology, alternatives examined, assumptions adopted, and areas of judgment and reasoning supporting judgments entered into, and the effect of various combinations of these elements on indications for modification of an overall pure premium rate level change. The pure premium relativities and rate level indications shall not include a loading for expenses or profit and no expense or profit data or recommendations relating to expense or profit shall be included in the report or collected by a data service organization;

(d) Collect, compile, summarize, and distribute data from members or other sources pursuant to a statistical plan approved by the commissioner;

(e) Prepare merit rating plan and calculate any variable factors necessary for utilization of the plan. Such a plan may be used by any of its members, at the option of the member provided that the application of a plan shall not result in rates that are unfairly discriminatory;

(f) Provide loss data specific to an insured to the insured at a reasonable cost;

(g) Distribute information to an insured or interested party that is filed with the commissioner and is open to public inspection; ~~and~~

(h) Assess its members for operating expenses on a fair and equitable basis;

(i) Separate the incurred but not reported losses of its members;

(j) Separate paid and outstanding losses of its members;

(k) Provide information indicating cases in which its members have established a reserve in excess of $50,000;

(l) Provide information on the income on invested reserves of its members;

(m) Provide information as to policies written at other than the filed rates;

(n) File information based solely on Minnesota premium income of its members concerning investment income, legal expenses, subro-

gation recoveries, administrative expenses, and commission expenses;

(o) File information based solely on Minnesota data concerning its members' reserving practices, premium income, indemnity, and medical benefits paid; and

(p) Provide any records of the data service organizations that are requested by the commissioner or otherwise required by statute.

Sec. 6. [79.65] [CHAPTER APPLICABILITY TO DATA SERVICE ORGANIZATIONS.]

Subdivision 1. [EXAMINATION BY COMMISSIONER.] Data service organizations are subject to all the provisions of this chapter. The commissioner or an authorized representative of the commissioner may visit the rating association at any reasonable time and examine, audit, or evaluate the rating association's operations, records, and practices. For purposes of this section, "authorized representative of the commissioner" includes employees of the departments of commerce or labor and industry or other parties retained by the commissioner. Examination under this section may be done of any member of data service organizations for purposes of workers' compensation insurance regulation.

Subd. 2. [COSTS AND EXPENSES.] The commissioner may order and the data service organization shall pay the costs and expenses of any examination, audit, or evaluation conducted pursuant to subdivision 1. A sum sufficient to pay these costs and expenses is appropriated from the special compensation fund to the commissioner of commerce.

Sec. 7. [79.651] [INVESTIGATIONS AND SUBPOENAS.]

Subdivision 1. [GENERAL POWERS.] In connection with the administration of chapter 79, the commissioner of commerce may:

(1) make public or private investigations within or without this state as the commissioner considers necessary to determine whether any person has violated or is about to violate chapter 79 or any rule or order under chapter 79, or to aid in the enforcement of chapter 79, or in the prescribing of rules or forms under chapter 79;

(2) require or permit any person to file a statement in writing, under oath or otherwise as the commissioner determines, as to all the facts and circumstances concerning the matter being investigated;

(3) hold hearings, upon reasonable notice, in respect to any matter arising out of the administration of chapter 79;

(4) conduct investigations and hold hearings for the purpose of compiling information with a view to recommending changes in chapter 79 to the legislature;

(5) examine the books, accounts, records, and files of every licensee under chapter 79 and of every person who is engaged in any activity regulated under chapter 79; the commissioner or a designated representative shall have free access during normal business hours to the offices and places of business of the person, and to all books, accounts, papers, records, files, safes, and vaults maintained in the place of business;

(6) publish information which is contained in any order issued by the commissioner; and

(7) require any person subject to chapter 79 to report all sales or transactions that are regulated under chapter 79. The reports must be made within ten days after the commissioner has ordered the report. The report is accessible only to the respondent and other governmental agencies unless otherwise ordered by a court of competent jurisdiction.

Subd. 2. [POWER TO COMPEL PRODUCTION OF EVIDENCE.] For the purpose of any investigation, hearing, or proceeding under chapter 79, the commissioner or a designated representative may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of books, papers, correspondence, memoranda, agreements, or other documents or records that the commissioner considers relevant or material to the inquiry.

Subd. 3. [COURT ORDERS.] In case of a refusal to appear or a refusal to obey a subpoena issued to any person, the district court, upon application by the commissioner, may issue to any person an order directing that person to appear before the commissioner, or the officer designated by the commissioner, there to produce documentary evidence if so ordered or to give evidence relating to the matter under investigation or in question. Failure to obey the order of the court may be punished by the court as a contempt of court.

Subd. 4. [SCOPE OF PRIVILEGE.] No person is excused from attending and testifying or from producing any document or record before the commissioner, or from obedience to the subpoena of the commissioner or any officer designated by the commissioner or in a proceeding instituted by the commissioner, on the ground that the testimony or evidence required may tend to incriminate that person or subject that person to a penalty of forfeiture. No person may be prosecuted or subjected to a penalty or forfeiture for or on account of a transaction, matter, or thing concerning which the person is compelled, after claiming the privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except

that the individual is not exempt from prosecution and punishment for perjury or contempt committed in testifying.

Subd. 5. [LEGAL ACTIONS; INJUNCTIONS; CEASE AND DESIST ORDERS.] Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of chapter 79, or any rule or order adopted under chapter 79, the commissioner has the following powers: (1) the commissioner may bring an action in the name of the state in the district court of the appropriate county to enjoin the acts or practices and to enforce compliance with chapter 79, or any rule or order adopted or issued under chapter 79, or the commissioner may refer the matter to the attorney general or the county attorney of the appropriate county. Upon a proper showing, a permanent or temporary injunction, restraining order, or other appropriate relief must be granted; (2) the commissioner may issue and cause to be served upon the person an order requiring the person to cease and desist from violations of chapter 79, or any rule or order adopted or issued under chapter 79. The order must be calculated to give reasonable notice of the rights of the person to request a hearing and must state the reasons for the entry of the order. A hearing must be held not later than seven days after the request for the hearing is received by the commissioner, after which and within 20 days after receiving the administrative law judge's report, the commissioner shall issue a further order vacating the cease and desist order or making it permanent as the facts require. If no hearing is requested within 30 days of service of the order, the order will become final and will remain in effect until it is modified or vacated by the commissioner. Unless otherwise provided, all hearings must be conducted in accordance with chapter 14. If the person to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, the person is in default, and the proceeding may be determined against that person upon consideration of the cease and desist order, the allegations of which may be considered to be true. The commissioner may adopt rules of procedure concerning all proceedings conducted under this subdivision.

Subd. 6. [VIOLATIONS AND PENALTIES.] The commissioner may impose a civil penalty not to exceed $2,000 per violation upon a person who violates chapter 79, unless a different penalty is specified.

Subd. 7. [ACTIONS AGAINST LICENSEES.] In addition to any other actions authorized by this section, the commissioner may, by order, deny, suspend, or revoke the authority or license of a person subject to chapter 79, or censure that person if the commissioner finds that:

(1) the order is in the public interest; or

(2) the person has violated chapter 79.

Subd. 8. [STOP ORDER.] In addition to any other actions authorized by this section, the commissioner may issue a stop order denying effectiveness to or suspending or revoking any registration subject to chapter 79.

Subd. 9. [POWERS ADDITIONAL.] The powers contained in subdivisions 1 to 8 are in addition to all other powers of the commissioner.

Sec. 8. [79.652] [ACCESS TO INSURER.]

The commissioner, or the designated person, shall have free access during normal business hours to all books, records, securities, documents, and any or all papers relating to the property, assets, business, and affairs of any company, applicant, association, or person which may be examined pursuant to this act for the purpose of ascertaining, appraising, and evaluating the assets, conditions, affairs, operations, ability to fulfill obligations, and compliance with all the provisions of law of the company or person insofar as any of the above pertain to the business of insurance of a person, organization, or corporation transacting, having transacted, or being organized to transact business in this state. Every company or person being examined, its officers, directors, and agents, shall provide to the commissioner or the designated person convenient and free access at all reasonable hours at its office to all its books, records, securities, documents, any or all papers relating to the property, assets, business, and affairs of the company or person. The officers, directors, and agents of the company or person shall facilitate the examination and aid in the examination so far as it is in their power to do so.

Sec. 9. Minnesota Statutes 1986, section 176A.03, is amended by adding a subdivision to read:

Subd. 3. [COVERAGE OUTSIDE STATE.] Policies issued by the fund pursuant to this chapter may also provide workers' compensation coverage required under the laws of states other than Minnesota, including coverages commonly known as "all states coverage." The fund may apply for and obtain any licensure required in any other state in order to issue such coverage.

Sec. 10. [MANDATED REDUCTIONS.]

(a) As a result of the workers' compensation law changes in article 1 and the resulting savings to the costs of Minnesota's workers' compensation system, an insurer's approved schedule of rates in effect on August 1, 1988, must be reduced by 16 percent and applied by the insurer to all policies issued, renewed, or outstanding on or after that date. An insurer may not adjust its filed rating plan to recoup the 16 percent mandated rate reduction under this section. The reduction must be computed on the basis of a 16 percent

premium reduction prorated to the expiration of that policy. An insurer shall provide written notice by September 1, 1988, to all employers having an outstanding policy with the insurer as of August 1, 1988, to read as follows: "As a result of the changes in the workers' compensation insurance system enacted by the 1988 legislature, you are entitled to a credit or refund to your current premium in an amount of $ ..... which reflects a 16 percent mandated premium reduction prorated to the expiration of your policy."

(b) No rate increases may be filed between April 10, 1988, and January 1, 1989.

Sec. 11. [NOTICE OF INTENT TO CHALLENGE RATE LEVEL CHANGE.]

Notwithstanding section 3, the commissioner shall have an additional 90 days to give notice of intent to hold a hearing pursuant to that section. This section applies only to challenges to an insurer's change in existing rate levels or rating plan filed between the date the 1989 rate-making report is approved by the commissioner of commerce and six months thereafter.

Sec. 12. [RECORDS DEPOSITED WITH THE COMMISSIONER.]

All records of data services organizations authorized by section 79.61, or its predecessors, pertaining to proceedings before the department of commerce or its predecessors regarding rates or classifications must be deposited with the commissioner no later than August 1, 1988.

Sec. 13. [CONTINGENT APPROPRIATION.]

(a) $250,000 is appropriated from the special compensation fund to a workers' compensation contingent account for the purposes of this article. The appropriation in this section may only be spent with the approval of the governor after consultation with the legislative advisory commission under Minnesota Statutes, section 3.30. The appropriation in this section does not cancel but is available until June 30, 1989.

(b) $100,000 from the general contingent account for workers' compensation appropriated under Laws 1987, chapter 404, section 44, is available for the purposes of article 2.

Sec. 14. [REPEALER.]

Minnesota Statutes 1986, sections 79.54, 79.57, and 79.58 are repealed.

Sec. 15. [EFFECTIVE DATE.]

Section 10, paragraph (b), is effective the day following final enactment.

ARTICLE 4

WORKERS' COMPENSATION COURT OF APPEALS ABOLISHED

Section 1. Minnesota Statutes 1986, section 176.421, subdivision 1, is amended to read:

Subdivision 1. [TIME FOR TAKING; GROUNDS.] When a petition has been heard before a compensation judge, within 30 days after a party in interest has been served with notice of an award or disallowance of compensation, or other order affecting the merits of the case, the party may appeal to the workers' compensation court of appeals on any of the following grounds:

(1) the order does not conform with this chapter; or

(2) the compensation judge committed an error of law; or

(3) the findings of fact and order were clearly erroneous and unsupported by substantial evidence in view of the entire record as submitted; or

(4) the findings of fact and order were procured by fraud, or coercion, or other improper conduct of a party in interest.

Sec. 2. Minnesota Statutes 1986, section 176.421, subdivision 6, is amended to read:

Subd. 6. [POWERS OF WORKERS' COMPENSATION COURT OF APPEALS ON APPEAL.] On an appeal taken under this section, the workers' compensation court of appeals' review is limited to the issues raised by the parties in the notice of appeal or by a cross-appeal. On review, the court may not substitute its judgment for that of the compensation judge as to the weight or credibility of the evidence on any finding of fact. In these cases, on those issues raised by the appeal, the workers' compensation court of appeals may:

(1) grant an oral argument based on the record before the compensation judge;

(2) examine the record;

(3) ~~substitute for the findings of fact made by the compensation judge findings based on the total evidence;~~

~~(4)~~ sustain, reverse, make or modify an award or disallowance of compensation or other order based on the facts, findings, and law; and,

~~(5)~~ (4) remand or make other appropriate order.

Sec. 3. Minnesota Statutes 1986, section 480A.06, subdivision 3, is amended to read:

Subd. 3. [CERTIORARI REVIEW.] The court of appeals shall have jurisdiction to issue writs of certiorari to all agencies, public corporations and public officials, except the tax court ~~and the workers' compensation court of~~ appeals. The court of appeals shall have jurisdiction to review decisions of the commissioner of jobs and training, pursuant to section 268.10.

Sec. 4. Minnesota Statutes 1986, section 480A.06, subdivision 4, is amended to read:

Subd. 4. [ADMINISTRATIVE REVIEW.] The court of appeals shall have jurisdiction to review on the record: the validity of administrative rules, as provided in sections 14.44 and 14.45; ~~and~~; the decisions of administrative agencies in contested cases, as provided in sections 14.63 to 14.69; and workers' compensation cases and peace officer death benefits cases, as provided under chapters 176 and 176A.

Sec. 5. [TRANSFER OF JURISDICTION AND PERSONNEL.]

The jurisdiction of the workers' compensation court of appeals, as provided under Minnesota Statutes, section 175A.01, subdivision 2, is transferred to the court of appeals. All contracts, books, plans, papers, records, and property of every description of the workers' compensation court of appeals relating to its transferred responsibilities and within its jurisdiction or control are transferred to the court of appeals; except that, all case files are transferred to the clerk of the appellate courts. All classified employees and staff attorneys of the workers' compensation court of appeals must be given preference in the employment of personnel required to staff the increased caseload of the court of appeals as a result of transfer of jurisdiction under this section.

Sec. 6. [INCREASED JUDGES.]

(a) The number of judges on the court of appeals as of January 1, 1989, shall be increased by three. The three additional judges are subject to senate confirmation.

(b) For purposes of establishing the number of judges on the court of appeals pursuant to Minnesota Statutes, section 480A.01, subdivision 3, the number of appeals filed in the court of appeals for the calendar years 1987 and 1988 shall be considered to include three-fourths of the number of appeals filed in the workers' compensation court of appeals for those two years.

Sec. 7. [INSTRUCTION TO REVISOR.]

In every instance in Minnesota Statutes in which the term "workers' compensation court of appeals" appears, the revisor of statutes shall change that reference to the "court of appeals."

Sec. 8. [REAPPROPRIATION.]

$386,064 is reappropriated from the special compensation fund, as a result of the savings to that fund in fiscal year 1989 due to the abolishment of the workers' compensation court of appeals, to the court of appeals for the purposes of this article.

Sec. 9. [REPEALER.]

Minnesota Statutes 1986, sections 175A.01; 175A.02; 175A.03; 175A.04; 175A.05; 175A.06; 175A.07, subdivisions 1, 3, and 4; 175A.08; 175A.09; and 175A.10, are repealed. Minnesota Statutes 1987 Supplement, section 175A.07, subdivision 2, is repealed.

Sec. 10. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment. Sections 3 to 9 are effective July 1, 1989.

ARTICLE 5

REPORTS TO THE LEGISLATURE

Section 1. [REPORT TO THE LEGISLATURE ON MEDICAL ISSUES.]

The commissioner of labor and industry shall present a report to the legislature concerning medical issues in the workers' compensation system. Specifically, the report must include findings and recommendations designed to contain or reduce the cost of workers' compensation related medical services, including methods of controlling the cost of ongoing therapy treatments. The report must be presented by January 1, 1990.

The state fund mutual insurance company shall be consulted, as part of the medical services study, in order to assist the department in developing a proposal to collect and analyze all medical bills. The ultimate goal of this consultation will be the development of a flagging and monitoring system to identify cases which significantly deviate from normal utilization patterns, costs and outcomes. The department shall make a preliminary report on the progress of the proposal to the legislature on January 1, 1989. The department shall make a final recommendation on implementation of the proposal at the time it makes its report to the legislature concerning medical issues in the workers' compensation system on January 1, 1990.

Sec. 2. [REPORT TO THE LEGISLATURE ON USE OF NEUTRAL PHYSICIANS.]

The commissioner of labor and industry shall present a report to the legislature concerning workers' compensation before January 1, 1989, which develops and evaluates a detailed proposal for establishing a system of neutral doctors for use in such areas as determining maximum medical improvement and rating permanent partial disabilities. The report must contain a bill proposal to implement the commissioner's recommendations.

Sec. 3. [REPORT TO THE LEGISLATURE ON USE OF NEUTRAL QUALIFIED REHABILITATION CONSULTANTS.]

To reduce cost and contention in the rehabilitation system, the commissioner of labor and industry shall develop and evaluate a detailed proposal to establish a system to ensure that qualified rehabilitation consultants will not be aligned with either insurers or claimants. The commissioner shall consider alternative methods of selection and payment to ensure neutrality. The commissioner shall present a report and proposal to the legislature by January 1, 1989.

Sec. 4. [REPORT TO THE LEGISLATURE ON IMPLEMENTATION OF MANDATED RATE REDUCTIONS.]

The commissioner of labor and industry shall survey Minnesota employers to determine if the mandated workers' compensation insurance rate reductions required under article 2, section 8, have been implemented by insurers, both as to amount and in a manner that is uniform and nondiscriminatory between employers having similar risks with respect to a particular occupational classification. The commissioner must present a report detailing findings and conclusions to the legislature by February 1, 1989.

Sec. 5. [REPORT TO THE LEGISLATURE ON RECODIFICATION OF WORKERS' COMPENSATION LAW.]

The revisor of statutes shall recodify the workers' compensation law, including Minnesota Statutes, chapter 176.

The recodification must not make any substantive changes but shall provide a comprehensive, accurate, and complete restatement.

Each state department agency and legislative staff, including senate counsel and house of representatives research, shall provide assistance in the recodification as requested by the revisor of statutes.

The revisor shall report to the legislature by January 1, 1989, on the progress of the recodification. The revisor shall prepare a bill to implement its recommendations for recodification by January 1, 1990.

Sec. 6. [HEARINGS AT THE OFFICE OF ADMINISTRATIVE HEARINGS; REPORT OF THE CHIEF ADMINISTRATIVE LAW JUDGE.]

The chief administrative law judge shall consider methods to reduce the formality and length of hearings in workers' compensation cases at the office of administrative hearings, with a goal of completing 50 percent of the hearings in less than two hours, 75 percent in less than four hours and nearly all of the cases in less than one day. Before January 1, 1989, the chief judge shall report to the legislature on the efforts to meet these goals, including any recommendations for legislation needed to achieve these goals.

Sec. 7. [REPORT TO THE LEGISLATURE ON STATE REGULATION OF WORKERS' COMPENSATION INSURANCE.]

Legislative staff shall prepare and present a report to the legislature surveying the different processes for regulation of workers' compensation insurance rating plans under other states' workers' compensation insurance laws. The report must be presented to the legislature by January 1, 1989.

Sec. 8. [APPROPRIATION.]

$100,000 is appropriated from the special compensation fund to the commissioner of labor and industry for the purposes of sections 2, 3, and 4.

Sec. 9. [EFFECTIVE DATE.]

Sections 1 to 8 are effective the day following final enactment."

Renumber the sections in sequence

Correct internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Sviggum amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 55 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Forsythe	Johnson, V.	Onnen	Shaver
Bennett	Frederick	Kelso	Ozment	Stanius
Bertram	Frerichs	Knickerbocker	Pauly	Steensma
Boo	Gruenes	Marsh	Poppenhagen	Sviggum
Burger	Gutknecht	McDonald	Quist	Swenson
Carlson, D.	Hartle	McKasy	Redalen	Thiede
Clausnitzer	Haukoos	McPherson	Richter	Tjornhom
Dauner	Heap	Miller	Rose	Tompkins
Dempsey	Himle	Morrison	Schafer	Uphus
DeRaad	Hugoson	Olsen, S.	Schreiber	Valento
Dille	Jennings	Omann	Seaberg	Waltman

Those who voted in the negative were:

Battaglia	Johnson, A.	McLaughlin	Pappas	Solberg
Bauerly	Johnson, R.	Milbert	Pelowski	Sparby
Beard	Kahn	Minne	Peterson	Trimble
Begich	Kalis	Munger	Price	Tunheim
Brown	Kelly	Murphy	Quinn	Vellenga
Carlson, L.	Kinkel	Nelson, C.	Reding	Voss
Carruthers	Kludt	Nelson, D.	Rest	Wagenius
Clark	Knuth	Nelson, K.	Rice	Welle
Cooper	Kostohryz	Neuenschwander	Riveness	Wenzel
Dawkins	Krueger	O'Connor	Rodosovich	Winter
Dorn	Larsen	Ogren	Rukavina	Wynia
Greenfield	Lasley	Olson, K.	Sarna	Spk. Vanasek
Jacobs	Lieder	Orenstein	Scheid	
Jaros	Long	Osthoff	Segal	
Jefferson	McEachern	Otis	Skoglund	

The motion did not prevail and the amendment was not adopted.

S. F. No. 1304, A bill for an act relating to workers' compensation; providing a presumption for finding an occupational disease in the case of firefighters having a disabling cancer; amending Minnesota Statutes 1986, section 176.011, subdivision 15.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 77 yeas and 54 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Jaros	McEachern	Otis	Solberg
Battaglia	Jefferson	McLaughlin	Pappas	Sparby
Bauerly	Jensen	Milbert	Pelowski	Steensma
Beard	Johnson, A.	Minne	Peterson	Trimble
Begich	Johnson, R.	Munger	Price	Tunheim
Brown	Kahn	Murphy	Quinn	Vellenga
Carlson, L.	Kelly	Nelson, C.	Reding	Voss
Carruthers	Kinkel	Nelson, D.	Rest	Wagenius
Clark	Kludt	Nelson, K.	Rice	Welle
Cooper	Knuth	Neuenschwander	Riveness	Wenzel
Dauner	Kostohryz	O'Connor	Rodosovich	Winter
Dawkins	Krueger	Ogren	Rukavina	Wynia
DeBlieck	Larsen	Olson, E.	Sarna	Spk. Vanasek
Dorn	Lasley	Olson, K.	Scheid	
Greenfield	Lieder	Orenstein	Segal	
Jacobs	Long	Osthoff	Skoglund	

Those who voted in the negative were:

Anderson, G.	Frederick	Kalis	Onnen	Shaver
Bennett	Frerichs	Kelso	Ozment	Stanius
Bertram	Gruenes	Knickerbocker	Pauly	Sviggum
Boo	Gutknecht	Marsh	Poppenhagen	Swenson
Burger	Hartle	McDonald	Quist	Thiede
Carlson, D.	Haukoos	McKasy	Redalen	Tjornhom
Clausnitzer	Heap	McPherson	Richter	Tompkins
Dempsey	Himle	Miller	Rose	Uphus
DeRaad	Hugoson	Morrison	Schafer	Valento
Dille	Jennings	Olsen, S.	Schreiber	Waltman
Forsythe	Johnson, V.	Omann	Seaberg	

The bill was passed, as amended, and its title agreed to.

S. F. No. 2221, A bill for an act relating to motor vehicles; motorcycles; increasing percentage of money appropriated from motorcycle safety fund to commissioner of public safety that may be spent for training and coordinating activities of instructors and making reimbursements to schools and others; increasing the fee for duplicate driver's license obtained to add a two-wheeled vehicle endorsement; increasing portion of two-wheeled endorsement license fee that is dedicated to the motorcycle safety fund; amending Minnesota Statutes 1986, sections 126.115, subdivision 3; and 171.06, subdivision 2a.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Krueger moved that those not voting be excused from voting. The motion prevailed.

There were 120 yeas and 3 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Frerichs	Knuth	Orenstein	Segal
Battaglia	Greenfield	Kostohryz	Osthoff	Shaver
Bauerly	Gruenes	Krueger	Otis	Skoglund
Beard	Gutknecht	Larsen	Ozment	Solberg
Begich	Hartle	Lieder	Pappas	Sparby
Bennett	Haukoos	Long	Pauly	Stanius
Bertram	Heap	Marsh	Pelowski	Steensma
Boo	Himle	McDonald	Poppenhagen	Sviggum
Brown	Hugoson	McEachern	Price	Swenson
Burger	Jacobs	McKasy	Quinn	Tjornhom
Carlson, D.	Jaros	McLaughlin	Quist	Tompkins
Carlson, L.	Jefferson	McPherson	Redalen	Trimble
Clark	Jennings	Miller	Reding	Tunheim
Clausnitzer	Jensen	Minne	Rest	Uphus
Cooper	Johnson, A.	Morrison	Richter	Valento
Dauner	Johnson, R.	Murphy	Riveness	Vellenga
Dawkins	Johnson, V.	Nelson, C.	Rodosovich	Voss
DeBlieck	Kahn	Nelson, D.	Rose	Wagenius
Dempsey	Kalis	O'Connor	Rukavina	Waltman
DeRaad	Kelly	Ogren	Sarna	Welle
Dille	Kelso	Olsen, S.	Schafer	Wenzel
Dorn	Kinkel	Olson, E.	Scheid	Winter
Forsythe	Kludt	Omann	Schreiber	Wynia
Frederick	Knickerbocker	Onnen	Seaberg	Spk. Vanasek

Those who voted in the negative were:

Anderson, G.	Carruthers	Neuenschwander

The bill was passed and its title agreed to.

S. F. No. 1645 was reported to the House.

Rest moved that S. F. No. 1645 be temporarily laid over on Special Orders. The motion prevailed.

S. F. No. 2292 was reported to the House.

Solberg, McEachern, Kostohryz, Bauerly, Winter, Ogren, Voss and Carlson, D., moved to amend S. F. No. 2292, as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1986, section 134.34, is amended by adding a subdivision to read:

Subd. 6. [EFFECT OF LEVY LIMITATIONS.] Notwithstanding any law to the contrary, levies authorized in this section for library services are not included in the portion of county or city levies subject to levy limitations."

Delete the title and insert:

"A bill for an act relating to libraries; excluding library services levies from certain levy limitations; amending Minnesota Statutes 1986, section 134.34, by adding a subdivision."

The motion prevailed and the amendment was adopted.

Jennings offered an amendment to S. F. No. 2292, as amended.

POINT OF ORDER

Vellenga raised a point of order pursuant to rule 3.9 that the Jennings amendment was not in order. The Speaker ruled the point of order well taken and the amendment out of order.

S. F. No. 2292, A bill for an act relating to state lands; authorizing sale of certain tax-forfeited lands that border public water in Pine county.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 130 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Carruthers	Frerichs	Jensen	Krueger
Anderson, R.	Clark	Greenfield	Johnson, A.	Larsen
Battaglia	Clausnitzer	Gruenes	Johnson, R.	Lasley
Bauerly	Cooper	Gutknecht	Johnson, V.	Lieder
Beard	Dauner	Hartle	Kahn	Long
Begich	Dawkins	Haukoos	Kalis	Marsh
Bennett	DeBlieck	Heap	Kelly	McDonald
Bertram	Dempsey	Himle	Kelso	McEachern
Boo	DeRaad	Hugoson	Kinkel	McKasy
Brown	Dille	Jacobs	Kludt	McLaughlin
Burger	Dorn	Jaros	Knickerbocker	McPherson
Carlson, D.	Forsythe	Jefferson	Knuth	Milbert
Carlson, L.	Frederick	Jennings	Kostohryz	Miller

Minne	Omann	Quist	Schreiber	Tompkins
Morrison	Onnen	Redalen	Seaberg	Trimble
Munger	Orenstein	Reding	Segal	Tunheim
Murphy	Osthoff	Rest	Shaver	Uphus
Nelson, C.	Otis	Rice	Skoglund	Valento
Nelson, D.	Ozment	Richter	Solberg	Vellenga
Nelson, K.	Pappas	Riveness	Sparby	Voss
Neuenschwander	Pauly	Rodosovich	Stanius	Wagenius
O'Connor	Pelowski	Rose	Steensma	Waltman
Ogren	Peterson	Rukavina	Sviggum	Welle
Olsen, S.	Poppenhagen	Sarna	Swenson	Wenzel
Olson, E.	Price	Schafer	Thiede	Winter
Olson, K.	Quinn	Scheid	Tjornhom	Spk. Vanasek

The bill was passed, as amended, and its title agreed to.

S. F. No. 2452 was reported to the House.

Wynia and Scheid moved to amend S. F. No. 2452, as follows:

Page 2, after line 24, insert:

"Sec. 3. Minnesota Statutes 1986, section 176.011, subdivision 15, is amended to read:

Subd. 15. [OCCUPATIONAL DISEASE.] (a) "Occupational disease" means a disease arising out of and in the course of employment peculiar to the occupation in which the employee is engaged and due to causes in excess of the hazards ordinary of employment and shall include undulant fever. Ordinary diseases of life to which the general public is equally exposed outside of employment are not compensable, except where the diseases follow as an incident of an occupational disease, or where the exposure peculiar to the occupation makes the disease an occupational disease hazard. A disease arises out of the employment only if there be a direct causal connection between the conditions under which the work is performed and if the occupational disease follows as a natural incident of the work as a result of the exposure occasioned by the nature of the employment. An employer is not liable for compensation for any occupational disease which cannot be traced to the employment as a direct and proximate cause and is not recognized as a hazard characteristic of and peculiar to the trade, occupation, process, or employment or which results from a hazard to which the worker would have been equally exposed outside of the employment.

(b) If immediately preceding the date of disablement or death, an employee was employed on active duty with an organized fire or police department of any municipality, as a member of the Minnesota state patrol, conservation officer service, state crime bureau, as a forest officer by the department of natural resources, or sheriff or full time deputy sheriff of any county, and the disease is that of myocarditis, coronary sclerosis, pneumonia or its sequel, and at the time of employment such employee was given a thorough physical

examination by a licensed doctor of medicine, and a written report thereof has been made and filed with such organized fire or police department, with the Minnesota state patrol, conservation officer service, state crime bureau, department of natural resources, or sheriff's department of any county, which examination and report negatived any evidence of myocarditis, coronary sclerosis, pneumonia or its sequel, the disease is presumptively an occupational disease and shall be presumed to have been due to the nature of employment.

(c) A firefighter on active duty with an organized fire department who is unable to perform duties in the department by reason of a disabling cancer of a type caused by exposure to heat, radiation, or a known or suspected carcinogen, as defined by the International Agency for Research on Cancer, and the carcinogen is reasonably linked to the disabling cancer, is presumed to have an occupational disease under paragraph (a). If a firefighter who enters the service after August 1, 1988, is examined by a physician prior to being hired and the examination discloses the existence of a cancer of a type described in this paragraph, the firefighter is not entitled to the presumption unless a subsequent medical determination is made that the firefighter no longer has the cancer."

Amend the title as follows:

Page 1, line 6, after the semicolon insert "establishing a presumption of causation for workers compensation purposes in the case of firefighters exposed to certain hazards;"

Page 1, line 6, after "amending" insert "Minnesota Statutes 1986, section 176.011, subdivision 15; and"

The motion prevailed and the amendment was adopted.

S. F. No. 2452, A bill for an act relating to public safety; providing that bomb disposal workers are state employees when disposing of bombs outside the jurisdiction of their municipal employer, for purposes of tort claims and workers' compensation; amending Minnesota Statutes 1987 Supplement, section 3.732, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 176.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 128 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Begich	Brown	Carruthers	Dauner
Battaglia	Bennett	Burger	Clark	Dawkins
Bauerly	Bertram	Carlson, D.	Clausnitzer	DeBlieck
Beard	Boo	Carlson, L.	Cooper	Dempsey

DeRaad	Kalis	Munger	Price	Stanius
Dille	Kelly	Murphy	Quinn	Steensma
Dorn	Kelso	Nelson, C.	Quist	Sviggum
Forsythe	Kinkel	Nelson, D.	Redalen	Swenson
Frederick	Kludt	Nelson, K.	Reding	Thiede
Frerichs	Knuth	Neuenschwander	Rest	Tjornhom
Greenfield	Kostohryz	O'Connor	Rice	Tompkins
Gruenes	Krueger	Ogren	Richter	Trimble
Gutknecht	Larsen	Olsen, S.	Riveness	Tunheim
Hartle	Lasley	Olson, E.	Rodosovich	Uphus
Haukoos	Lieder	Olson, K.	Rose	Valento
Heap	Long	Omann	Rukavina	Vellenga
Himle	Marsh	Onnen	Sarna	Voss
Hugoson	McDonald	Orenstein	Schafer	Wagenius
Jacobs	McEachern	Osthoff	Scheid	Waltman
Jaros	McKasy	Otis	Schreiber	Welle
Jefferson	McLaughlin	Ozment	Seaberg	Wenzel
Jensen	McPherson	Pappas	Segal	Winter
Johnson, A.	Milbert	Pauly	Shaver	Wynia
Johnson, R.	Miller	Pelowski	Skoglund	Spk. Vanasek
Johnson, V.	Minne	Peterson	Solberg	
Kahn	Morrison	Poppenhagen	Sparby	

The bill was passed, as amended, and its title agreed to.

S. F. No. 2321, A bill for an act proposing an amendment to the Minnesota Constitution, article I, sections 4 and 6; providing for six-member juries in civil and nonfelony cases.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 119 yeas and 4 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	DeRaad	Jennings	Lieder	Olsen, S.
Anderson, R.	Dille	Jensen	Long	Olson, E.
Battaglia	Dorn	Johnson, A.	Marsh	Olson, K.
Bauerly	Forsythe	Johnson, R.	McEachern	Omann
Beard	Frederick	Johnson, V.	McKasy	Orenstein
Begich	Frerichs	Kahn	McLaughlin	Osthoff
Bennett	Greenfield	Kalis	Milbert	Otis
Bertram	Gruenes	Kelly	Minne	Ozment
Boo	Gutknecht	Kelso	Morrison	Pappas
Brown	Hartle	Kinkel	Munger	Pauly
Carlson, L.	Haukoos	Kludt	Murphy	Pelowski
Carruthers	Heap	Knickerbocker	Nelson, C.	Peterson
Clark	Himle	Knuth	Nelson, D.	Poppenhagen
Clausnitzer	Hugoson	Kostohryz	Nelson, K.	Price
Cooper	Jacobs	Krueger	Neuenschwander	Quinn
Dauner	Jaros	Larsen	O'Connor	Quist
Dempsey	Jefferson	Lasley	Ogren	Reding

Rest	Schafer	Solberg	Trimble	Waltman
Richter	Scheid	Sparby	Tunheim	Welle
Riveness	Schreiber	Stanius	Uphus	Wenzel
Rodosovich	Seaberg	Sviggum	Valento	Winter
Rose	Segal	Swenson	Vellenga	Wynia
Rukavina	Shaver	Thiede	Voss	Spk. Vanasek
Sarna	Skoglund	Tjornhom	Wagenius	

Those who voted in the negative were:

Burger	DeBlieck	McDonald	Redalen

The bill was passed and its title agreed to.

There being no objection, the order of business reverted to Introduction and First Reading of House Bills.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House File was introduced:

Welle introduced:

H. F. No. 2832, A bill for an act relating to securities; exempting certain over-the-counter securities from registration requirements; amending Minnesota Statutes 1987 Supplement, section 80A.15, subdivision 1.

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

HOUSE ADVISORIES

The following House Advisory was introduced:

Quinn, Beard, Jacobs and Kostohryz introduced:

H. A. No. 103, A proposal to study governing structures and procedures for higher education in certain other states.

The advisory was referred to the Committee on Higher Education.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 2008

A bill for an act relating to elections; clarifying certain public campaign financing limits; amending Minnesota Statutes 1986, section 10A.25, subdivision 10; Minnesota Statutes 1987 Supplement, sections 10A.255, subdivision 1; 10A.32, subdivision 3; repealing Minnesota Statutes 1986, section 10A.32, subdivision 3b.

April 25, 1988

The Honorable Robert Vanasek
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

We, the undersigned conferees for H. F. No. 2008, report that we have agreed upon the items in dispute and recommend as follows:

That the House concur in the Senate amendment and that H. F. No. 2008 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1986, section 10A.15, is amended by adding a subdivision to read:

Subd. 3b. [BY INDIVIDUAL MEMBERS OF POLITICAL FUND OR COMMITTEE.] Contributions made to a candidate or principal campaign committee by individual members of a political fund or committee that are solicited by the political fund or committee must be reported as attributable to the political fund or committee and count toward the contribution limits of that fund or committee specified in section 10A.27, if the political fund or committee was organized primarily to solicit or direct the contributions of its members and to influence the nomination or election of a candidate. The term "individual members" as used in this subdivision means a person or entity who in any manner participates in or in any manner contributes financially or otherwise to the activities of the political fund or committee.

Sec. 2. Minnesota Statutes 1986, section 10A.25, subdivision 10, is amended to read:

Subd. 10. The expenditure limits imposed by this section apply only to candidates whose opponents agree to be bound by the limits and who themselves agree to be bound by the limits as a condition of receiving a public subsidy for their campaigns in the form of:

~~(a)~~ An allocation of money from the state elections campaign fund; ~~or~~

~~(b) Credits against the tax due of individuals who contribute to that candidate.~~

A candidate who agrees to be bound by the limits and receives a public subsidy, who has an opponent who does not agree to be bound by the limits but is otherwise eligible to receive a public subsidy, is no longer bound by the limits but is still eligible to receive a public subsidy.

Sec. 3. Minnesota Statutes 1987 Supplement, section 10A.255, subdivision 1, is amended to read:

Subdivision 1. [METHOD OF CALCULATION.] The dollar amounts provided in section 10A.25, subdivision 2, must be adjusted for general election years as provided in this section. By June 1 of the general election year, the executive director of the board shall determine the percentage increase in the consumer price index from December of the year preceding the last general election year to December of the year preceding the year in which the determination is made. The dollar amounts used for the preceding general election year must be multiplied by that percentage. The product of the calculation must be added to each dollar amount to produce the dollar limitations to be in effect for the next general election. The product must be rounded up to the next highest whole dollar. The index used must be the revised consumer price index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor with ~~1967~~ 1982 as a base year.

Sec. 4. Minnesota Statutes 1987 Supplement, section 10A.32, subdivision 3, is amended to read:

Subd. 3. As a condition of receiving any money from the state elections campaign fund, a candidate shall agree by stating in writing to the board that (a) the candidate's expenditures and approved expenditures shall not exceed the expenditure limits as set forth in section 10A.25 and that (b) except for an amount equal to 25 percent of the expenditure limits set forth in section 10A.25, but not exceeding $15,000, the candidate shall not accept contributions or allow approved expenditures to be made on the candidate's behalf for the period beginning with January 1 of the election year or with the registration of the candidate's principal campaign committee, whichever occurs later, and ending December 31 of the election year, which aggregate contributions and approved expenditures exceed the difference between the amount ~~in excess of 25 percent of the expenditure limits set forth in section 10A.25, but not exceeding $15,000,~~ which may legally be expended by or for the candidate, and the amount which the candidate receives from the state elections campaign fund. The agreement, insofar as it relates to the expenditure limits set forth in section 10A.25, remains effective until the dissolution of the principal campaign committee of the candidate or

the opening of filings for the next succeeding election to the office held or sought at the time of agreement, whichever occurs first. Money in the account of the principal campaign committee of a candidate on January 1 of the election year for the office held or sought shall be considered contributions accepted by that candidate in that year for the purposes of this subdivision. That amount of all contributions accepted by a candidate in an election year which equals the amount of noncampaign disbursements and contributions and expenditures to promote or defeat a ballot question which are made by that candidate in that year shall not count toward the aggregate contributions and approved expenditure limit imposed by this subdivision. Except for an amount equal to 25 percent of the expenditure limits set forth in section 10A.25, but not exceeding $15,000, any amount by which the aggregate contributions and approved expenditures agreed to under clause (b) exceed the difference shall be returned to the state treasurer in the manner provided in subdivision 2. In no case shall the amount returned exceed the amount received from the state elections campaign fund.

The candidate may submit the signed agreement to the filing officer on the day of filing the affidavit of candidacy or petition to appear on the ballot, or to the board no later than September 1.

The board prior to the first day of filing for office shall forward forms for the agreement to all filing officers. The filing officer shall without delay forward signed agreements to the board. An agreement may not be rescinded after September 1.

Before the first day of filing for office, the board shall also forward a copy of section 2 to all filing officers. Before September 1, the filing officer shall provide a copy of section 2 to each candidate who files an affidavit of candidacy or whose name is to appear on the ballot by petition.

For the purposes of this subdivision only, the total amount to be distributed to each candidate is calculated to be the candidate's share of the total estimated funds in the candidate's party account as provided in subdivision 3a, plus the total amount estimated as provided in subdivision 3a to be in the general account of the state elections campaign fund and set aside for that office divided by the number of candidates whose names are to appear on the general election ballot for that office. If for any reason the amount actually received by the candidate is greater than the candidate's share of the estimate, and the contributions thereby exceed the difference, the agreement shall not be considered violated.

Sec. 5. [REPEALER.]

Minnesota Statutes 1986, section 10A.32, subdivision 3b, is repealed.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to elections; clarifying certain public campaign financing limits; amending Minnesota Statutes 1986, sections 10A.15, by adding a subdivision; and 10A.25, subdivision 10; Minnesota Statutes 1987 Supplement, sections 10A.255, subdivision 1; and 10A.32, subdivision 3; repealing Minnesota Statutes 1986, section 10A.32, subdivision 3b."

We request adoption of this report and repassage of the bill.

House Conferees: ALICE M. JOHNSON, JOSEPH QUINN AND PAUL ANDERS OGREN.

Senate Conferees: DON FRANK AND WILLIAM P. LUTHER.

The Speaker called Carlson, L., to the Chair.

Johnson, A., moved that the report of the Conference Committee on H. F. No. 2008 be adopted and that the bill be repassed as amended by the Conference Committee.

Knickerbocker moved that the House refuse to adopt the report of the Conference Committee on H. F. No. 2008 and that the bill be returned to the Conference Committee.

A roll call was requested and properly seconded.

The question was taken on the Knickerbocker motion and the roll was called.

Schreiber moved that those not voting be excused from voting. The motion did not prevail.

There were 64 yeas and 67 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Boo	Clausnitzer	Dille	Frederick
Anderson, R.	Burger	Dempsey	Dorn	Frerichs
Bennett	Carlson, D.	DeRaad	Forsythe	Gruenes

Gutknecht	Lasley	Olson, K.	Redalen	Sviggum
Hartle	Marsh	Omann	Richter	Swenson
Haukoos	McDonald	Onnen	Rose	Thiede
Heap	McKasy	Orenstein	Schafer	Tjornhom
Himle	McPherson	Osthoff	Scheid	Tompkins
Hugoson	Miller	Ozment	Schreiber	Uphus
Jennings	Morrison	Pauly	Seaberg	Valento
Johnson, V.	Nelson, D.	Pelowski	Shaver	Wagenius
Kelly	Neuenschwander	Poppenhagen	Skoglund	Waltman
Knickerbocker	Olsen, S.	Quist	Stanius	

Those who voted in the negative were:

Battaglia	Jacobs	Larsen	Otis	Sparby
Bauerly	Jaros	Lieder	Pappas	Steensma
Beard	Jefferson	Long	Peterson	Trimble
Begich	Jensen	McEachern	Price	Tunheim
Bertram	Johnson, A.	McLaughlin	Quinn	Vellenga
Brown	Johnson, R.	Milbert	Reding	Voss
Carlson, L.	Kahn	Minne	Rest	Welle
Carruthers	Kalis	Munger	Rice	Wenzel
Clark	Kelso	Murphy	Riveness	Winter
Cooper	Kinkel	Nelson, C.	Rodosovich	Wynia
Dauner	Kludt	Nelson, K.	Rukavina	Spk. Vanasek
Dawkins	Knuth	O'Connor	Sarna	
DeBlieck	Kostohryz	Ogren	Segal	
Greenfield	Krueger	Olson, E.	Solberg	

The motion did not prevail.

The Speaker resumed the Chair.

The question recurred on the Johnson, A., motion that the report of the Conference Committee on H. F. No. 2008 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2008, A bill for an act relating to elections; clarifying certain public campaign financing limits; amending Minnesota Statutes 1986, section 10A.25, subdivision 10; Minnesota Statutes 1987 Supplement, sections 10A.255, subdivision 1; 10A.32, subdivision 3; repealing Minnesota Statutes 1986, section 10A.32, subdivision 3b.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 68 yeas and 63 nays as follows:

Those who voted in the affirmative were:

Battaglia	Beard	Bertram	Carlson, L.	Clark
Bauerly	Begich	Brown	Carruthers	Cooper

Dauner	Kelso	Minne	Peterson	Steensma
Dawkins	Kinkel	Munger	Price	Trimble
DeBlieck	Kludt	Murphy	Quinn	Tunheim
Greenfield	Knuth	Nelson, C.	Reding	Vellenga
Jaros	Kostohryz	Nelson, K.	Rest	Voss
Jefferson	Krueger	O'Connor	Rice	Welle
Jensen	Larsen	Ogren	Riveness	Wenzel
Johnson, A.	Lieder	Olson, E.	Rukavina	Winter
Johnson, R.	Long	Olson, K.	Sarna	Wynia
Kahn	McEachern	Orenstein	Segal	Spk. Vanasek
Kalis	McLaughlin	Otis	Solberg	
Kelly	Milbert	Pappas	Sparby	

Those who voted in the negative were:

Anderson, G.	Frerichs	Marsh	Pauly	Skoglund
Anderson, R.	Gruenes	McDonald	Pelowski	Stanius
Bennett	Gutknecht	McKasy	Poppenhagen	Sviggum
Boo	Hartle	McPherson	Quist	Swenson
Burger	Haukoos	Miller	Redalen	Thiede
Carlson, D.	Heap	Morrison	Richter	Tjornhom
Clausnitzer	Himle	Nelson, D.	Rodosovich	Tompkins
Dempsey	Hugoson	Neuenschwander	Rose	Uphus
DeRaad	Jacobs	Olsen, S.	Schafer	Valento
Dille	Jennings	Omann	Scheid	Wagenius
Dorn	Johnson, V.	Onnen	Schreiber	Waltman
Forsythe	Knickerbocker	Osthoff	Seaberg	
Frederick	Lasley	Ozment	Shaver	

The bill was repassed, as amended by Conference, and its title agreed to.

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

S. F. No. 1963.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said Senate File is herewith transmitted to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONFERENCE COMMITTEE REPORT ON S. F. NO. 1963

A bill for an act relating to public finance; providing requirements for the issuance and use of public debt; amending Minnesota Statutes 1986, sections 123.35, by adding a subdivision; 375.83;

410.32; 475.54, by adding a subdivision; 475.67, subdivision 13; Minnesota Statutes 1987 Supplement, sections 469.012, subdivision 1; 469.015, subdivision 4; 469.071, by adding a subdivision; 469.155, subdivision 12; 475.60, subdivision 2; and 475.66, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 469; repealing Laws 1987, chapter 358, section 31.

April 25, 1988

The Honorable Jerome M. Hughes
President of the Senate

The Honorable Robert Vanasek
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 1963, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 1963 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1986, section 375.83, is amended to read:

375.83 [ECONOMIC AND AGRICULTURAL DEVELOPMENT.]

A county board may appropriate not more than $50,000 annually out of the general revenue fund of the county to be paid to any incorporated development society or organization of this state which, in the board's opinion, will use the money for the best interests of the county in promoting, advertising, improving, or developing the economic and agricultural resources of the county. The limitation on appropriations in this section does not prohibit accumulation of amounts in excess of $50,000 in a fund to be used for the purposes of this section. The total amount accumulated in the fund must not exceed $300,000.

Sec. 2. Minnesota Statutes 1986, section 410.32, is amended to read:

410.32 [CITIES AUTHORIZED TO ISSUE CAPITAL NOTES FOR CERTAIN EQUIPMENT ACQUISITIONS.]

Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment having an expected useful life at least as

long as the term of the notes. The notes shall be payable in not more than five years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed one-tenth of one percent of the assessed value of the city for that year. A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds. Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city. Unless prohibited by its charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 3. Minnesota Statutes 1987 Supplement, section 469.012, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE OF POWERS.] An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 469.001 to 469.047, except that the power to levy and collect taxes or special assessments is limited to the power provided in sections 469.027 to 469.033. Its powers include the following powers in addition to others granted in sections 469.001 to 469.047:

(1) to sue and be sued; to have a seal, which shall be judicially noticed, and to alter it; to have perpetual succession; and to make, amend, and repeal rules consistent with sections 469.001 to 469.047;

(2) to employ an executive director, technical experts, and officers, agents, and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal services it requires, to call upon the chief law officer of the city or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies in its area of operation, provided that those local public bodies, if requested, shall make the services available;

(3) to delegate to one or more of its agents or employees the powers or duties it deems proper;

(4) within its area of operation, to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) subject to the provisions of section 469.026, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation, to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by chapter 117, to acquire real property which it may deem necessary for its purposes, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.003 or to provide decent, safe, and sanitary housing for persons of low and moderate income, or is necessary to carry out a redevelopment project. Real property needed or convenient for a project may be acquired by the authority for the project by condemnation pursuant to this section. This includes any property devoted to a public use, whether or not held in trust, notwithstanding that the property may have been previously acquired by condemnation or is owned by a public utility corporation, because the public use in conformity with the provisions of sections 469.001 to 469.047 shall be deemed a superior public use. Property devoted to a public use may be so acquired only if the governing body of the municipality has approved its acquisition by the authority. An award of compensation shall not be increased by reason of any increase in the value of the real property caused by the assembly, clearance or reconstruction, or proposed assembly, clearance or reconstruction for the purposes of sections 469.001 to 469.047 of the real property in an area;

(7) within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) but without the adoption of a resolution provided for in clause (6), real property, and to demolish, remove, rehabilitate, or reconstruct the buildings and improvements or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill, and construct foundations or otherwise prepare the site for improvements. The authority may dispose of the property pursuant to section 469.029, provided that the provisions of section 469.029 requiring conformance to an urban renewal plan shall not apply. The authority may finance these activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 469.033 or by means of contributions from the municipality provided for in section 469.041, clause (9), or by any combination of those means. Real property with buildings or improvements thereon shall only be acquired under this clause when the buildings or improvements are substandard. The exercise of the power of eminent domain under this clause shall be limited to real property which contains buildings and improvements which are vacated and substandard. For the purpose of this clause, substandard buildings or improvements mean hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combina-

tion of these or other factors that are detrimental to the safety or health of the community;

(8) within its area of operation, to determine the level of income constituting low or moderate family income. The authority may establish various income levels for various family sizes. In making its determination, the authority may consider income levels that may be established by the federal housing administration or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use that determination as a basis for the maximum amount of income for admissions to housing development projects or housing projects owned or operated by it;

(9) to provide in federally assisted projects any relocation payments and assistance necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto;

(10) to make, or agree to make, payments in lieu of taxes to the city or the county, the state or any political subdivision thereof, that it finds consistent with the purposes of sections 469.001 to 469.047;

(11) to cooperate with or act as agent for the federal government, the state or any state public body, or any agency or instrumentality of the foregoing, in carrying out any of the provisions of sections 469.001 to 469.047 or of any other related federal, state, or local legislation; and upon the consent of the governing body of the city to purchase, lease, manage, or otherwise take over any housing project already owned and operated by the federal government;

(12) to make plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements, and plans for the enforcement of laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements, and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements. The authority may develop, test, and report methods and techniques, and carry out demonstrations and other activities for the prevention and elimination of slums and blight;

(13) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal government, the state government, state public bodies, or from any other public or private sources;

(14) to include in any contract for financial assistance with the federal government any conditions that the federal government may attach to its financial aid of a project, not inconsistent with purposes of sections 469.001 to 469.047, including obligating itself (which

obligation shall be specifically enforceable and not constitute a mortgage, notwithstanding any other laws) to convey to the federal government the project to which the contract relates upon the occurrence of a substantial default with respect to the covenants or conditions to which the authority is subject; to provide in the contract that, in case of such conveyance, the federal government may complete, operate, manage, lease, convey, or otherwise deal with the project until the defaults are cured if the federal government agrees in the contract to reconvey to the authority the project as then constituted when the defaults have been cured;

(15) to issue bonds for any of its corporate purposes and to secure the bonds by mortgages upon property held or to be held by it or by pledge of its revenues, including grants or contributions;

(16) to invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control or in the manner and subject to the conditions provided in section 475.66 for the deposit and investment of debt service funds;

(17) within its area of operation, to determine where blight exists or where there is unsafe, unsanitary, or overcrowded housing;

(18) to carry out studies of the housing and redevelopment needs within its area of operation and of the meeting of those needs. This includes study of data on population and family groups and their distribution according to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages, desirable patterns for land use and community growth, and other factors affecting the local housing and redevelopment needs and the meeting of those needs; to make the results of those studies and analyses available to the public and to building, housing, and supply industries;

(19) if a local public body does not have a planning agency or the planning agency has not produced a comprehensive or general community development plan, to make or cause to be made a plan to be used as a guide in the more detailed planning of housing and redevelopment areas;

(20) to lease or rent any dwellings, accommodations, lands, buildings, structures, or facilities included in any project and, subject to the limitations contained in sections 469.001 to 469.047 with respect to the rental of dwellings in housing projects, to establish and revise the rents or charges therefor;

(21) to own, hold, and improve real or personal property and to sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein;

(22) to insure or provide for the insurance of any real or personal property or operations of the authority against any risks or hazards;

(23) to procure or agree to the procurement of government insurance or guarantees of the payment of any bonds or parts thereof issued by an authority and to pay premiums on the insurance;

(24) to make expenditures necessary to carry out the purposes of sections 469.001 to 469.047;

(25) to enter into an agreement or agreements with any state public body to provide informational service and relocation assistance to families, individuals, business concerns, and nonprofit organizations displaced or to be displaced by the activities of any state public body;

(26) to compile and maintain a catalog of all vacant, open and undeveloped land, or land which contains substandard buildings and improvements as that term is defined in clause (7), that is owned or controlled by the authority or by the governing body within its area of operation and to compile and maintain a catalog of all authority owned real property that is in excess of the foreseeable needs of the authority, in order to determine and recommend if the real property compiled in either catalog is appropriate for disposal pursuant to the provisions of section 469.029, subdivisions 9 and 10;

(27) to recommend to the city concerning the enforcement of the applicable health, housing, building, fire prevention, and housing maintenance code requirements as they relate to residential dwelling structures that are being rehabilitated by low or moderate income persons pursuant to section 469.029, subdivision 9, for the period of time necessary to complete the rehabilitation, as determined by the authority; and

(28) to recommend to the city the initiation of municipal powers, against certain real properties, relating to repair, closing, condemnation, or demolition of unsafe, unsanitary, hazardous, and unfit buildings, as provided in section 469.041, clause (5).

Sec. 4. Minnesota Statutes 1987 Supplement, section 469.015, subdivision 4, is amended to read:

Subd. 4. [EXCEPTION; CERTAIN PROJECTS.] An authority need not require either competitive bidding or performance bonds in the case of a contract for the acquisition of a low rent housing project for which financial assistance is provided by the federal government, and which does not require any direct loan or grant of money from the municipality as a condition of the federal financial assistance, and where the contract provides for the construction of such a project upon land not owned by the authority at the time of the contract, or

owned by the authority for redevelopment purposes, and provides for the conveyance or lease to the authority of the project or improvements upon completion of construction. In exercising, pursuant to any general or special law, any power under chapter 469, an authority need not require competitive bidding with respect to a structured parking facility constructed in conjunction with, and directly above or below, a development and financed with the proceeds of tax increment or parking ramp revenue bonds. An authority need not require competitive bidding in the case of a housing development project that (1) is financed with the proceeds of bonds secured by the project and to which the full faith and credit of the authority is not pledged; (2) is located on land owned by the authority; (3) is constructed or rehabilitated under agreements with a developer for the construction of the project, guarantee of the bonds, and management of the property; and (4) is found by the authority to require negotiation rather than use of a competitive bidding procedure to be economical and feasible.

Sec. 5. Minnesota Statutes 1987 Supplement, section 469.071, is amended by adding a subdivision to read:

Subd. 5. [EXCEPTION; PARKING FACILITIES.] Notwithstanding section 469.068, the Bloomington port authority need not require competitive bidding with respect to a structured parking facility constructed in conjunction with, and directly above or below, or adjacent and integrally related to, a development and financed with the proceeds of tax increment or revenue bonds.

Sec. 6. Minnesota Statutes 1987 Supplement, section 469.155, subdivision 12, is amended to read:

Subd. 12. [REFUNDING.] It may issue revenue bonds to refund, in whole or in part, bonds previously issued by the municipality or redevelopment agency under authority of sections 469.152 to 469.165, and interest on them. The municipality may issue revenue bonds to refund, in whole or in part, bonds previously issued by any other municipality or redevelopment agency on behalf of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, under authority of sections 474.01 to 474.13, and interest on them, but only with the consent of the original issuer of such bonds. The municipality may issue and sell warrants which give to their holders the right to purchase refunding bonds issuable under this subdivision prior to a stipulated date. The warrants are not required to be sold at public sale and all or any agreed portion of the proceeds of the warrants may be paid to the contracting party under the revenue agreement required by subdivision 5 or to its designee under the conditions the municipality shall agree upon. Warrants shall not be issued which obligate a municipality to issue refunding bonds that are or will be subject to federal tax law as defined in section 474A.02, subdivision 8. The warrants may provide a stipulated exercise price or a price

that depends on the tax exempt status of interest on the refunding bonds at the time of issuance. The average interest rate on refunding bonds issued to refund fixed rate bonds shall not exceed the average interest rate on fixed rate bonds to be refunded. The municipality may appoint a bank or trust company to serve as agent for the warrant holders and enter into agreements deemed necessary or incidental to the issuance of the warrants.

Sec. 7. [469.1651] [REVENUE ANTICIPATION NOTES FOR HOSPITALS.]

Subdivision 1. [AUTHORIZATION.] Prior to August 1, 1990, a municipality may issue and sell, at public or private sale, negotiable notes or certificates of indebtedness, as provided in this section and lend the proceeds to nonprofit hospitals in anticipation of revenues or state and federal aids payable to the hospitals within one year after the date of issue of the notes or certificates of indebtedness. The principal amount of the notes or certificates shall not exceed 75 percent of the accounts receivable and third-party reimbursement payments payable to the hospital as of a date within 45 days of the date of issuance. While notes or certificates issued under this section on behalf of a hospital are outstanding, additional notes or certificates shall not be issued unless, for the period of 30 consecutive days immediately preceding the date of issuance, the amount of outstanding notes and certificates was less than six percent of the hospital's gross revenues for the preceding fiscal year.

The municipality need not comply with the procedures set forth in sections 469.152 to 469.165 in the issuance of notes or certificates of indebtedness pursuant to this section, but the municipality shall comply with sections 469.152 to 469.165 at the time of issuance of the refunding obligations if long-term obligations are issued to refund notes or certificates of indebtedness issued pursuant to this section.

Subd. 2. [REVENUE AGREEMENT.] No notes or certificates of indebtedness shall be issued pursuant to this section unless the municipality has entered into a revenue agreement with a qualifying hospital providing for payment by the hospital of all principal of and interest on the notes or certificates of indebtedness when they become due and payable, together with any expenses and fees of the municipality incurred in connection with the notes or their issuance. Notes and certificates of indebtedness issued under authority of this section do not, and shall state that they do not, represent or constitute a debt or pledge of the faith and credit of the municipality or the state of Minnesota, or grant to their owners or holders any right to have the municipality or state levy any taxes or appropriate any funds for the payment of their principal or interest on them. The notes or certificates are payable and shall state that they are payable solely from the revenues and other property, income,

accounts, charges, and money that are pledged for their payment in accordance with the proceedings authorizing their issuance.

Subd. 3. [ENABLING RESOLUTION; FORM OF CERTIFICATES.] The municipality may authorize and effect the borrowing and issue the notes or certificates of indebtedness authorized by this section upon passage of a resolution specifying the amount and purposes of the borrowing. The municipality shall fix the amount, date, maturity, form, denomination, and other details of the notes or certificates of indebtedness, consistent with this section, and shall fix the date and place for the receipt of bids for their purchase, if the notes or certificates of indebtedness are to be sold by public sale.

Subd. 4. [REPAYMENT; MATURITY DATE; INTEREST.] The proceeds of revenues and future state and federal aid and other funds of the hospital which may become available shall be applied to the extent necessary to repay the notes or certificates of indebtedness. The full faith and credit of the hospital, or any other lawfully pledged security of the hospital, as deemed necessary by the municipality, shall be pledged to their payment. Notes or certificates of indebtedness issued pursuant to this section shall mature not later than 13 months after the date of issue. The notes or certificates shall be sold at such price as the municipality may agree. The notes or certificates shall bear interest after maturity until paid at the rate they bore before maturity. Any interest accruing before or after maturity shall be paid from any available funds of the hospital.

Any note or certificate of indebtedness issued pursuant to this section may be issued giving its owner the right to tender, or the municipality or the hospital to demand tender of, the obligation to the municipality or the hospital or another person designated by either of them, for purchase at a specified time or times. The note or certificate of indebtedness shall not be deemed to mature on any tender date, and the purchase of a tendered note or certificate shall not be deemed a payment or discharge of the note or certificate. Notes or certificates of indebtedness tendered for purchase may be remarketed by or on behalf of the municipality or any other purchaser. The municipality or the hospital may enter into agreements deemed appropriate to provide for the purchase and remarketing of tendered notes or certificates of indebtedness, including provisions under which undelivered obligations may be deemed tendered for purchase and new obligations may be substituted for them, provisions for the payment of charges of tender agents, remarketing agents, and financial institutions extending lines of credit or letters of credit assuring repurchase, and for reimbursement of advances under letters of credit, which charges and reimbursements shall be paid by the hospital.

Any notes or certificates of indebtedness issued pursuant to this section may bear interest at a rate varying periodically at the time

or times and on the terms, including convertibility to a fixed rate of interest, determined by the governing body of the municipality.

Subd. 5. [TRUST AGREEMENT.] Any notes or certificates of indebtedness issued under this section may be secured by a trust agreement between the municipality and a corporate trustee, which may be any trust company or bank having the powers of a trust company within the state. The trust agreement or the resolution providing for the issuance of the notes or certificates may pledge or assign the revenues to be received, the proceeds of any contracts pledged, and any other property pledged by the hospital or proceeds from it. The trust agreement or resolution providing for the issuance of the notes or certificates may contain reasonable provisions to protect and enforce the rights and remedies of the holders of the notes or certificates. Any bank or trust company incorporated under the laws of the state that may act as depository of the proceeds of notes or certificates or of revenues or other moneys may furnish the indemnifying bonds or pledge the securities that may be required by the municipality. The trust agreement may set forth the rights and remedies of the holders of the notes or certificates and of the trustee and may restrict the individual right of action by holders of the notes or certificates. The trust agreement or resolution may contain any other provisions that the municipality deems reasonable for the security of the holders of the notes or certificates. All expenses incurred in carrying out the provisions of the trust agreement or resolution shall be paid by the hospital.

Subd. 6. [REPORT.] Within 30 days after issuance of notes or certificates under this section, a municipality must report to the commissioner of health on the issuance. The report must include the name and location of the institution, the principal amount of the note or certificate, and its maturity date.

Sec. 8. Minnesota Statutes 1987 Supplement, section 474A.04, subdivision 6, is amended to read:

Subd. 6. [ENTITLEMENT TRANSFERS.] An entitlement issuer may enter into an agreement with another entitlement issuer whereby the recipient entitlement issuer issues obligations pursuant to bonding authority allocated to the original entitlement issuer under this section. An entitlement issuer may enter into an agreement with an issuer which is not an entitlement issuer whereby the recipient issuer issues qualified mortgage bonds, up to $100,000 of which are issued pursuant to bonding authority allocated to the original entitlement issuer under this section. The agreement may be approved and executed by the mayor of the entitlement issuer with or without approval or review by the city council.

Sec. 9. Minnesota Statutes 1987 Supplement, section 475.54, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3, 5a, 15 or ~~5b~~ 17, or as expressly authorized in another law, all obligations of each issue shall mature or be subject to mandatory sinking fund redemption in installments, the first not later than three years and the last not later than 30 years from the date of the issue. No amount of principal of the issue payable in any calendar year shall exceed five times the amount of the smallest amount payable in any preceding calendar year ending three years or more after the issue date.

Sec. 10. Minnesota Statutes 1986, section 475.54, is amended by adding a subdivision to read:

Subd. 17. Obligations payable primarily from a source other than ad valorem taxes may mature at any time or times within 30 years after the date of issue, if the governing body estimates that the primary source of payment is sufficient to pay when due the principal of and interest on the obligations and if the primary source of payment is irrevocably appropriated to payment of the obligations.

Sec. 11. Minnesota Statutes 1986, section 475.60, subdivision 3, is amended to read:

Subd. 3. [PUBLISHED NOTICE.] Published notice, where required, shall specify the maximum principal amount of the obligations, the place of receipt and consideration of bids and such other details as to the obligations and terms of sale as the governing body deems suitable. The published notice shall either specify the date and time for receipt of bids or provide that the bids will be received at a date and time not less than ten nor more than ~~45~~ 60 days after the date of publication. If the published notice does not state the specific date ~~and~~ or amount for the sale, it shall specify the manner in which notice of the date ~~and~~ or amount of the sale will be given to prospective bidders. Notification of prospective bidders shall be given by electronic data transmission or other form of communication common to the municipal bond trade at least four days (omitting Saturdays, Sundays, and legal holidays) before the date for receipt of bids. If within five days after the date of publication a prospective bidder requests in writing to be notified by mail, the municipality shall do so. Failure to give the notice as described in the preceding sentence to a bidder shall not affect the validity of the sale or of the obligations. The governing body may employ an agent to receive and open the bids at any place within or outside the corporate limits of the municipality, in the presence of an officer of the municipality, but the obligations shall not be sold except by action of the governing body or authorized officers of the municipality after communication of the bids to them. Additional notice may be given for such time and in such manner as the governing body deems suitable. At the time and place so fixed, the bids shall be opened and the offer complying with the terms of sale and deemed most favorable shall be accepted, but the governing body may reject any

and all such offers, in which event, or if no offers have been received, it may award the obligations to any person who within 30 days thereafter presents an offer complying with the terms of sale and deemed more favorable than any received previously, or upon like notice the governing body may invite other bids upon the same or different terms and conditions, except that if the original published notice does not state the specific date or amount for the sale and if the material terms and conditions of the sale remain the same, except for the date and amount, notice of the date or amount may be given in the manner provided above.

Sec. 12. Minnesota Statutes 1987 Supplement, section 475.66, subdivision 3, is amended to read:

Subd. 3. Subject to the provisions of any resolutions or other instruments securing obligations payable from a debt service fund, any balance in the fund may be invested

(a) in governmental bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress,

(b) in shares of an investment company (1) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and (2) whose only investments are in (i) securities described in the preceding clause ~~and~~, (ii) general obligation tax-exempt securities rated A or better by a national bond rating service, and (iii) repurchase agreements or reverse repurchase agreements fully collateralized by those securities, if the repurchase agreements or reverse repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the 100 largest United States commercial banks,

(c) in any security which is (1) a general obligation of the state of Minnesota or any of its municipalities or in general obligations of other state and local governments with taxing powers which are rated A or better by a national bond rating service, or (2) a general obligation of the Minnesota housing finance agency, or (3) a general obligation of a housing finance agency of any state if it includes a moral obligation of the state, provided that investments under ~~this clause~~ clauses (2) and (3) must be in obligations that are rated the highest or next highest rating given by Standard & Poor's Corporation or Moody's Investors Service, Inc., and investments under clause (3) may be made only (i) prior to August 1, ~~1990~~ 1991, and (ii) for a period of no more than three years from the date of purchase and further provided that investments under clauses (2) and (3) be determined to be expedient to reduce the amount of arbitrage rebate otherwise payable to the United States under section 148 of the Internal Revenue Code of 1986,

(d) in bankers acceptances of United States banks eligible for purchase by the Federal Reserve System, ~~or~~

(e) in commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less, or

(f) in guaranteed investment contracts issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies or their Canadian or United States subsidiaries; provided that the investment contracts rank on a parity with the senior unsecured debt obligations of the issuer or guarantor and, (1) in the case of long-term investment contracts, either (i) the long-term senior unsecured debt of the issuer or guarantor is rated, or obligations backed by letters of credit of the issuer or guarantor if forming the primary basis of a rating of such obligations would be rated, in the highest or next highest rating category of Standard & Poor's Corporation, Moody's Investors Service, Inc., or a similar nationally recognized rating agency, or (ii) if the issuer is a bank with headquarters in Minnesota, the long-term senior unsecured debt of the issuer is rated, or obligations backed by letters of credit of the issuer if forming the primary basis of a rating of such obligations would be rated in one of the three highest rating categories of Standard & Poor's Corporation, Moody's Investors Service, Inc., or similar nationally recognized rating agency, or (2) in the case of short-term investment contracts, the short-term unsecured debt of the issuer or guarantor is rated, or obligations backed by letters of credit of the issuer or guarantor if forming the primary basis or a rating of such obligations would be rated, in the highest two rating categories of Standard and Poor's Corporation, Moody's Investors Service, Inc., or similar nationally recognized rating agency.

The fund may also be used to purchase any obligation, whether general or special, of an issue which is payable from the fund, at such price, which may include a premium, as shall be agreed to by the holder, or may be used to redeem any obligation of such an issue prior to maturity in accordance with its terms. The securities representing any such investment may be sold or hypothecated by the municipality at any time, but the money so received remains a part of the fund until used for the purpose for which the fund was created.

Sec. 13. Minnesota Statutes 1987 Supplement, section 475.67, subdivision 12, is amended to read:

Subd. 12. In the refunding of general obligations, for which the full faith and credit of the issuing municipality has been pledged, the following additional conditions shall be observed: each such obligation, if repayable, shall be called for redemption prior to its maturity in accordance with its terms no later than either (i) the

earliest date on which it may be redeemed without payment of any premium, or (ii) if the obligation is only prepayable with payment of a premium, on the earliest date on which it may be redeemed with payment of the least premium required by its terms. No refunding obligations shall be issued and sold more than six months before the refunded obligations mature or are called for redemption in accordance with their terms, unless either (i) as a result of the refunding the average life of the maturities is extended at least three years or (ii) as of the nominal date of the refunding obligations the present value of the dollar amount of the debt service on the refunding obligations, computed to their stated maturity dates, after deducting any premium ~~or adding any discount~~, is lower by at least three percent than the present value of the dollar amount of debt service, on all general obligations refunded, exclusive of any premium ~~or discount~~, computed to their stated maturity dates; provided that in computing the dollar amount of debt service on the refunding obligations, any expenses of the refunding payable from a source other than the proceeds of the refunding obligations or the interest derived from the investment thereof shall be added to the dollar amount of debt service on the refunding obligations. For purposes of this subdivision, the present value of the dollar amount of debt service means the dollar amount of debt service to be paid, discounted to the nominal date of the refunding obligations at a rate equal to the yield on the refunding obligations. Expenses of the refunding include the amount, if any, in excess of the proceeds of the refunding obligations or the principal amount of obligations to be refunded, whichever is the greater, which is required to be deposited in escrow to provide cash and purchase securities sufficient to retire the refunded obligations and unaccrued interest thereon in accordance with subdivision 6; charges of the escrow agent and of the paying agent for the refunding obligations; and expenses of printing and publications and of fiscal, legal, or other professional service necessarily incurred in the issuance of the refunding obligations.

Sec. 14. Minnesota Statutes 1986, section 475.67, subdivision 13, is amended to read:

Subd. 13. Crossover refunding obligations may be issued by a municipality without regard to the limitations in subdivisions 4 to 10. The proceeds of crossover refunding obligations, less any proceeds applied to payment of the costs of their issuance, shall be deposited in a debt service fund irrevocably appropriated to the payment of principal of and interest on the refunding obligations until the date the proceeds are applied to payment of the obligations to be refunded. The debt service fund shall be maintained as an escrow account with a suitable financial institution within or without the state and amounts in it shall be invested in securities described in subdivision 8 or in an investment contract or similar agreement with a bank or insurance company meeting the requirements of section 475.66, subdivision 3, clause (f). Excess proceeds, if any, of the tax levy pursuant to section 475.61, subdivision 1, made

with respect to the obligations to be refunded, and any other available amounts, may be deposited in the escrow account. In the resolution authorizing the issuance of crossover refunding obligations, the governing body may pledge to their payment any source of payment of the obligations to be refunded. The resolution may provide that the refunding obligations are payable solely from the escrow account prior to the date scheduled for payment of the obligations to be refunded and that the obligations to be refunded shall not be discharged if the amounts on deposit in the escrow account on that date are insufficient. Subdivisions 11 and 12 shall not apply to any crossover refunding obligations, or the obligations to be refunded. Subject to section 475.61, subdivision 3, in the case of general obligation bonds, taxes shall be levied pursuant to section 475.61 and appropriated to the debt service fund in the amounts needed, together with estimated investment income of the debt service fund and any other revenues available upon discharge of the obligations refunded, to pay when due the principal of and interest on the refunding obligations. The levy so imposed may be reduced by earnings to be received from investments on hand in the debt service fund to the extent the applicable recording officer certifies to the county auditor that the earnings are expected to be received in amounts and at such times as to be sufficient, together with the remaining levy, to satisfy the purpose of the levy requirements under section 475.61.

Sec. 15. [COUNTIES AND CITIES; PAY EQUITY COMPLIANCE.]

Subdivision 1. [1988 REPORT.] A home rule charter or statutory city or county, referred to in this section as a "governmental subdivision," that employs ten or more people and that did not submit a report according to Minnesota Statutes, section 471.998, shall submit the report by October 1, 1988, to the commissioner of employee relations.

The plan for implementing equitable compensation for the employees must provide for complete implementation not later than December 31, 1991, unless a later date has been approved by the commissioner. If a report was filed before October 1, 1987, and had an implementation date after December 31, 1991, the date in the report shall be approved by the commissioner. The plan need not contain a market study.

Subd. 2. [PENALTY FOR NONCOMPLIANCE.] Notwithstanding Minnesota Statutes, sections 275.50 to 275.56, for taxes levied in 1988, payable in 1989 only, a governmental subdivision that does not submit the report required in subdivision 1 shall be subject to the levy limits provided in subdivisions 3 to 5.

Subd. 3. [CITIES.] For a home rule charter or statutory city, the levy limit base for taxes payable in 1989 is the sum of (1) the city's

total levy for taxes payable in 1988, excluding the amount levied in that year for debt service and the amount for unfunded accrued pension liabilities under Laws 1987, chapter 268, article 5, section 12, subdivision 4, clause (2); and (2) the amount received in 1988 as described in Minnesota Statutes, section 275.51, subdivision 3i. This sum shall be increased by a percentage equal to the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, using figures derived under Minnesota Statutes, section 275.51, subdivision 6. The resulting amount for the home rule charter or statutory city multiplied by 103 percent is the city's levy limit base for taxes payable in 1989. The payable 1989 levy limitation for the city shall be equal to the levy limit base determined under this section reduced by the aids for 1989 enumerated in Minnesota Statutes, section 275.51, subdivision 3i.

Subd. 4. [COUNTIES.] For a county, the levy limit base for taxes payable in 1989 is the sum of (1) the county's total levy for taxes payable in 1988, excluding the amount levied in that year for (i) debt service; (ii) levied for unfunded accrued pension liabilities under Laws 1987, chapter 268, article 5, section 12, subdivision 4, clause (2); (iii) income maintenance programs except for the administrative costs associated with those programs; and (iv) social services programs, including the administrative costs associated with those programs, plus (2) the amount received in 1988 as described in Minnesota Statutes, section 275.51, subdivision 3i. This sum shall be increased by a percentage equal to the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, using figures derived under Minnesota Statutes, section 275.51, subdivision 6. The resulting amount for the county multiplied by 103 percent is the county's levy limit base for taxes payable in 1989. The payable 1989 levy limitation for the county shall be equal to the levy limit base determined under this section reduced by the aids for 1989 enumerated in section 275.51, subdivision 3i.

Subd. 5. [EXCEPTIONS.] For taxes payable in 1989, the amounts levied for the following costs are not subject to the limitation under subdivision 3 or 4:

(1) levies for debt service;

(2) levies for unfunded accrued pension liabilities as specified in Minnesota Statutes, section 275.50, subdivision 5, clause (o);

(3) levies for income maintenance programs, net of any aid payments received under Minnesota Statutes, section 273.1397, and excluding the administrative costs associated with those programs; and

(4) levies for social service programs including the administrative costs associated with those programs.

The amount levied by the county for taxes payable in 1989 to pay the costs of programs described in clauses (3) and (4) of this subdivision shall be subject to the percentage limitations provided in Minnesota Statutes, section 275.50, subdivision 5, clause (d).

Subd. 6. [PENALTY FOR FAILURE TO IMPLEMENT PLAN.] If the commissioner of employee relations finds, after notice and consultation with a governmental subdivision, that it has failed to implement its plan for implementing equitable compensation by December 31, 1991, or the later date approved by the commissioner the aid that would otherwise be payable to that governmental subdivision under Minnesota Statutes, sections 477A.011 to 477A.014 in calendar year 1992 shall be reduced by five percent; provided that the reduction in aid shall apply to the first calendar year beginning after the date for implementation of the plan of a governmental subdivision for which the commissioner of employee relations has approved an implementation date later than December 31, 1991. The commissioner may waive the penalty upon making a finding that the failure to implement was attributable to circumstances beyond the control of the governmental subdivision or to severe hardship.

Sec. 16. [RAMSEY-WASHINGTON METRO WATERSHED DISTRICT ADMINISTRATIVE FUND.]

The Ramsey-Washington metro watershed district may annually levy an ad valorem tax not to exceed $200,000 on taxable property within the district for an administrative fund. The district may levy more than $125,000 only with the approval of the Ramsey and Washington counties boards of commissioners. The board of managers shall, in other respects, make the levy for the administrative fund in accordance with Minnesota Statutes, section 112.611.

Sec. 17. [PORT AUTHORITY.]

Each of the cities of Cannon Falls and Redwood Falls may, by adoption of an enabling resolution in compliance with the procedural requirements of section 19, establish a port authority commission that, subject to section 18, has the same powers as a port authority established under Minnesota Statutes, section 458.09, or other law, and a housing and redevelopment authority established under Minnesota Statutes, chapter 462, or other law, and is an agency that may administer one or more municipal development districts under Minnesota Statutes, section 472A.10. The port authority commission may exercise any of these powers within industrial development districts or within other property under the jurisdiction of the commission. The port authority commission may enter into agreements with nonprofit organizations or corporations,

including, but not limited to, joint venture and limited partnership agreements, in order to carry out its purposes. If a city establishes a port authority commission under this section, the city shall exercise all the powers in dealing with a port authority that are granted to a city by Minnesota Statutes, chapter 458, and all powers in dealing with a housing and redevelopment authority that are granted to a city by Minnesota Statutes, chapter 462, or other law.

Sec. 18. [LIMITATION OF POWERS.]

Subdivision 1. [IN THIS SECTION.] An enabling resolution may impose the limits listed in this section on the actions of the port authority of Cannon Falls or Redwood Falls.

Subd. 2. [NOT USE SPECIFIED POWERS.] An enabling resolution may require that the port authority must not use specified powers contained in Minnesota Statutes, chapters 458 and 462, or that the port authority must not use powers without the prior approval of the city council.

Subd. 3. [TRANSFER RESERVES.] An enabling resolution may require the port authority to transfer a portion of the reserves generated by activities of the port authority that the city council determines is not necessary for the successful operation of the port authority, to the city general fund, to be used for any general purpose of the city. Reserves previously pledged by the port authority must not be transferred.

Subd. 4. [BOND APPROVAL.] An enabling resolution may require that the sale of bonds or obligations other than general obligation tax supported bonds or obligations issued by the port authority be approved by the city council before issuance.

Subd. 5. [BUDGET PROCESS.] An enabling resolution may require that the port authority follow the budget process for city departments as provided by the city and as implemented by the city council and mayor.

Subd. 6. [LEVY APPROVAL.] An enabling resolution may require that the port authority must not levy a tax for its benefit without approval of the city council.

Subd. 7. [CONSISTENT WITH CITY PLAN.] An enabling resolution may require that all official actions of the port authority must be consistent with the adopted comprehensive plan of the city, and official controls implementing the comprehensive plan.

Subd. 8. [PROJECT APPROVAL.] An enabling resolution may require that the port authority submit to the city council for

approval by resolution any proposed project as defined in Minnesota Statutes, section 273.73, subdivision 8.

Subd. 9. [GOVERNMENTAL RELATIONS.] An enabling resolution may require that the port authority submit all planned activities for influencing the action of any other governmental agency, subdivision, or body to the city council for approval.

Subd. 10. [ADMINISTRATION; MANAGEMENT.] An enabling resolution may require that the port authority submit its administrative structure and management practices to the city council for approval.

Subd. 11. [EMPLOYEE APPROVAL.] An enabling resolution may require that the port authority must not employ anyone without the approval of the city council.

Subd. 12. [OTHER LIMITS.] An enabling resolution may impose any other limit or control established by the city council.

Subd. 13. [MODIFICATIONS.] An enabling resolution may be modified at any time, subject to subdivision 16. A modification must be made according to the procedural requirements of section 19.

Subd. 14. [MODIFICATION PROCEDURE.] Each year, within 60 days of the anniversary date of the first adoption of the enabling resolution, the port authority shall submit a report to the city council stating whether and how it wishes the enabling resolution to be modified. Within 30 days of receipt of the recommendation, the city council shall review the enabling resolution, consider the recommendations of the port authority, and make any modification it considers appropriate. A modification must be made according to the procedural requirements of section 19. The petition requirement does not limit the right of the port authority to petition the city council at any time.

Subd. 15. [COUNCIL ACTION CONCLUSIVE.] A determination by the city council that the limits imposed under this section have been complied with by the port authority is conclusive.

Subd. 16. [NOT TO IMPAIR BONDS, CONTRACTS.] Limits imposed under this section must not be applied in a manner that impairs the security of any bonds issued or contracts executed before the limit is imposed. The city council must not modify any limit in effect at the time any bonds or obligations are issued or contracts executed to the detriment of the holder of the bonds or obligations or any contracting party.

Sec. 19. [PROCEDURAL REQUIREMENT.]

(a) The creation of a port authority by the city of Cannon Falls or Redwood Falls must be by written resolution known as the enabling resolution. Before adoption of the enabling resolution, the city council shall conduct a public hearing. Notice of the time and place of hearing, a statement of the purpose of the hearing, and a summary of the resolution must be published in a newspaper of general circulation within the city once a week for two consecutive weeks. The first publication must appear within 30 days before the public hearing.

(b) A modification to the enabling resolution must be by written resolution and must be adopted after notice is given and a public hearing conducted as required for the original adoption of the enabling resolution.

Sec. 20. [GENERAL OBLIGATION BONDS.]

The port authority of Cannon Falls or Redwood Falls must not proceed with the sale of general obligation tax supported bonds until the city council by resolution approves the proposed issuance. The resolution must be published in the official newspaper. If, within 30 days after the publication, a petition signed by voters equal in number to ten percent of the number of voters at the last regular city election is filed with the city clerk, the city and port authority must not issue the general obligation tax supported bonds until the proposition has been approved by a majority of the votes cast on the question at a regular or special election.

Sec. 21. [NAME.]

The city of Cannon Falls or Redwood Falls may choose the name of its port authority commission.

Sec. 22. [REMOVAL OF COMMISSIONERS FOR CAUSE.]

A commissioner of the port authority of Cannon Falls or Redwood Falls may be removed by the city council for inefficiency, neglect of duty, or misconduct in office. A commissioner may be removed only after a hearing. A copy of the charges must be given to the commissioner at least ten days before the hearing. The commissioner must be given an opportunity to be heard in person or by counsel at the hearing. After the charges have been submitted to a commissioner, the city council may temporarily suspend the commissioner. If the city council finds that the charges have not been substantiated, the commissioner shall be immediately reinstated. If a commissioner is removed, a record of the proceedings, together with the charges and findings, must be filed in the office of the city clerk.

Sec. 23. [LOCAL APPROVAL.]

Sections 17 to 22 are effective for the city of Cannon Falls the day after the city complies with Minnesota Statutes, section 645.021, subdivision 3.

Sections 17 to 22 are effective for the city of Redwood Falls the day after the city complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 24. [REPEALER.]

Laws 1987, chapter 358, section 31, is repealed.

Sec. 25. [EFFECTIVE DATE.]

Sections 2, 9, 10, and 13 are effective May 15, 1988. Sections 4, 8, 12, and 14 are effective the day following final enactment. Section 16 is effective for taxes levied in 1988, payable in 1989, and thereafter."

Delete the title and insert:

"A bill for an act relating to public finance; providing requirements for the issuance and use of public debt; amending Minnesota Statutes 1986, sections 375.83; 410.32; 475.54, by adding a subdivision; 475.60, subdivision 3; 475.67, subdivision 13; Minnesota Statutes 1987 Supplement, sections 469.012, subdivision 1; 469.015, subdivision 4; 469.071, by adding a subdivision; 469.155, subdivision 12; 474A.04, subdivision 6; 475.54, subdivision 1; and 475.66, subdivision 3; 475.67, subdivision 12; proposing coding for new law in Minnesota Statutes, chapter 469; repealing Laws 1987, chapter 358, section 31."

We request adoption of this report and repassage of the bill.

Senate Conferees: LAWRENCE J. POGEMILLER, JIM GUSTAFSON AND EMBER D. REICHGOTT.

House Conferees: ANN H. REST, STEVE A. SVIGGUM AND GORDON O. VOSS.

Rest moved that the report of the Conference Committee on S. F. No. 1963 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

S. F. No. 1963, A bill for an act relating to public finance; providing requirements for the issuance and use of public debt;

amending Minnesota Statutes 1986, sections 123.35, by adding a subdivision; 375.83; 410.32; 475.54, by adding a subdivision; 475.67, subdivision 13; Minnesota Statutes 1987 Supplement, sections 469.012, subdivision 1; 469.015, subdivision 4; 469.071, by adding a subdivision; 469.155, subdivision 12; 475.60, subdivision 2; and 475.66, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 469; repealing Laws 1987, chapter 358, section 31.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frerichs	Larsen	Onnen	Seaberg
Anderson, R.	Greenfield	Lasley	Orenstein	Segal
Battaglia	Gruenes	Lieder	Osthoff	Shaver
Bauerly	Gutknecht	Long	Otis	Skoglund
Beard	Hartle	Marsh	Ozment	Solberg
Begich	Haukoos	McDonald	Pappas	Sparby
Bennett	Heap	McEachern	Pauly	Stanius
Bertram	Himle	McKasy	Pelowski	Steensma
Boo	Hugoson	McLaughlin	Peterson	Sviggum
Brown	Jacobs	McPherson	Poppenhagen	Swenson
Burger	Jaros	Milbert	Price	Thiede
Carlson, D.	Jefferson	Miller	Quinn	Tjornhom
Carlson, L.	Jensen	Minne	Quist	Tompkins
Carruthers	Johnson, A.	Morrison	Redalen	Trimble
Clark	Johnson, R.	Munger	Reding	Tunheim
Clausnitzer	Johnson, V.	Murphy	Rest	Uphus
Cooper	Kahn	Nelson, C.	Rice	Valento
Dauner	Kalis	Nelson, D.	Richter	Vellenga
Dawkins	Kelly	Nelson, K.	Riveness	Voss
DeBlieck	Kelso	Neuenschwander	Rodosovich	Wagenius
Dempsey	Kinkel	O'Connor	Rose	Waltman
DeRaad	Kludt	Ogren	Rukavina	Wenzel
Dille	Knickerbocker	Olsen, S.	Sarna	Winter
Dorn	Knuth	Olson, E.	Schafer	Wynia
Forsythe	Kostohryz	Olson, K.	Scheid	Spk. Vanasek
Frederick	Krueger	Omann	Schreiber	

The bill was repassed, as amended by Conference, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 1941, A bill for an act relating to charitable gambling; increasing the time period allowed for cities and counties to review license applications; amending Minnesota Statutes 1986, section 349.213, subdivision 2.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Dawkins moved that the House concur in the Senate amendments to H. F. No. 1941 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1941, A bill for an act relating to gambling; increasing the time period allowed for cities and counties to review license applications; providing that promotions conducted in connection with payroll deduction campaigns are not lotteries; amending Minnesota Statutes 1986, sections 349.213, subdivision 2; and 609.75, subdivision 1.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Krueger moved that those not voting be excused from voting. The motion prevailed.

There were 119 yeas and 2 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	DeRaad	Kalis	Morrison	Price
Anderson, R.	Dille	Kelly	Munger	Quinn
Battaglia	Dorn	Kelso	Murphy	Quist
Bauerly	Forsythe	Kinkel	Nelson, C.	Redalen
Beard	Frederick	Kludt	Nelson, D.	Reding
Begich	Frerichs	Knickerbocker	Nelson, K.	Rest
Bennett	Greenfield	Knuth	Neuenschwander	Rice
Bertram	Gruenes	Kostohryz	Ogren	Riveness
Boo	Hartle	Krueger	Olsen, S.	Rose
Brown	Heap	Larsen	Olson, E.	Rukavina
Burger	Himle	Lasley	Olson, K.	Schafer
Carlson, D.	Hugoson	Lieder	Omann	Scheid
Carlson, L.	Jacobs	Long	Onnen	Seaberg
Carruthers	Jaros	Marsh	Orenstein	Segal
Clark	Jefferson	McDonald	Otis	Shaver
Clausnitzer	Jennings	McKasy	Ozment	Solberg
Cooper	Jensen	McLaughlin	Pappas	Sparby
Dauner	Johnson, A.	McPherson	Pauly	Stanius
Dawkins	Johnson, R.	Milbert	Pelowski	Steensma
DeBlieck	Johnson, V.	Miller	Peterson	Sviggum
Dempsey	Kahn	Minne	Poppenhagen	Swenson

Tompkins	Uphus	Voss	Welle	Wynia
Trimble	Valento	Wagenius	Wenzel	Spk. Vanasek
Tunheim	Vellenga	Waltman	Winter	

Those who voted in the negative were:

Gutknecht	Haukoos

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 464, A bill for an act relating to insurance; accident and health; increasing the maximum lifetime benefit for major medical coverage; amending Minnesota Statutes 1986, sections 62E.04, subdivision 4; and 62E.06, subdivision 1.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Carlson, L., moved that the House concur in the Senate amendments to H. F. No. 464 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 464, A bill for an act relating to insurance; accident and health; increasing the maximum lifetime benefit for major medical coverage; amending Minnesota Statutes 1986, section 62E.04, subdivision 4; and Minnesota Statutes 1987 Supplement, section 62E.06, subdivision 1.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Beard	Boo	Carlson, L.	Cooper
Anderson, R.	Begich	Brown	Carruthers	Dauner
Battaglia	Bennett	Burger	Clark	Dawkins
Bauerly	Bertram	Carlson, D.	Clausnitzer	DeBlieck

Dempsey	Johnson, V.	Miller	Pelowski	Skoglund
DeRaad	Kahn	Minne	Peterson	Solberg
Dille	Kalis	Morrison	Poppenhagen	Sparby
Dorn	Kelly	Munger	Price	Stanius
Forsythe	Kelso	Murphy	Quinn	Steensma
Frederick	Kinkel	Nelson, C.	Quist	Sviggum
Frerichs	Kludt	Nelson, D.	Redalen	Swenson
Greenfield	Knickerbocker	Nelson, K.	Reding	Thiede
Gruenes	Knuth	Neuenschwander	Rest	Tjornhom
Gutknecht	Kostohryz	O'Connor	Rice	Tompkins
Hartle	Krueger	Ogren	Richter	Trimble
Haukoos	Larsen	Olsen, S.	Riveness	Tunheim
Heap	Lasley	Olson, E.	Rodosovich	Uphus
Himle	Lieder	Olson, K.	Rose	Valento
Hugoson	Long	Omann	Rukavina	Vellenga
Jacobs	Marsh	Onnen	Sarna	Voss
Jaros	McDonald	Orenstein	Schafer	Wagenius
Jefferson	McEachern	Osthoff	Scheid	Waltman
Jennings	McKasy	Otis	Schreiber	Welle
Jensen	McLaughlin	Ozment	Seaberg	Wenzel
Johnson, A.	McPherson	Pappas	Segal	Winter
Johnson, R.	Milbert	Pauly	Shaver	Wynia
				Spk. Vanasek

The bill was repassed, as amended by the Senate, and its title agreed to.

The following Conference Committee Report was received:

CONFERENCE COMMITTEE REPORT ON H. F. NO. 2590

A bill for an act relating to the financing of government in Minnesota; changing tax rates and bases; modifying the administration, collection, and enforcement of taxes; imposing taxes; changing the computation, administration, and payment of aids, credits, and refunds; limiting taxing powers; transferring and imposing governmental powers and duties; making technical corrections and clarifications; providing bonding authority to Hennepin County; imposing penalties; appropriating money and reducing appropriations; amending Minnesota Statutes 1986, sections 69.031, subdivision 3; 168.011, subdivision 8; 168.012, subdivision 9; 237.075, subdivision 8; 240.01, by adding a subdivision; 240.13, subdivisions 4 and 6; 240.15, subdivisions 1, 3, and 6; 240.18; 270.075, subdivision 2; 270.41; 270.70, subdivision 1; 271.01, subdivision 5; 273.05, subdivision 1; 273.061, subdivision 2; 273.112, subdivisions 3 and 6; 273.121; 273.124, subdivisions 1 and 6; 273.13, by adding a subdivision; 273.40; 279.01, subdivision 3; 287.21, by adding a subdivision; 290.01, by adding a subdivision; 290.06, by adding subdivisions; 290.39, by adding a subdivision; 290.50, subdivision 3; 290.92, subdivisions 2a and 21; 290.931, subdivision 1; 290.934, subdivisions 1, 3, and by adding a subdivision; 290A.03, subdivision 7; 297.01, by adding a subdivision; 297.03, subdivision 12, and by adding a subdivision; 297.041, subdivision 1; 297.06, subdivisions 1, 2, 3, and by adding a subdivision; 297.08, subdivision 1; 297.12, subdivision 1; 297.35, by adding a subdivision; 297A.02, subdivision

4; 297A.15, subdivisions 1 and 5; 297A.16; 297A.17; 297A.21; 297A.25, subdivisions 5, 8, 27, and by adding subdivisions; 297A.256; 297C.02, subdivisions 3 and 4; 297C.03, by adding a subdivision; 297C.07; 297D.08; 298.223; 303.03; 329.11; 349.12, subdivision 18, and by adding subdivisions; 349.2121, subdivisions 1, 2, 5, and by adding a subdivision; 349.22, subdivision 1, and by adding subdivisions; 375.192, subdivision 1; 375.83; 473.167, subdivisions 2, 3, and by adding subdivisions; 473.249, subdivision 1, and by adding a subdivision; 473.446, subdivision 3, and by adding a subdivision; 473.711, subdivision 2, and by adding a subdivision; 473.843, subdivision 2; 477A.011, subdivision 11, and by adding a subdivision; and 477A.015; Minnesota Statutes 1987 Supplement, sections 16A.1541; 60A.15, subdivision 1; 60E.04, subdivision 4; 69.021, subdivision 5; 69.54; 124.155, subdivision 2; 124A.02, subdivisions 3a and 11; 240.13, subdivision 5; 270.485; 272.02, subdivision 1; 272.115, subdivision 4; 272.121; 273.061, subdivision 1; 273.1195; 273.123, subdivisions 4 and 5; 273.124, subdivisions 11 and 13; 273.13, subdivisions 23, 24, and 25; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1392; 273.1393; 273.1397, subdivision 2; 273.165, subdivision 2; 273.42, subdivision 2; 274.01, subdivision 1; 274.19, subdivisions 1, 2, 3, 4, 6, 7, and 8; 275.07, subdivision 1; 275.50, subdivision 2; 275.51, subdivision 3h; 276.04; 279.01, subdivision 1; 290.01, subdivisions 3a, 4, 7, 19, 19a, 19b, 19c, 19d, 19e, and 20; 290.015, subdivisions 1, 2, 3, and 4; 290.06, subdivisions 1, 2c, and 21; 290.081; 290.092, subdivisions 3, 4, 5, and by adding a subdivision; 290.095, subdivisions 1, 3, and by adding a subdivision; 290.10; 290.17, subdivision 2; 290.191, subdivisions 6 and 11; 290.21, subdivisions 3 and 4; 290.35, subdivision 2; 290.371, subdivisions 1, 3, 4, and 5; 290.38; 290.41, subdivision 2; 290.92, subdivisions 7 and 15; 290.934, subdivision 2; 290.9725; 290A.03, subdivisions 3, 13, 14, and 15; 290A.04, subdivision 2; 290A.06; 295.32; 295.34, subdivision 1; 297.01, subdivisions 7 and 14; 297.03, subdivision 6; 297.11, subdivision 5; 297A.01, subdivision 3; 297A.212; 297A.25, subdivisions 3 and 11; 297B.03; 297C.04; 298.2213, subdivision 3; 299.01, subdivision 1; 349.212, subdivisions 1 and 4; 349.2121, subdivisions 4a and 10; 349.2122; 349.2123; 469.174, subdivision 10; 469.175, subdivisions 1, 2, 3, 4, and by adding a subdivision; 469.176, subdivisions 1, 4, and 6; 469.177, subdivisions 1, 3, 4, and by adding subdivisions; 473.446, subdivision 1; 475.53, subdivision 4; 475.61, subdivision 3; 477A.012, subdivision 1; and 508.25; Laws 1987, chapter 268, article 6, sections 19, 53, and 54; and article 8, section 9; proposing coding for new law in Minnesota Statutes, chapters 270; 273; 275; 290; 290A; 297; 297C; 298; 349; and 424A; repealing Minnesota Statutes 1986, sections 272.64; 273.13, subdivisions 7a and 30; 275.035; 275.49; 290.07, subdivisions 3 and 6; 290.11; 290.12, as amended; 290.131, as amended; 290.132, as amended; 290.133, as amended; 290.134, as amended; 290.135, as amended; 290.136, as amended; 290.138, as amended; 290.934, subdivision 4; 297A.15; subdivision 2; 297C.03, subdivision 5; 298.401; and 299.013; Minnesota Statutes 1987 Supplement, sections 273.1195; 273.13, subdivision 15a; 273.1394; 273.1395; 273.1396; 273.1397; 275.081; 275.082; 275.125, subdivi-

sion 22; 290.06, subdivision 20; 290.077, subdivision 1; 290.14; 290.371, subdivision 2; 290A.04, subdivisions 2a and 2b; 296.02, subdivisions 2a and 2b; and 296.025, subdivisions 2a and 2b; Laws 1987, chapter 268, article 3, section 11; and article 5, section 4.

April 25, 1988

The Honorable Robert Vanasek
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

We, the undersigned conferees for H. F. No. 2590, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H. F. No. 2590 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

INDIVIDUAL INCOME TAX

Section 1. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 3a, is amended to read:

Subd. 3a. [TRUST.] The term "trust" has the meaning ~~given in~~ provided under the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987.

Sec. 2. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] The term "resident" means (1) any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1986, unless, during that period, a Minnesota homestead application is filed for property in which the individual has an interest; and (2) any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless the individual or the spouse of the individual is in the armed forces of the United States, or the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

Sec. 3. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute, and

(ii) exempt-interest dividends as defined in section 852(b)(5)~~(A)~~ of the Internal Revenue Code of 1986, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the ~~fund or series of funds~~ regulated investment company as defined in section 851(a) of the Internal Revenue Code of 1986, or the fund of the regulated investment company as defined in section 851(q) of the Internal Revenue Code of 1986, making the payment; and

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code; and

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law Number 99-514, applies.

Sec. 4. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability; ~~and~~

(3) the amount paid to others not to exceed $650 for each dependent in grades kindergarten to six and $1,000 for each dependent in grades seven to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. In order to qualify for the subtraction under this clause the taxpayer must elect to itemize deductions under section 63(e) of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income as provided under section 10; and

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under section 5.

Sec. 5. Minnesota Statutes 1986, section 290.01, is amended by adding a subdivision to read:

Subd. 20g. [ACRS MODIFICATION FOR INDIVIDUALS.] (a) An individual is allowed a subtraction from federal taxable income for the amount of accelerated cost recovery system deductions that were added to federal adjusted gross income in computing Minnesota gross income for taxable year 1981, 1982, 1983, or 1984 and that were not deducted in a later taxable year. The deduction is allowed beginning in the first taxable year after the entire allowable deduction for the property has been allowed under federal law or the first taxable year beginning after December 31, 1987, whichever is later. The amount of the deduction is computed by deducting the amount added to federal adjusted gross income in computing Minnesota gross income (less any deduction allowed under Minnesota Statutes 1986, section 290.01, subdivision 20f) in equal annual amounts over five years.

(b) In the event of a sale or exchange of the property, a deduction is allowed equal to the lesser of (1) the remaining amount that would be allowed as a deduction under paragraph (a) or (2) the amount of capital gain recognized and the amount of cost recovery deductions that were subject to recapture under sections 1245 and 1250 of the Internal Revenue Code of 1986 for the taxable year.

(c) In the case of a corporation electing S corporation status under section 1362 of the Internal Revenue Code, the amount of the corporation's cost recovery allowances that have been deducted in computing federal tax, but have been added to federal taxable income or not deducted in computing tax under this chapter as a result of the application of subdivision 19e, paragraphs (a) and (c) or Minnesota Statutes 1986, section 290.09, subdivision 7 is allowed as a deduction to the shareholders under the provisions of paragraph (a).

Sec. 6. Minnesota Statutes 1987 Supplement, section 290.032, subdivision 2, is amended to read:

Subd. 2. The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(e) of the Internal Revenue Code of 1986, as amended through December 31, 1986, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump sum distribution for the year, over

(ii) the minimum distribution allowance, and except that refer-

ences in section 402(e) of the Internal Revenue Code of 1986, as amended through December 31, 1986, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over federal taxable income for a qualified individual as provided under section 290.0802, subdivision 2.

Sec. 7. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code of 1986 as amended through December 31, 1987, must be computed by applying to their taxable net income the following schedule of rates:

~~(1) For taxable years beginning after December 31, 1986, and before January 1, 1988~~

~~if taxable income is:~~	~~the tax is:~~
~~not over $4,000~~	~~4 percent~~
~~over $4,000, but not over $11,000~~	~~$160 plus 6 percent of the excess over $4,000~~
~~over $11,000, but not over $21,000~~	~~$580 plus 8 percent of the excess over $11,000~~
~~over $21,000~~	~~$1,380 plus 9 percent of the excess over $21,000~~

~~(2) For taxable years beginning after December 31, 1987~~

if taxable income is:	the tax is:
not over $19,000	6 percent
over $19,000	$1,140 plus 8 percent of the excess over $19,000;

plus an amount ~~equal to ten percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986~~ computed using the following schedule of rates:

if taxable income is:	the tax is:
over $75,500, but not over $165,000	0.5 percent of the excess over $75,500
over $165,000	$447.50.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals~~, married individuals filing separate returns, estates, and trusts~~ must be computed by applying to taxable net income the following schedule of rates:

~~(1) For taxable years beginning after December 31, 1986, and before January 1, 1988~~

~~if taxable income is:~~	~~the tax is:~~
~~not over $3,000~~	~~4 percent~~
~~over $3,000, but not over $9,000~~	~~$120 plus 6 percent of the excess over $3,000~~
~~over $9,000, but not over $16,000~~	~~$480 plus 8 percent of the excess over $9,000~~
~~over $16,000~~	~~$1,040 plus 9 percent of the excess over $16,000~~

~~(2) For taxable years beginning after December 31, 1987~~

if taxable income is:	the tax is:
not over $13,000	6 percent
over $13,000	$780 plus 8 percent of the excess over $13,000~~;~~

plus an amount ~~equal to ten percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986~~ computed using the following schedule of rates:

if taxable income is:	the tax is:
over $42,700, but not over $93,000	0.5 percent of the excess over $42,700
over $93,000	$251.50.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987, must be computed by applying to taxable net income the following schedule of rates:

~~(1) For taxable years beginning after December 31, 1986, and before January 1, 1988~~

~~if taxable income is:~~ ~~the tax is:~~
~~not over $3,500~~ ~~4 percent~~
~~over $3,500, but not over $10,000~~ ~~$140 plus 6 percent of the excess over $3,500~~
~~over $10,000, but not over $18,500~~ ~~$530 plus 8 percent of the excess over $10,000~~
~~over $18,500~~ ~~$1,210 plus 9 percent of the excess over $18,500~~

~~(2) For taxable years beginning after December 31, 1987~~

if taxable income is:	the tax is:
not over $16,000	6 percent
over $16,000	$960 plus 8 percent of the excess over $16,000~~;~~.

plus an amount ~~equal to ten percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986~~ computed using the following schedule of rates:

if taxable income is:	the tax is:
over $64,300, but not over $135,000	0.5 percent of the excess over $64,300
over $135,000	$353.50.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than $100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to $1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota ~~sourced~~ source federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1986, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987, increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1).

(f) Any individual who has income which is included in the computation of federal adjusted gross income but is not subject to tax by Minnesota other than income specifically allowed as a subtraction under section 290.01, subdivision 19b, shall compute the tax in the same manner described in paragraph (e). The numerator of the fraction under paragraph (e) is the individual's Minnesota source federal adjusted gross income reduced by the income not subject to Minnesota tax and the denominator is the federal adjusted gross income.

Sec. 8. Minnesota Statutes 1986, section 290.06, is amended by adding a subdivision to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A taxpayer who is liable for taxes on or measured by net income to another state or province or territory of Canada, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7a, clause (b) and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, paragraph (a), the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state or province or territory of Canada by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or

territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state or province or territory of Canada on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state or province or territory of Canada. The taxpayer must submit sufficient proof to show entitlement to a credit.

Sec. 9. Minnesota Statutes 1986, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2.

In the case of nonresident or part-year resident, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

Sec. 10. [290.0802] [SUBTRACTION FOR THE ELDERLY AND DISABLED.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Adjusted gross income" means federal adjusted gross income as used in section 22(d) of the Internal Revenue Code for the taxable year plus the ordinary income portion of a lump sum distribution as defined in section 407(e) of the Internal Revenue code.

(b) "Disability income" means disability income as defined in section 22(c)(2)(B)(iii) of the Internal Revenue Code.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1987.

(d) "Nontaxable retirement and disability benefits" means the amount of pension, annuity, or disability benefits that would be included in the reduction under section 22(c)(3) of the Internal Revenue Code, but excluding tier one railroad retirement benefits.

(e) "Qualified individual" means a qualified individual as defined in section 22(b) of the Internal Revenue Code.

Subd. 2. [SUBTRACTION.] (a) A qualified individual is allowed a subtraction from federal taxable income equal to the lesser of federal taxable income or the individual's subtraction base amount. The excess of the subtraction base amount over federal taxable income may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) $10,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) $8,000 for a single taxpayer, and

(iii) $5,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) $15,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) $12,000 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) $7,500 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

Subd. 3. [RESTRICTIONS; MARRIED COUPLES.] Except in the case of a husband and wife who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers file joint federal and state income tax returns for the taxable year.

Sec. 11. Minnesota Statutes 1987 Supplement, section 290.081, is amended to read:

290.081 [INCOME OF NONRESIDENTS, RECIPROCITY; ~~CREDIT FOR TAXES PAID TO ANOTHER STATE~~.]

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein, ~~or~~.

(b) ~~If any taxpayer who is a resident of this state, or a domestic corporation or corporation commercially domiciled therein, has become liable for taxes on or measured by net income to another state or a province or territory of Canada upon, if the taxpayer is an individual, or if the taxpayer is an athletic team and all of the team's income is apportioned to Minnesota, any income, or if it is a corporation, estate, or trust, upon income derived from the performance of personal or professional services within such other state or province or territory of Canada and subject to taxation under this chapter the taxpayer shall be entitled to a credit against the amount of taxes payable under this chapter, of such proportion thereof, as such gross income subject to taxation in such state or province or territory of Canada bears to the taxpayer's entire gross income subject to taxation under this chapter; provided (1) that such credit shall in no event exceed the amount of tax so paid to such other state or province or territory of Canada on the gross income earned within such other state or province or territory of Canada and subject to taxation under this chapter, and (2) the allowance of such credit shall not operate to reduce the taxes payable under this chapter to an amount less than would have been payable if the gross income earned in such other state or province or territory of Canada had been excluded in computing net income under this chapter. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7a, clause (2), and is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.~~

~~(c) The commissioner shall by rule determine with respect to gross income earned in any other state the applicable clause of this~~

~~section.~~ When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of clause (a) shall not apply. As long as the provisions of clause (a) apply between Minnesota and Wisconsin, the provisions of clause (a) shall apply to any individual who is domiciled in Wisconsin.

~~(d) "Tax So Paid" as used in this section means taxes on or measured by net income payable to another state or province or territory of Canada on income earned within the taxable year for which the credit is claimed, provided that such tax is actually paid in that taxable year, or subsequent taxable years.~~

~~For purposes of clause (b), where a Minnesota resident reported an item of income to Minnesota and is assessed tax in another state or a province or territory of Canada on that same item of income after the Minnesota statute of limitations has expired, the taxpayer shall be allowed to receive a credit for that year based on clause (b), notwithstanding the provisions of sections 290.49, 290.50, and 290.56. For purposes of the preceding sentence, the burden of proof shall be on the taxpayer to show entitlement to a credit.~~

~~(e)~~ (c) For the purposes of clause (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without clause (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without clause (a), or vice versa, then the state with the net revenue loss resulting from clause (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

Interest shall be payable on all delinquent balances relating to taxable years beginning after December 31, 1977. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due on any delinquent amounts.

If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

Notwithstanding the provisions of section 290.61, the commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

Sec. 12. Minnesota Statutes 1987 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from labor or personal or professional services is assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources is treated as income from sources without this state.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer firefighters' relief association, by way of payment as a pension, public employee

retirement benefit, or any combination of these, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 408, or 409, or as defined in section 403(b) or 457 of the Internal Revenue Code of 1986, as amended through December 31, 1986, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Except upon the sale of a partnership interest or the sale of stock of an "S" corporation, income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of stock held in an "S" corporation is allocable to this state in the ratio of the original cost of tangible property of the "S" corporation within this state to the original cost of tangible property of the "S" corporation everywhere.

(d) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state.

(e) Income from winnings on Minnesota pari-mutuel betting tickets and lawful gambling as defined in section 349.12, subdivision 2, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

(f) All items of gross income not covered in paragraphs (a) to (e) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

Sec. 13. Minnesota Statutes 1987 Supplement, section 290.38, is amended to read:

290.38 [RETURNS OF MARRIED PERSONS.]

A husband and wife must file a joint Minnesota income tax return if they filed a joint federal income tax return. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several; provided that a spouse who is relieved of a liability attributable to a substantial underpayment under section 6013(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, shall also be relieved of the state tax liability on the substantial underpayment. If the husband and wife have elected to file separate federal income tax returns they must file separate Minnesota income tax returns. This election to file a joint or separate returns must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by rule.

The determination of whether an individual is married shall be made under provisions of section 7703 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

Sec. 14. Minnesota Statutes 1986, section 290.39, is amended by adding a subdivision to read:

Subd. 5. [PARTNERSHIPS; NONRESIDENT PARTNERS.] (a) The commissioner may allow a partnership with five or more nonresident partners to file a composite return on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, social security numbers, income allocation, and tax liability for all nonresident partners electing to be covered by the composite return.

(b) The computation of each partner's tax liability will be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners on or before the due date for filing the individual income tax return. The request may be made a part of the return filed.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The penalty for failure to file a return as provided in section 290.53, subdivision 2,

is assessed from the due date for filing a return until a non-composite return is filed. The tax paid for such an individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return constitutes a return for purposes of subdivision 1 of this section.

(e) This subdivision does not preclude the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 290.93. However, a composite estimate may be filed in a manner similar to and containing the same information required under paragraph (a).

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under section 290.37, subdivision 1, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is not available to any partner other than a full-year nonresident individual who has no other Minnesota source income.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this subdivision. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to each shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of such estates or trusts may make an election under this subdivision. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to each beneficiary.

Sec. 15. Minnesota Statutes 1987 Supplement, section 290.41, subdivision 2, is amended to read:

Subd. 2. [BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.] To the extent required by section 6041 of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987, every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of $600 or more on account of rents or royalties, or of $10 or more on account of interest, or $10 or more on account of dividends or patronage dividends, or $600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section

290.92, subdivision 7, or on account of earnings of $10 or more distributed to its members by savings, building and loan associations or credit unions chartered under the laws of this state or the United States, (a) shall make a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

A person, corporation, or cooperative required to file returns under this subdivision ~~on interest, dividends, or patronage dividend payments with respect to more than 50 payees for any calendar year~~ must file all of these returns on magnetic media if the media were used to satisfy the federal reporting requirement under section 6011(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

Sec. 16. Minnesota Statutes 1987 Supplement, section 290.491, is amended to read:

290.491 [TAX ON GAIN; DISCHARGE IN BANKRUPTCY.]

(a) Any tax due under this chapter on a gain realized on a forced sale pursuant to foreclosure of a mortgage or other security interest in agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be a dischargeable debt in a bankruptcy proceeding under United States Code, title 11, section 727.

(b) Income realized on a sale or exchange of agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be exempt from taxation under this chapter, if the taxpayer was insolvent at the time of the sale and the proceeds of the sale were used solely to discharge indebtedness secured by a mortgage, lien, or other security interest on the property sold. For purposes of this section, "insolvent" means insolvent as defined in section 108(d)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1985. This paragraph applies only to the extent that the gain

is includable in federal taxable income or in the computation of the alternative minimum taxable income under section 290.091 for purposes of the alternative minimum tax. The amount of the exemption is limited to the excess of the taxpayer's (1) liabilities over (2) the total assets and any exclusion claimed under section 108 of the Internal Revenue Code of 1986, as amended through December 31, 1987, determined immediately before application of this paragraph.

(c) For purposes of this section, any tax due under this chapter specifically includes, but is not limited to, tax imposed under sections 290.02 and 290.03 on income derived from a sale or exchange, whether constituting gain, discharge of indebtedness or recapture of depreciation deductions, or the alternative minimum tax imposed under section 290.091.

Sec. 17. Minnesota Statutes 1987 Supplement, section 290.92, subdivision 7, is amended to read:

Subd. 7. [WITHHOLDING STATEMENT TO EMPLOYEE OR PAYEE AND TO COMMISSIONER.] (1) Every person required to deduct and withhold from an employee a tax under subdivision 2a or 3, or section 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under subdivision 2a or 3, or section 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of $600, or who has entered into a voluntary withholding agreement with a payee pursuant to subdivision 20, shall furnish to each such employee or person receiving royalty payments in respect to the remuneration paid by such person to such employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of such calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(a) Name of such person,

(b) The name of the employee or payee and the employee's or payee's social security account number,

(c) The total amount of wages as that term is defined in subdivision 1(1), and/or the total amount of remuneration subject to withholding pursuant to subdivision 20, and the amount of sick pay as required under section 6051(f) of the Internal Revenue Code of ~~1954~~ 1986, as amended through December 31, ~~1985~~ 1987,

(d) The total amount deducted and withheld as tax under subdivision 2a or 3, or section 290.923, subdivision 2.

(2) The statement required to be furnished by this subdivision in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the commissioner may prescribe.

(3) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to furnish such statements to their employees or payees under this subdivision.

(4) A duplicate of any statement made pursuant to this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in such form as the commissioner may prescribe of all such statements for the calendar year (including a reconciliation of the quarterly returns required to be filed pursuant to subdivision 6), shall be filed with the commissioner on or before February 28 of the year after the payments were made.

(5) The employer must submit the statements required to be sent to the commissioner on magnetic media, if the media were required to satisfy the federal reporting requirements pursuant to section 6011(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, and the regulations issued under it.

Sec. 18. Minnesota Statutes 1987 Supplement, section 290.92, subdivision 15, is amended to read:

Subd. 15. [PENALTIES; FAILURE TO PAY TAX.] (1) In the case of any failure to withhold a tax on wages, or make payments to or deposits with the commissioner of amounts withheld, as required by this section, within the time prescribed by law, there shall be added to the tax a penalty equal to three percent of the amount of tax that should have been properly withheld and paid over to or deposited with the commissioner if the failure is for not more than 30 days with an additional three percent for each additional 30 days or fraction thereof during which the failure continues, not exceeding 24 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(1a) In the case of a failure to make and file quarterly returns with the commissioner as required by this section, there shall be added to the tax a penalty equal to three percent of the amount of tax not properly withheld and paid over to or deposited with the commis-

sioner if the failure is for not more than 30 days with an additional five percent of the amount of tax remaining unpaid during each additional 30 days or fraction thereof during which the failure continues, not exceeding 23 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(1b) In the case of a failure to file a return of tax imposed by this chapter within 60 days of the date prescribed for filing of the return (determined with regard to any extension of time for filing), the addition to tax under paragraph (1a) shall not be less than the lesser of (i) $200; or (ii) the greater of (a) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax or (b) $50.

(1c) Where penalties are imposed under paragraphs (1) and (1a), except for the minimum penalty under paragraph (1b), the combined penalty percentage shall not exceed 38 percent in the aggregate.

(2) If any employer required to withhold a tax on wages, make deposits, make and file quarterly returns and make payments to the commissioner of amounts withheld, as required by sections 290.92 to 290.97, willfully fails to withhold the tax or make the deposits, files a false or fraudulent return, willfully fails to make the payment or deposit, or willfully attempts in any manner to evade or defeat the tax or the payment or deposit of it, there shall also be imposed on the employer as a penalty an amount equal to 50 percent of the amount of tax, less any amount paid or deposited by the employer on the basis of the false or fraudulent return or deposit, that should have been properly withheld and paid over or deposited with the commissioner. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The penalty imposed by this paragraph shall be collected as a part of the tax, and shall be in addition to any other penalties civil and criminal, prescribed by this subdivision.

(3) If any person required under the provisions of subdivision 7 to furnish a statement to an employee or payee and a duplicate statement to the commissioner, or to furnish a reconciliation of the statements, and quarterly returns, to the commissioner, willfully furnishes a false or fraudulent statement to an employee or payee or a false or fraudulent duplicate statement or reconciliation of statements, and quarterly returns, to the commissioner, or willfully fails to furnish a statement or the reconciliation in the manner, at the time, and showing the information required by the provisions of

subdivision 7, or rules prescribed by the commissioner thereunder, there shall be imposed on the person a penalty of $50 for each act or failure to act, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000. The penalty imposed by this paragraph is due and payable within ten days after the mailing of a written demand therefor, and may be collected in the manner prescribed in subdivision 6, paragraph (8).

(4) In addition to any other penalties prescribed, any person required to withhold a tax on wages, file quarterly returns, and make payments or deposits to the commissioner of amounts withheld, as required by this section, who attempts to evade the tax by (i) willfully failing to withhold the tax, file the return, or make the payment or deposit, or (ii) willfully preparing or filing a false return, is guilty of a gross misdemeanor unless the tax involved exceeds $300, in which event the person is guilty of a felony.

(5) In lieu of any other penalty provided by law, except the penalty provided by paragraph (3), any person required under the provisions of subdivision 7 to furnish a statement of wages to an employee and a duplicate statement to the commissioner, who willfully furnishes a false or fraudulent statement of wages to an employee or a false or fraudulent duplicate statement of wages to the commissioner, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, is guilty of a gross misdemeanor.

(6) Any employee required to supply information to an employer under the provisions of ~~subdivision~~ subdivisions 4a and 5, who willfully fails to supply information or willfully supplies false or fraudulent information thereunder which would require an increase in the tax to be deducted and withheld under subdivision 2a or 3, is guilty of a gross misdemeanor.

(7) The term "person," as used in this section, includes an officer or employee of a corporation, or a member or employee of a partnership, who as an officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

(8) All payments received may, in the discretion of the commissioner of revenue, be credited first to the oldest liability not secured by a judgment or lien, but in all cases shall be credited first to penalties, next to interest, and then to the tax due.

(9) In addition to any other penalty provided by law, any employee who furnishes a withholding exemption certificate or a residency affidavit to an employer which the employee has reason to know contains a materially incorrect statement is liable to the commissioner of revenue for a penalty of $500 for each instance. The penalty

is immediately due and payable and may be collected in the same manner as any delinquent income tax.

(10) In addition to any other penalty provided by law, any employer who fails to submit a copy of a withholding exemption certificate or a residency affidavit required by subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the commissioner of revenue for a penalty of $50 for each instance. The penalty is immediately due and payable and may be collected in the manner provided in subdivision 6, paragraph (8).

(11) Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this section, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, whether or not the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor, unless the tax involved exceeds $300, in which event the actor is guilty of a felony.

(12) Notwithstanding the provisions of section 628.26, or any other provision of the criminal laws of this state, an indictment may be found and filed, or a complaint filed, upon any criminal offense specified in this subdivision, in the proper court within six years after the commission of the offense.

Sec. 19. Minnesota Statutes 1986, section 290.92, subdivision 21, is amended to read:

Subd. 21. [EXTENSION OF WITHHOLDING TO UNEMPLOYMENT COMPENSATION BENEFITS.] (a) At the time an individual makes a claim for unemployment compensation benefits, the commissioner of jobs and training must notify the individual that the individual's unemployment compensation may be subject to state income taxes depending on the individual's other income and that the individual may elect to have the payments subject to withholding under this section. If the individual so requests, unemployment compensation benefits paid to the individual shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

(b) For purposes of this section, any supplemental unemployment compensation benefit paid to an individual to the extent includable in such individual's Minnesota gross income, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

Sec. 20. [ESTIMATED TAX EXCEPTION FOR 1987.]

For taxable years beginning after December 31, 1986, but beginning before January 1, 1988, the required amount of the annual payment of the current year's tax in determining the underpayment in Minnesota Statutes, section 290.93, subdivision 10, paragraph (4), clause (a), shall be 80 percent instead of 90 percent and the penalty shall also be reduced by the ratio by which the salary income subject to withholding bears to the federal adjusted gross income for 1987 as determined under section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 21. [REPEALER.]

Minnesota Statutes 1987 Supplement, sections 290.06, subdivision 20; and 290.077, subdivision 1, are repealed.

Sec. 22. [EFFECTIVE DATES.]

Except as otherwise provided, sections 1 to 3 and 16 are effective for taxable years beginning after December 31, 1986. Sections 5, 7 to 12, 14, 15, 17, and 21 are effective for taxable years beginning after December 31, 1987. The deduction allowed under section 4, clause (4) and the ability of surviving spouses to use the married filing joint rates in section 7 are effective for taxable years beginning after December 31, 1986. The rest of sections 4 and 7 are effective for taxable years beginning after December 31, 1987. Section 13 is effective for taxable years beginning after December 31, 1984. Section 18 is effective the day following final enactment.

ARTICLE 2

BUSINESS TAXES

Section 1. Minnesota Statutes 1987 Supplement, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 15, June 15, and December 15 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies and domestic mutual insurance companies, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. For insurers other than town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) principally writing workers' compensation insurance, (ii) writing life insurance, or (iii) whose total assets at the end of the preceding calendar year exceed $1,600,000,000, installments must be based on a sum equal to two percent of the premiums described in paragraph (b). For town and farmers' mutual insurance companies and mutual property and casualty insurance companies

other than those (i) principally writing workers' compensation insurance, (ii) writing life insurance, or (iii) whose total assets at the end of the preceding calendar year exceed $1,600,000,000, the installments must be based on an amount equal to the following percentages of the premiums described in paragraph (b):

(1) for premiums paid after December 31, 1987, and before January 1, 1989, 1.5 percent;

(2) for premiums paid after December 31, 1988, and before January 1, 1992, one percent; and

(3) for premiums paid after December 31, 1991, one-half of one percent.

(b) Installments under paragraph (a) are percentages of gross premiums less return premiums on all direct business received by ~~it~~ the insurer in this state, or by its agents for it, in cash or otherwise, during such year, excepting premiums written for marine insurance as specified in subdivision 6.

(c) Failure of a company to make payments of at least one-third of either ~~(a)~~ (1) the total tax paid during the previous calendar year or ~~(b)~~ (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section.

Sec. 2. Minnesota Statutes 1987 Supplement, section 60E.04, subdivision 4, is amended to read:

Subd. 4. [TAXATION.] (a) All premiums paid for coverages within this state to risk retention groups are subject to taxation at the same rate and subject to the same interest, fines, and penalties for nonpayment as that applicable to ~~foreign admitted~~ other insurers.

(b) To the extent agents or brokers are utilized, they shall report and pay the taxes for the premiums for risks which they have placed with or on behalf of a risk retention group not chartered in this state. The agents or brokers are subject to the provisions of sections 60A.195 to 60A.209.

(c) To the extent agents or brokers are not utilized or fail to pay the tax, each risk retention group shall pay the tax for risks insured within the state. Each risk retention group shall report all premiums paid to it for risks insured within the state and shall be subject to the same interest, fines, and penalties for nonpayment as that applicable to foreign admitted insurers.

Sec. 3. Minnesota Statutes 1986, section 62E.13, is amended by adding a subdivision to read:

Subd. 10. Premiums received by the writing carrier for the comprehensive health insurance plan are exempt from the provisions of section 60A.15.

Sec. 4. Minnesota Statutes 1987 Supplement, section 69.021, subdivision 5, is amended to read:

Subd. 5. [CALCULATION OF STATE AID.] The amount of state aid available for apportionment shall be two percent of the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report and two percent of the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. ~~The amount for apportionment in respect to firefighter's state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting~~ This amount shall be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations. The total amount for apportionment in respect to police state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's costs and expenses of the audits or exams of the police relief associations. The amount for apportionment in respect to police state aid shall be distributed to the municipalities maintaining police departments and to the county on the basis of the number of active peace officers, as certified pursuant to section 69.011, subdivision 2, clause (b). The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

Sec. 5. Minnesota Statutes 1986, section 69.031, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATIONS.] There is hereby appropriated annually from the state general fund to the commissioner of revenue an amount sufficient to make the payments specified in this section and section 69.021 ~~not exceeding the tax collected~~.

Sec. 6. Minnesota Statutes 1986, section 237.075, subdivision 8, is amended to read:

Subd. 8. [CHARITABLE CONTRIBUTIONS.] The commission shall allow as operating expenses only those charitable contributions which the commission deems prudent and which qualify under section 290.21, subdivision 3, clause (b) or (e). Only 50 percent of the qualified contributions shall be allowed as operating expenses.

Sec. 7. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 5, is amended to read:

Subd. 5. [DOMESTIC CORPORATIONS.] The term "domestic" when applied to a corporation means a corporation:

(1) created or organized in ~~Minnesota or under its laws; and the term "foreign" when thus applied means a corporation other than a domestic corporation~~ the United States, or under the laws of the United States or of any state, the District of Columbia, or any political subdivision of any of the foregoing but not including the commonwealth of Puerto Rico, or any possession of the United States;

(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue Code of 1954, as amended through December 31, 1985; or

(3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 8. Minnesota Statutes 1986, section 290.01, is amended by adding a subdivision to read:

Subd. 5a. [FOREIGN CORPORATION.] The term "foreign," when applied to a corporation, means a corporation other than a domestic corporation.

Sec. 9. Minnesota Statutes 1986, section 290.01, is amended by adding a subdivision to read:

Subd. 6b. [FOREIGN OPERATING CORPORATION.] The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

(1) it is part of a unitary business at least one member of which is taxable in this state; and

(2) either (i) the average of the percentages of its property and payrolls assigned to locations inside the United States and the District of Columbia, excluding the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 20 percent or less; or (ii) it has in effect a valid election under section 936 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(q) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply; and

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19f mean the code in effect for purposes of determining net income for the applicable year.

Sec. 11. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities ~~to the extent the obligations are not subject to federal tax~~; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; or the District of Columbia;

(3) ~~exempt interest~~ exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(4) the amount of any windfall profits tax deducted under section 164 or 471 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(5) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(6) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(7) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(8) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(9) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(10) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(11) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986; ~~and~~

(12) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities; and

(13) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g).

Sec. 12. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the decrease in salary expense for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code of 1986, as amended through December 31, 1986, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed; ~~and~~

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable

years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986, in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section 273.1314, subdivision 9, or Minnesota Statutes, section 469.171, subdivision 6;

(10) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year; and

(11) the following percentage of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation:

Taxable Year

Beginning After . . . . . Percentage

December 31, 1988 ..... 50 percent

December 31, 1990 ..... 80 percent.

Sec. 13. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19e, is amended to read:

Subd. 19e. [DEPRECIATION MODIFICATIONS FOR CORPORATIONS.] In the case of corporations, a modification shall be made for the accelerated cost recovery system. The allowable deduction for the accelerated cost recovery system is the same amount as provided in section 168 of the Internal Revenue Code with the following modifications. The modifications apply to taxable years beginning after December 31, 1986, and to property for which deductions under the Tax Reform Act of 1986, Public Law Number 99-514, are elected or apply.

(a) For property placed in service after December 31, 1980, and before January 1, 1987, 40 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1985, for 15-, 18-, or 19-year real property shall not be allowed and for all other property 20 percent shall not be allowed.

(b) For property placed in service after December 31, 1987, no modification shall be made.

(c) For property placed in service after July 31, 1986, and before January 1, 1987, for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, and for property placed in service after December 31, 1986, and before January 1, 1988, 15 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1986 shall not be allowed.

(d) For property placed in service after December 31, 1980, and before January 1, 1987, for which the taxpayer elects to use the straight line method provided in section 168(b)(3), (f)(12), or (j)(1) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1986, but excluding property for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, the modifications provided in paragraph (a) do not apply.

(e) For property subject to the modifications contained in paragraphs (a) and ~~(b)~~ (c) and Minnesota Statutes 1986, section 290.09, subdivision 7, clause (c), the following modification shall be made after the entire amount of the allowable deduction has been allowed for federal tax purposes for that property under the provisions of section 168 of the Internal Revenue Code of 1986, as amended

through December 31, 1986. The remaining depreciable basis in those assets for Minnesota purposes, including the amount of any basis reduction to reflect the investment tax credit for federal purposes under sections 48(q) and 49(d) of the Internal Revenue Code of 1986, as amended through December 31, 1986, shall be a depreciation allowance computed using the straight line method over the following number of years:

(1) three-year property, one year;

(2) five-year and seven-year property, two years;

(3) ten-year property, five years; and

(4) all other property, seven years.

(f) For property placed in service after December 31, 1987, the remaining depreciable basis for Minnesota purposes that is attributable to the basis reduction for federal purposes to reflect the investment tax credit under sections 48(q) and 49(d) of the Internal Revenue Code of 1986, as amended through December 31, 1986, shall be allowed as a deduction in the first taxable year after the entire amount of the allowable deduction for that property under the provisions of section 168 of the Internal Revenue Code of 1986, has been allowed, except that where the straight line method provided in section 168(b)(3) is used, the deduction provided in this clause shall be allowed in the last taxable year in which an allowance for depreciation is allowed for that property.

(g) For qualified timber property for which the taxpayer made an election under section 194 of the Internal Revenue Code of 1986, the remaining depreciable basis for Minnesota purposes is allowed as a deduction in the first taxable year after the entire allowable deduction has been allowed for federal tax purposes.

(h) The basis of property to which section 168 of the Internal Revenue Code applies is its basis as provided in this chapter including the modifications provided in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c). The recapture tax provisions provided in sections 1245 and 1250 of the Internal Revenue Code of 1986, as amended through December 31, 1986, apply but must be calculated using the basis provided in the preceding sentence.

(i) The basis of an asset acquired in an exchange of assets, including an involuntary conversion, is the same as its federal basis under the provisions of the Internal Revenue Code of 1986, except that the difference in basis due to the modifications in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), is a

Sec. 14. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 29, is amended to read:

Subd. 29. [TAXABLE INCOME.] For tax years beginning after December 31, 1986, the term "taxable income" means:

(1) for individuals, estates, and trusts, the same as taxable net income;

(2) for corporations, the taxable net income less

(i) the net operating loss deduction under section 290.095;

(ii) the dividends received deduction under section 290.21, subdivision 4; and

(iii) the charitable contribution deduction under section 290.21, subdivision 3; ~~and~~

~~(iv) the foreign royalty deduction under section 290.21, subdivision 8. deduction as provided in paragraph (c).~~

Sec. 15. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] ~~A person, other than a resident individual, that conducts a trade or business with its principal place of business outside of Minnesota is subject to the taxes imposed by this chapter with respect to that trade or business if the trade or business makes sales or receives other income that is assignable or apportionable to this state under section 290.17, 290.191, 290.20, 290.35 or 290.36 without regard to physical presence in this state, except as provided in subdivision 3. Activities that create jurisdiction to tax under this chapter include, but are not limited to:~~

~~(1) having a place of business in this state;~~

~~(2) having employees, representatives, or independent contractors conducting business activities in this state;~~

~~(3) regularly selling products or services of any kind or nature to customers in this state who receive the product or service in this state;~~

~~(4) regularly soliciting business from potential customers in this state;~~

~~(5) regularly performing services from outside this state which are consumed within this state;~~

~~(6) regularly engaging in transactions with customers in this state that involve intangible property, including loans but not property described in subdivision 3, paragraph (b), and result in income flowing to the person from within this state;~~

~~(7) owning or leasing tangible personal or real property located in this state; or~~

~~(8) if a financial institution, regularly soliciting and receiving deposits from customers in this state.~~

(a) Except as provided in subdivision 3, a person that conducts a trade or business that has a place of business in this state, regularly has employees or independent contractors conducting business activities on its behalf in this state, or owns or leases real property located in this state or tangible personal property located in this state as defined in section 290.191, subdivision 6, paragraph (e), is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

(1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;

(2) sales of services which are performed from outside this state but the benefits of which are consumed in this state;

(3) transactions with customers in this state that involve intangible property and result in income flowing to the person from within this state as provided in section 290.191;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 6, paragraph (e);

(5) sales and leases of real property located in this state; and

(6) if a financial institution, deposits received from customers in this state.

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals, the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota, but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telegraph, telephone, computer data base, cable, optic, microwave, or other communication system.

Sec. 16. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 2, is amended to read:

Subd. 2. [PRESUMPTION.] (a) A person is presumed, subject to rebuttal, to be ~~engaged in regular solicitation within this state if it conducts transactions described in any of subdivision 1, clauses (3) to (6), with 20 or more residents of this state during any tax period or, if a financial institution, if the sum of its assets and the absolute value of its deposits attributable to sources within this state equals or exceeds $5,000,000. Assets and deposits must be attributed to sources within this state by applying the principles established under section 290.191~~ obtaining or regularly soliciting business from within this state if:

(1) it is a financial institution and it conducts activities described in subdivision 1, paragraph (b), without regard to transactions described in subdivision 3, with 20 or more persons within this state during any tax period; or

(2) it is a financial institution as defined in section 290.01,

subdivision 4a, and the sum of its assets and the absolute value of its deposits attributable to sources within this state equals or exceeds $5,000,000, with assets and deposits attributed to sources within this state by applying the principles established under section 290.191, except as provided in subdivision 3.

(b) A financial institution that (i) is not engaged in activities within this state under subdivision 1, paragraph (a), and (ii) does not satisfy the requirements of paragraph (a) is not subject to taxes imposed by this chapter.

Sec. 17. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this chapter is precluded by Public Law Number 86-272, United States Code, title 15, sections 381 to 384 or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231.

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the property, or the acquisition or liquidation of collateral relating to the property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

(1) an interest in a real estate mortgage investment conduit, a real estate investment trust, or a regulated investment company, as those terms are defined in the Internal Revenue Code of 1986, as amended through December 31, 1986; ~~and~~

(2) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables, and which are issued by a financial institution or by an entity substantially all of whose assets consist of promissory notes, mortgages, receivables, or interests in them;

(3) an interest in any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), and in which the payment obligations embodies in such assets were solicited and entered into by persons independent and not acting on behalf of the owner;

(4) an interest in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner;

(5) an interest of a person other than an individual, estate, or trust, in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding provisions of this subdivision, provided the property is disposed of within a reasonable period of time; or

(6) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision.

If the person is a member of the unitary group, paragraph (b) does not apply to an interest acquired from another member of the unitary group.

Sec. 18. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS.] (a) This section does not ~~(1)~~ subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business; ~~or (2) exclude a trade or business from the filing requirements of the notice of business activities report under section 290.371~~.

(b) The purchase of tangible personal property or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota (the "non-Minnesota person") from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made.

(c) No contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3, or with respect to deposits received from or by a Minnesota financial institution, shall be taken into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. The fact of participation by a Minnesota financial institu-

tion in a transaction which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary group.

Sec. 19. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 1, is amended to read:

Subdivision 1. [COMPUTATION, CORPORATIONS.] (a) The franchise tax imposed by this chapter upon corporations shall be computed by applying to their taxable income the rate of 9.5 percent adjusted as provided in paragraph (b).

(b) For taxable years beginning after December 31, 1989, the commissioner of revenue must adjust the rate provided in paragraph (a) as provided in this paragraph. By December 15, 1989, the commissioner shall prepare a forecast of revenues predicted to be raised for taxable years beginning in 1990 by the franchise tax on corporations under this chapter for taxable years beginning in 1990, including the tax under section 290.092, computed as if the tax were imposed under section 290.092, subdivisions 1 to 4, and the rate in effect in this subdivision were 9.5 percent. The commissioner shall adjust the rate provided in paragraph (a) so that the amount forecast to be raised by the franchise tax on corporations under this chapter, including the tax under section 290.092, subdivision 5, is equal to the amount of the forecast computed as if the tax under section 290.092, subdivisions 1 to 4, were in effect. The adjustment of the tax rate by the commissioner under this subdivision shall not be considered a "rule" and shall not be subject to the administrative procedure act contained in chapter 14.

Sec. 20. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 21, is amended to read:

Subd. 21. [ALTERNATIVE MINIMUM TAX.] (a) A corporation is allowed a credit for alternative minimum tax previously paid for any taxable year in which the corporation has no tax liability under section 290.092, subdivision 1, and has an alternative minimum tax credit carryover from a previous year. The credit allowable in any taxable year shall be equal to the lesser of (1) the excess of the tax under section 290.06 for the taxable year over the amount computed under section 290.092, subdivision 1, clause ~~(a)~~ (1), for the taxable year, or (2) the alternative minimum tax credit carryover to the taxable year.

(b) The tax imposed under section 290.092, subdivision 1, for any taxable year is ~~a credit for~~ an alternative minimum tax ~~previously paid which is a~~ credit carryover to each of the five taxable years succeeding the taxable year. The entire amount of the alternative

minimum tax credit must be carried to the earliest ~~of the~~ taxable ~~years~~ year to which such amount may be carried. ~~The portion of the alternative minimum tax credit which is carried to each of the other taxable years to which the credit may be carried is the excess, if any, of the credit over the amount allowable under paragraph (a) for each of the taxable years to which the credit may be carried. In each taxable year in which a credit is allowable under paragraph (a), the credit for alternative minimum tax previously paid must be used beginning with the earliest taxable year from which the credit may be carried~~ Any unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year more than five years after the taxable year in which the alternative minimum tax was paid.

Sec. 21. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 3, is amended to read:

Subd. 3. [ALTERNATIVE MINIMUM TAX BASE.] The alternative minimum tax base equals the sum of:

(1) the total amount of Minnesota sales ~~and~~ or receipts;

(2) the amount of the taxpayer's total Minnesota property; and

(3) the taxpayer's total Minnesota payrolls;

less the exemption amount, if any.

Sec. 22. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 4, is amended to read:

Subd. 4. [DEFINITIONS.] (a) "Minnesota sales ~~and~~ or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota except as provided in subdivision 4a. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. ~~For the first five taxable years during which a corporation is subject to taxation under this chapter, the amount of its Minnesota property and payrolls shall be deemed to be zero for purposes of this section~~ On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in

Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, except as provided in subdivision 4a. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

(d) The "exemption amount" equals the lesser of (1) the sum of the taxpayer's Minnesota sales ~~and~~ or receipts, property, and payrolls, as defined in this section, or (2) $5,000,000 reduced by one-half of the amount of the taxpayer's total sales and receipts, property, and payrolls, as defined in this section, in excess of $10,000,000. In the case of a unitary group, the exemption amount equals the lesser of (1) the sum of the unitary group's Minnesota sales or receipts, property, and payrolls or (2) $5,000,000 reduced by one-half of the unitary group's total sales or receipts, property, and payrolls in excess of $10,000,000. Each member of a unitary group may use a portion of the unitary group's exemption amount based on a fraction, the numerator of which is the sum of the taxpayer's Minnesota sales or receipts, property, and payrolls and the denominator is the sum of the Minnesota sales or receipts, property, and payrolls of all unitary members subject to the taxes imposed by this chapter. Total sales and receipts, property, and payroll means the total determined under section 290.191 as the denominator of the apportionment formula. For purposes of this section, taxpayers who use an apportionment formula that does not include sales or receipts, property, and payrolls shall, nevertheless, use those amounts as defined in section 290.191, subdivisions 5 to 12. On a return for a short taxable year, the amount of total property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365. In the case of a unitary business, the exemption amount must reflect the factors of ~~the entire~~ all businesses included in the unitary ~~business~~ group as ~~reported on the combined report~~ defined in section 290.17, subdivision 4. A corporation that has as its sole or primary business activity (1) the providing of professional services, as defined in section 319A.02; (2) operation as a financial institution, as defined in section 290.01, subdivision 4a; (3) sales or management of real estate; or (4) operation as an insurance agency, as defined in section 60A.02, does not have an exemption amount.

Sec. 23. Minnesota Statutes 1987 Supplement, section 290.092, is amended by adding a subdivision to read:

Subd. 4a. [NEW BUSINESS EXCLUSION.] For the first five taxable years during which a corporation is subject to taxation under this chapter, the amount of its Minnesota property and

payrolls must be excluded from the alternative minimum tax base unless it is disqualified in this subdivision. A corporation is considered subject to taxation under this chapter if it would be subject to Minnesota's jurisdiction to tax as provided in section 290.015, before claiming this exclusion. The following does not qualify for this exclusion:

(1) a corporation that is a member of a unitary group that includes at least one business that does not qualify for this exclusion;

(2) any corporation organized under the laws of this state or certified to do business within this state at least five taxable years before the taxable year in which this exclusion is claimed;

(3) corporations created by: reorganizations, as defined in section 368 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or split-ups, split-offs, or spin-offs, as described in section 355 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or the transfer or acquisition, whether directly or indirectly, of assets which constitute a trade or business, including stock purchases under section 338 of the Internal Revenue Code of 1986, as amended through December 31, 1987, where the surviving, newly formed, or acquiring corporation conducts substantially the same activities as the predecessor corporation, regardless of whether or not the survivor corporation also conducts additional activities, and the predecessor corporation would not otherwise qualify for this exclusion if it had continued to conduct those activities;

(4) any change in identity or form of business where the original business entity would have been subject to Minnesota's taxing jurisdiction, as provided in section 290.015, at least five taxable years before the taxable year in which this exclusion is claimed;

(5) a corporation, the primary business activity of which is the providing of professional services as defined in section 319A.02, operation as a financial institution, as defined in section 290.01, subdivision 4a; sales or management of real estate; or operation as an insurance agency, as defined in section 60A.03; or

(6) a corporation the affairs of which the commissioner finds were arranged as they were primarily to reduce taxes by qualifying as a new business under this subdivision.

Sec. 24. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 5, is amended to read:

Subd. 5. [IMPOSITION OF TAX AFTER 1989.] For taxable years beginning after December 31, 1989, in addition to the taxes computed under this chapter ~~without regard to this section~~, the fran-

chise tax imposed on corporations includes a tax equal to ~~the excess, if any, of:~~

~~(1)~~ 40 percent of the tax imposed upon the corporation under section 55(a) of the Internal Revenue Code of 1986, as amended through December 31, 1986, apportioned to Minnesota under section 290.191. In computing the amount of the liability under section 55(a) of the Internal Revenue Code of 1986, the regular federal tax liability under section 55(a)(2) of the Internal Revenue Code of 1986, must be determined using federal taxable income as modified by sections 290.01, subdivisions 19c and 19d, 290.095, and 290.21, and alternative minimum taxable income under section 56 of the Internal Revenue Code of 1986 must be computed as if the section 290.095 restrictions on net operating losses applied.

~~(2) the amount of tax computed under this chapter without regard to this section.~~

Sec. 25. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 1, is amended to read:

Subdivision 1. [ALLOWANCE OF DEDUCTION.] (a) There shall be allowed as a deduction for the taxable year the amount of any net operating loss deduction as provided in section 172 of the Internal Revenue Code of 1986, as amended through December 31, 1986, subject to the limitations and modifications provided in this section.

(b) A net operating loss deduction shall be available under this section only to corporate taxpayers except that subdivisions 7, 9, and 11 hereof apply only to individuals, estates, and trusts.

(c) In the case of a regulated investment company or fund thereof, as defined in section 851(a) or 851(q) of the Internal Revenue code of 1986, as amended through December 31, 1987, the deduction provided by this section shall not be allowed.

Sec. 26. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 2, is amended to read:

Subd. 2. [DEFINED AND LIMITED.] (a) The term "net operating loss" as used in this section shall mean a net operating loss as defined in section 172(c) of the Internal Revenue Code of 1986, as amended through December 31, 1986, with the modifications specified in subdivision 4. The deductions provided in section 290.21 and the modification provided in section 290.01, subdivision 19d, clause (11), cannot be used in the determination of a net operating loss.

(b) The term "net operating loss deduction" as used in this section means the aggregate of the net operating loss carryovers to the taxable year, computed in accordance with subdivision 3. The

provisions of section 172(b) of the Internal Revenue Code of 1986, as amended through December 31, 1986, relating to the carryback of net operating losses, do not apply.

Sec. 27. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss ~~for any taxable year~~ incurred in a taxable year: (i) beginning after December 31, 1986, shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss; (ii) beginning before January 1, 1987, shall be a net operating loss carryover to each of the five taxable years following the taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section 290.095; and (iii) beginning before January 1, 1987, shall be a net operating loss carryback to each of the three taxable years preceding the loss year subject to the provisions of Minnesota Statutes 1986, section 290.095.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation does business both within and without Minnesota, and apportions its income under the provisions of section 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to the extent of the apportionment ratio of the loss year.

(d) No additional net operating loss deduction is allowed in a subsequent taxable year for the portion of a net operating loss deduction incurred in any taxable year used to offset Minnesota income in a year in which the taxpayer is subject to the alternative minimum tax in section 290.092.

Sec. 28. Minnesota Statutes 1987 Supplement, section 290.095, is amended by adding a subdivision to read:

Subd. 12. [UNITARY GROUP; CARRYBACK; CARRYFORWARD.] A taxpayer may elect a net operating loss carryback to each of the three taxable years preceding the taxable year of the loss and a net operating loss carryover to each of the five taxable years following the taxable year of the loss, notwithstanding subdivision 3, clause (a). The net operating loss carryback and carryover allowed under this subdivision is limited to the part of the net operating loss attributable to the deduction allowed for bad debts under section 166(a) of the Internal Revenue Code of 1986, as amended through

December 31, 1987. The part of the net operating loss for any taxable year that is attributable to the deduction allowed for bad debts is the excess of the net operating loss for the taxable year, over the net operating loss for the taxable year determined without regard to the amount allowed as a deduction for bad debts for the taxable year. In applying the provisions of subdivision 3, clause (b), the part of the net operating loss for the loss year that is attributable to the deduction allowed for bad debts is considered a separate net operating loss for the year to be applied before the other part of the net operating loss. This subdivision applies only to taxpayers where a member of the unitary group meets the definition found in section 585(c)(2)(A) of the Internal Revenue Code of 1986, as amended through December 31, 1987, and includes all corporations included in the unitary group and required to be included on a combined report. A refund of tax that is the result of a net operating loss carryback under this section must be paid after two years but before two years and 30 days after the claim for refund was filed.

Sec. 29. Minnesota Statutes 1987 Supplement, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

~~Notwithstanding any other provision of law~~ Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the net income of a corporation no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 1, and the provisions of section 298.031, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause.

Sec. 30. Minnesota Statutes 1987 Supplement, section 290.17, subdivision 4, is amended to read:

Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular

place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to farm income subject to subdivision 5, paragraph (a), business income subject to subdivision 5, paragraph (b) or (c), income of an insurance company determined under section 290.35, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which are of mutual benefit, dependent upon, or contributory to one another, individually or as a group. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group.

(f) ~~For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of corporations or other entities created or organized in the United States or under the laws of the United States or of any state, the District of Columbia, the commonwealth of Puerto Rico, any possession of the United States, or any political subdivision of any the foregoing and of any FSC as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1986, that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that other corporations or other entities organized in foreign countries might be included in the unitary business.~~ The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net

income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).

(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.

Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:

(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and

(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (11), shall not be allowed.

If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.

(h) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities other than foreign operating corporations that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business.

(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g) or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (11), shall not be disallowed.

~~(g)~~ (j) Each corporation or other entity that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph ~~(f)~~ (h) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph ~~(f)~~ (h) in the denominators of the apportionment formula.

(k) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

Sec. 31. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] Except as otherwise provided in section 290.17, subdivision 5, the net income from a trade or business carried on partly within and partly without this state must be apportioned to this state as provided in this section. For purposes of this section, state means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States or any foreign country.

Sec. 32. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 4, is amended to read:

Subd. 4. [APPORTIONMENT FORMULA FOR CERTAIN MAIL ORDER BUSINESSES.] If the business consists exclusively of the selling of tangible personal property and services in response to orders received by United States mail or telephone, and ~~100~~ 99 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota based solely upon the percentage that the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period. Property and payroll factors are disregarded. In determining eligibility for this subdivision, the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities must be disregarded. ~~This subdivision is repealed effective for taxable years beginning after December 31, 1988.~~

Sec. 33. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 5, is amended to read:

Subd. 5. [DETERMINATION OF SALES FACTOR.] ~~(a)~~ For purposes of this section, the following rules apply in determining the sales factor.

~~(b)~~ (a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code of 1986, as amended through December 31, 1987;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased;

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1987, or sales of stock; and

(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19(d)(11).

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) ~~Sales, other than sales of tangible personal property, are made in this state if the property is used, or the benefits of the services are consumed, in this state. If the property is used or the benefits of the services are consumed in more than one state, the sales must be apportioned pro rata according to the portion of use or consumption of benefits in this state.~~ Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment is located in this state if:

(1) the operation of the property is entirely within this state; or

(2) the operation of the property is in two or more states and the principal base of operations from which the property is sent out is in this state.

(h) Royalties and other income not described in paragraph (a), clause (6), received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state in which the benefits of the services are consumed. If the benefits are consumed in more than one state, the receipts from

those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state. If the extent to which the benefits of services are consumed in this state is not readily determinable, the benefits of the services shall be deemed to be consumed at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the benefits of the services shall be deemed to be consumed at the office of the customer to which the services are billed.

Sec. 34. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 6, is amended to read:

Subd. 6. [DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.] (a) For purposes of this section, the rules in this subdivision and subdivisions 7 and 8 apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market ~~transactions~~ instruments, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Tangible personal property that is characteristically moving property, such as motor vehicles, rolling stock, aircraft, vessels, mobile equipment, and the like, is considered to be located in a state if:

(1) the operation of the property is entirely within the state; or

(2) the operation of the property is in two or more states, but the principal base of operations from which the property is sent out is in the state.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations not secured by real or tangible personal property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which ~~the business applied for the loan. "Applied for" means initial inquiry (including customer assistance in preparing the loan application) or submission of a completed loan application, whichever occurs first~~ the office of the borrower from which the application would be made in the regular course of business is located. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) Interest income and other receipts from a participating financial institution's portion of participation loans must be attributed under paragraphs (e) to (h). A participation loan is a loan in which more than one lender is a creditor to a common borrower.

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

(k) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Receipts from the performance of fiduciary and other services must be attributed to the state in which the benefits of the services are consumed. If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state. If the extent to which the benefits of services are consumed in this state is not readily determinable, the benefits of the services shall be

deemed to be consumed at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the benefits of the services shall be deemed to be consumed at the office of the customer to which the services are billed.

(m) Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

(n) Receipts from investments of a financial institution in securities of this state, its political subdivisions, agencies, and instrumentalities must be attributed to this state.

(o) Receipts from a financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is not included in the numerator or the denominator of the receipts factor provided the financial institution's activities within this state with respect to any interest in the property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (n) and subdivision 7.

Sec. 35. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 11, is amended to read:

Subd. 11. [FINANCIAL INSTITUTIONS; PROPERTY FACTOR.] (a) For financial institutions, the property factor includes, as well as tangible property, intangible property as set forth in this subdivision.

(b) Intangible personal property must be included at its tax basis for federal income tax purposes.

(c) Goodwill must not be included in the property factor.

(d) Coin and currency located in this state must be attributed to this state.

(e) Lease financing receivables must be attributed to this state if and to the extent that the property is located within this state.

(f) Assets in the nature of loans that are secured by real or tangible personal property must be attributed to this state if and to the extent that the security property is located within this state.

(g) Assets in the nature of consumer loans and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan was made to a resident of this state.

(h) Assets in the nature of commercial loan and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the assets must be attributed to the state in which ~~the business applied for the loan. "Applied for" means initial inquiry (including customer assistance in preparing the loan application) or submission of a completed loan application, whichever occurs first~~ there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) A participating financial institution's portion of a participation loan must be attributed under paragraphs (e) to (h).

(j) Financial institution credit card and travel and entertainment credit card receivables must be attributed to the state to which the credit card charges and fees are regularly billed.

(k) Receivables arising from merchant discount income derived from financial institution credit card holder transactions with a merchant are attributed to the state in which the merchant is located. In the case of merchants located within and without the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Assets in the nature of securities and money market instruments are apportioned to this state based upon the ratio that total deposits from this state, its residents, its political subdivisions, agencies and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies and instrumentalities. In the case of an unregulated financial institution ~~subject to this regulation~~, the ~~receipts~~ assets are apportioned to this state based upon the ratio that its gross business income earned from sources within this state bears to gross business income earned from sources within all states. For purposes of this subsection, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities are attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state.

(m) A financial institution's interest in any property described in

section 290.015, subdivision 3, paragraph (b), is not included in the numerator or the denominator of the property factor provided the financial institution's activities within this state with respect to any interest in such property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the property factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (1).

Sec. 36. Minnesota Statutes 1987 Supplement, section 290.21, subdivision 3, is amended to read:

Subd. 3. An amount for contribution or gifts made within the taxable year:

(a) to or for the use of the state of Minnesota, or any of its political subdivisions for exclusively public purposes,

(b) to or for the use of any community chest, corporation, organization, trust, fund, association, or foundation located in and carrying on substantially all of its activities within this state, organized and operating exclusively for religious, charitable, public cemetery, scientific, literary, artistic, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual,

(c) to a fraternal society, order, or association, operating under the lodge system located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in clause (b), or for or to posts or organizations of war veterans or auxiliary units or societies of such posts or organizations, if they are within the state and no part of their net income inures to the benefit of any private shareholder or individual,

(d) to or for the use of the United States of America for exclusively public purposes if the contribution or gift consists of real property located in Minnesota,

(e) to or for the use of a foundation if the foundation is organized and operated exclusively for a purpose in clause (b), and has no part of its net earnings inuring to the benefit of a private shareholder or individual, but does not carry on substantially all of its activities within this state. The deduction under this clause equals the amount of the corporation's contributions or gifts to the foundation within the taxable year multiplied by a fraction equal to the ratio of the foundation's total expenditures during the taxable year for the

benefit of organizations described in clause (b) to the foundation's total expenditures during the taxable year.

(f) the total deduction hereunder shall not exceed 15 percent of the taxpayer's taxable net income less the deductions allowable under this section other than those for contributions or gifts,

~~(f)~~ (g) in the case of a corporation reporting its taxable income on the accrual basis, if: (A) the board of directors authorizes a charitable contribution during any taxable year, and (B) payment of such contribution is made after the close of such taxable year and on or before the fifteenth day of the third month following the close of such taxable year; then the taxpayer may elect to treat such contribution as paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the commissioner shall by rules prescribe.

Sec. 37. Minnesota Statutes 1987 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. ~~The remaining 20 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of the other corporation and the dividends were paid from income arising out of business done in this state by the corporation paying the dividends. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the remainder shall be allowed as a deduction. The proportion must be that which the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation. The amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their distribution. The burden is on the taxpayer to show that the amount of remainder claimed as a deduction has been received from income arising out of business done in this state.~~

~~(b) If the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains~~

~~therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of the other corporation, from income arising out of business done in this state by the corporation paying the dividends. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the dividends shall be allowed as a deduction. The proportion must be that which the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation. The amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their distribution. The burden is on the taxpayer to show that the amount of dividends claimed as a deduction has been received from income arising out of business done in this state.~~

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986 as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1986, as amended through December 31, 1986.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1986, as amended through December 31, 1986.

(d) If dividends received by a corporation that does not have nexus

with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) 80 percent or 70 percent, pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

Sec. 38. Minnesota Statutes 1987 Supplement, section 290.34, subdivision 2, is amended to read:

Subd. 2. [AFFILIATED OR RELATED CORPORATIONS, COMBINED REPORT.] ~~(a)~~ When a corporation which is required to file an income tax return is affiliated with or related to any other corporation through stock ownership by the same interests or as parent or subsidiary corporations, or has its income regulated through contract or other arrangement, the commissioner of revenue may permit or require such combined report as, in the commissioner's opinion, is necessary in order to determine the taxable net income of any one of the affiliated or related corporations.

~~(b) If a corporation has been divested from the unitary group and is included in a combined report for a fractional part of the common accounting period that the report is based on, then the sales, property, and payroll attributed to the corporation in the apportionment formula must be prorated or separately accounted and must show for what part of the accounting period the corporation is included in the report.~~

~~(c) The combined report shall reflect the income of the entire unitary business as provided in section 290.17, subdivision 4. If a corporation has been divested from the unitary group and is included in the combined report for a fractional part of the common accounting period that the combined report is based on, its income~~

~~includable in the combined report is its income for that part of the year.~~

Sec. 39. Minnesota Statutes 1987 Supplement, section 290.35, subdivision 2, is amended to read:

Subd. 2. [APPORTIONMENT OF TAXABLE NET INCOME.] The commissioner shall compute therefrom the taxable net income of such companies by assigning to this state that proportion thereof which the gross premiums collected by them during the taxable year from old and new business within this state bears to the total gross premiums collected by them during that year from their entire old and new business, including reinsurance premiums; provided, the commissioner shall add to the taxable net income so apportioned to this state the amount of any taxes on premiums paid by the company by virtue of any law of this state (other than the surcharge on premiums imposed by sections 69.54 to 69.56) which shall have been deducted from gross income by the company in arriving at its total net income under the provisions of such act of congress.

(a) For purposes of determining the Minnesota apportionment percentage, premiums from reinsurance contracts ~~assumed from companies domiciled in Minnesota and premiums~~ in connection with property in or liability arising out of activity in, or in connection with the lives or health of Minnesota residents shall be assigned to Minnesota and premiums from reinsurance contracts ~~assumed from companies domiciled outside of Minnesota and premiums~~ in connection with property in or liability arising out of activity in, or in connection with the lives or health of non-Minnesota residents shall be assigned outside of Minnesota. Reinsurance premiums are presumed to be received for a Minnesota risk and are assigned to Minnesota, if:

(1) the reinsurance contract is assumed for a company domiciled in Minnesota; and

(2) the taxpayer, upon request of the commissioner, fails to provide reliable records indicating the reinsured contract covered non-Minnesota risks.

For purposes of this paragraph, "Minnesota risk" means coverage in connection with property in or liability arising out of activity in Minnesota, or in connection with the lives or health of Minnesota residents.

(b) The apportionment method prescribed by paragraph (a) shall be presumed to fairly and correctly determine the taxpayer's taxable net income. If the method prescribed in paragraph (a) does not fairly reflect all or any part of taxable net income, the taxpayer may petition for or the commissioner may require the determination of taxable net income by use of another method if that method fairly

reflects taxable net income. A petition within the meaning of this section must be filed by the taxpayer on such form as the commissioner shall require.

Sec. 40. Minnesota Statutes 1987 Supplement, section 290.37, subdivision 1, is amended to read:

Subdivision 1. [PERSONS MAKING RETURNS.] (a) A taxpayer shall file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1986, except that an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

The trustee or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount determined by the commissioner if such trust belongs to the class of taxable persons.

Every corporation shall file a return, if the corporation is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return. The return in the case of a corporation must be signed by a person designated by the corporation. The commissioner may adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report if the affiliated group includes a bank subject to tax under this chapter. Members of an affiliated group that elect to file one return on behalf of the members of the group under rules adopted by the commissioner may modify or rescind the election by filing the form required by the commissioner.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if a return is required.

(b) Such return shall (1) contain a written declaration that it is

correct and complete, and (2) shall contain language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 41. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 1, is amended to read:

Subdivision 1. [REPORT REQUIRED.] Every corporation that, during any calendar year or fiscal accounting year ~~ending~~ beginning after December 31, 1986, ~~carried on any activity or owned or maintained any property in this state, unless specifically exempted under subdivision 3~~ obtained any business from within this state as described in section 290.015, subdivision 1, with the exception of:

(1) activity levels lower than those set forth in section 290.015, subdivision 2, paragraph (a), if the corporation is a financial institution; or

(2) activities described in section 290.015, subdivision 3, paragraph (b); or

(3) corporations specifically exempted under subdivision 3, must file a notice of business activities report, as provided in this section. Filing of the report is not a factor in determining whether a corporation is subject to taxation under this chapter.

Sec. 42. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 3, is amended to read:

Subd. 3. [EXEMPTIONS.] A corporation is not required to file a notice of business activities report if:

(1) by the end of an accounting period for which it was otherwise required to file a notice of business activities report under this section, it had received a certificate of authority to do business in this state;

(2) a timely return or report has been filed under section 290.05, subdivision 4; or 290.37; ~~or~~

(3) the corporation is exempt from taxation under this chapter pursuant to section 290.05, subdivision 1; or

(4) the corporation's activities in Minnesota, or the interests in property which it owns, consist solely of activities or property exempted from jurisdiction to tax under section 290.015, subdivision 3, paragraph (b).

Sec. 43. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 4, is amended to read:

Subd. 4. [ANNUAL FILING.] Every corporation not exempt under subdivision 3 must file annually a notice of business activities report, including such forms as the commissioner may require, with respect to ~~all or any part of~~ each of its calendar or fiscal accounting years beginning after December 31, 1986, on or before the 15th day of the fourth month after the close of the calendar or fiscal accounting year.

Sec. 44. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 5, is amended to read:

Subd. 5. [FAILURE TO FILE TIMELY REPORT.] (a) Any corporation required to file a notice of business activities report does not have any cause of action upon which it may bring suit under Minnesota law unless the corporation has filed a notice of business activities report.

(b) The failure of a corporation to file a timely report prevents the use of the courts in this state, except regarding activities and property described in section 290.015, subdivision 3, paragraph (b), for all contracts executed and all causes of action that arose at any time before the end of the last accounting period for which the corporation failed to file a required report.

(c) The court in which the issues arise has the power to excuse the corporation for its failure to file a report when due, and restore the corporation's cause of action under the laws of this state, if the corporation has paid all taxes, interest, and civil penalties due the state for all periods, or provided for payment of them by adequate security or bond approved by the commissioner.

(d) Notwithstanding the provisions of section 290.61, the commissioner may acknowledge whether or not a particular corporation has filed with the commissioner reports or returns required by this chapter if the acknowledgment:

(1) is to a party in a civil action;

(2) relates to the filing status of another party in the same civil action; and

(3) is in response to a written request accompanied by a copy of the summons and complaint in the civil action.

Sec. 45. Minnesota Statutes 1986, section 290.50, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] This section shall not be construed so as to disallow:

(a) a net operating loss carryback to any taxable year authorized by section 290.095 or section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1985, but the refund or credit shall be limited to the amount of overpayment arising from the carryback;

(b) a capital loss carryback by a corporation under Minnesota Statutes 1986, section 290.16, provided that the claim for refund or credit is made prior to the expiration of the 15th day of the 45th month following the end of the taxable year of the net capital loss which results in the carryback, plus any extension of time granted for filing the return, but only if the return was filed within the extended time, and the refund or credit is limited to the amount of overpayment arising from the carryback.

Sec. 46. Minnesota Statutes 1987 Supplement, section 290.9725, is amended to read:

290.9725 [~~ELECTION BY SMALL BUSINESS CORPORATION~~ S CORPORATIONS.]

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code of 1986, as amended through December 31, ~~1986,~~ 1987. An S corporation shall not be subject to the taxes imposed by this chapter, except:

~~(1) the corporation is subject to the tax imposed under section 290.92; and~~

~~(2) the corporation is subject to the tax imposed under section 290.02 in any tax period in which it recognizes income for federal income tax purposes under Internal Revenue Code, section 1363(d), 1374, or 1375; the total amount of income recognized is the federal taxable income for the corporation within the meaning of section 290.01, subdivision 19; the provisions of sections 290.01, subdivisions 19a to 19f, and 290.17 to 290.20, must be employed to determine the taxable net income of the corporation; and the taxable net income of the corporation is its taxable income, except that any net operating loss carryforward that arose in a year when there was no election in effect under Section 1362 of the Internal Revenue Code is allowed as a deduction~~ the taxes imposed under sections 290.92, 290.9727, 290.9728, and 290.9729.

Sec. 47. [290.9727] [TAX ON CERTAIN BUILT-IN GAINS.]

Subdivision 1. [TAX IMPOSED.] For a corporation electing S corporation status pursuant to section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1987, after December 31, 1986, and having a recognized built-in gain as defined

in section 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, there is imposed a tax on the taxable income of such S corporation, as defined in this section, at the rate prescribed by section 290.06, subdivision 1. This section does not apply to any corporation having an S election in effect for each of its taxable years. An S corporation and any predecessor corporation must be treated as one corporation for purposes of the preceding sentence.

Subd. 2. [TAXABLE INCOME.] For purposes of this section, taxable income means taxable net income less the deduction for net operating loss carryforwards as provided by this section.

Subd. 3. [TAXABLE NET INCOME.] For purposes of this section, taxable net income means the lesser of:

(1) the recognized built-in gains of the S corporation for the taxable year, as determined under section 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the modifications provided in section 290.01, subdivisions 19e and 19f, that are allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Subd. 4. [NET OPERATING LOSS CARRYFORWARD.] A net operating loss carryforward, as determined under section 290.095, arising in a taxable year before the corporation elected S corporation status, shall be allowed as a deduction against the lesser of the amounts referred to in subdivision 3, clauses (1) and (2). For purposes of determining the amount of any such loss that may be carried to later taxable years, the lesser of the amounts referred to in subdivision 3, clauses (1) and (2) shall be treated as taxable income.

Sec. 48. [290.9728] [TAX ON CAPITAL GAINS.]

Subdivision 1. [TAX IMPOSED.] There is imposed a tax on the taxable income of a corporation that has:

(1) elected S corporation status pursuant to section 1362 of the Internal Revenue Code of 1954, as amended through December 31, 1985, before January 1, 1987;

(2) a net capital gain for the taxable year (i) in excess of $25,000 and (ii) exceeding 50 percent of the corporation's federal taxable income for the taxable year; and

(3) federal taxable income for the taxable year exceeding $25,000.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. For purposes of this section, "federal taxable income" means federal taxable income determined under section 1374(4)(d) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This section does not apply to an S corporation which has had an election under section 1362 of the Internal Revenue Code of 1954, in effect for the three immediately preceding taxable years. This section does not apply to an S corporation that has been in existence for less than four taxable years and has had an election in effect under section 1362 of the Internal Revenue Code of 1954 for each of the corporation's taxable years. For purposes of this section, an S corporation and any predecessor corporation are treated as one corporation.

Subd. 2. [TAXABLE INCOME.] For purposes of this section, taxable income means the lesser of:

(1) the amount of the net capital gain of the S corporation for the taxable year, as determined under sections 1222 and 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, and subject to the modifications provided in section 290.01, subdivisions 19e and 19f, in excess of $25,000 that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Sec. 49. [290.9729] [TAX ON PASSIVE INVESTMENT INCOME.]

Subdivision 1. [TAX IMPOSED.] There is imposed a tax for the taxable year on the taxable income of an S corporation, if for the taxable year an S corporation has:

(1) subchapter C earnings and profits at the close of such taxable year; and

(2) gross receipts more than 25 percent of which are passive investment income.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. The terms "subchapter C earnings and profits,"

"passive investment income," and "gross receipts" have the same meanings as when used in sections 1362(d)(3) and 1375 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Subd. 2. [TAXABLE INCOME.] For the purposes of this section, taxable income means the lesser of:

(1) the amount of the S corporation's excess net passive income, as determined under section 1375 of the Internal Revenue Code of 1986, as amended through December 31, 1986, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Subd. 3. [WAIVER OF TAX.] The tax imposed by this section shall be waived if the taxpayer receives a waiver for federal income tax purposes under section 1375(d) of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 50. Minnesota Statutes 1987 Supplement, section 295.34, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 2 every telephone company shall file a return with the commissioner of revenue on or before April 15 of each year, and submit payment therewith, of the following percentages of its gross earnings, including long distance access charges, of the preceding calendar year derived from business within this state:

(a) for gross earnings from service to rural subscribers and from exchange business of all cities of the fourth class and statutory cities having a population of 10,000 or less

for calendar years beginning before December 31, 1988, 4 percent,

for calendar year 1989, 3 percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of four percent,

for calendar year 1990, 1.5 percent,

for calendar year 1991, 1 percent, and

for calendar years beginning after December 31, 1991, exempt; and

(b) for gross earnings derived from all other business

for calendar years beginning before December 31, 1988, 7 percent,

for calendar year 1989, 5.5 percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of seven percent,

for calendar year 1990, 3 percent,

for calendar year 1991, 2.5 percent, and

for calendar years beginning after December 31, 1991, exempt.

A tax shall not be imposed on the gross earnings of a telephone company from business originating or terminating outside of Minnesota, except that the gross earnings tax is imposed on all long distance access charges allocated to interstate service received in payment from a telephone company before December 31, 1989.

The tax imposed is in lieu of all other taxes, except the taxes imposed by chapter 290, property taxes assessed beginning in 1989, payable in 1990, and sales and use taxes imposed as a result of chapter 297A. All money paid by a company for connecting fees and switching charges to any other company shall be reported as earnings by the company to which they are paid. For the purposes of this section, the population of any statutory city shall be considered as that stated in the latest federal census.

(c) For the period January 1, 1984 through December 31, 1986, all money paid by a company for connecting fees and switching charges, including carriers access charges except that portion paid for directory assistance and billing and collection services, to any other company must be reported as earnings by the company to which they are paid, but are not deemed to be earnings of the collecting and paying company.

Sec. 51. Minnesota Statutes 1987 Supplement, section 298.01, subdivision 3, is amended to read:

Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person engaged in the business of mining or producing ores, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. The tax is measured by

the person's taxable income for the year for which the tax is imposed, and computed in the manner and at the rates provided in chapter 290, except that ~~section~~ sections 290.01, subdivisions 19c, clause (11), 19d, clause (7), and 290.05, subdivision 1, clause (a), ~~does~~ do not apply. Corporations and individuals shall be subject to the alternative minimum taxes imposed under chapter 290. The tax is in addition to all other taxes and is due and payable on or before June 15 of the year succeeding the calendar year covered by the report required by section 298.05.

Sec. 52. Minnesota Statutes 1987 Supplement, section 298.01 subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore or taconite concentrates shall pay an occupation tax to the state of Minnesota. The tax is measured by the person's taxable income for the year for which the tax is imposed, and computed in the manner and at the rates provided for in chapter 290, except that ~~section~~ sections 290.01, subdivisions 19c, clause (11), 19d, clause (7), and 290.05, subdivision 1, clause (a), ~~does~~ do not apply. Corporations and individuals shall be subject to the alternative minimum taxes imposed under chapter 290. The tax is in addition to all other taxes and is due and payable on or before June 15 of the year succeeding the calendar year covered by the report required by section 298.05.

Sec. 53. [298.402] [NET OPERATING LOSSES.]

For purposes of the computation under section 298.40, subdivision 1, clause (b), a net operating loss incurred in a taxable year beginning after December 31, 1986, is a net operating loss carryover to each of the 15 taxable years following the taxable year of the loss, in accordance with section 290.095. A net operating loss incurred in a taxable year beginning after December 31, 1981, and before January 1, 1987, is a net operating loss carryover to taxable years beginning after December 31, 1986, not to exceed the five taxable years following the taxable year of the loss, in accordance with section 290.095. No net operating loss carryback is allowed for a net operating loss incurred in a taxable year beginning after December 31, 1986.

Sec. 54. Minnesota Statutes 1986, section 299.01, subdivision 1, is amended to read:

Subdivision 1. There shall be levied and collected upon all royalty received during each calendar year for permission to explore, mine, take out and remove iron ore or taconites from land in this state, a tax of 15 percent before January 1, 1986, a tax of 14.5 percent after December 31, 1985, and before January 1, 1987, and a tax of 14 percent after December 31, 1986.

Sec. 55. Minnesota Statutes 1986, section 303.03, is amended to read:

303.03 [FOREIGN CORPORATIONS MUST HAVE CERTIFICATE OF AUTHORITY.]

No foreign corporation shall transact business in this state unless it holds a certificate of authority so to do; and no foreign corporation whose certificate of authority has been revoked or canceled pursuant to the provisions of this chapter shall be entitled to obtain a certificate of authority except in accordance with the provisions of section 303.19. This section does not establish standards for those activities that may subject a foreign corporation to taxation under section 290.015 and to the reporting requirements of section 290.371. Without excluding other activities which may not constitute transacting business in this state, and subject to the provisions of sections 303.13 and 543.19, a foreign corporation shall not be considered to be transacting business in this state for the purposes of this chapter solely by reason of carrying on in this state any one or more of the following activities:

(a) Maintaining or defending any action or suit or any administrative or arbitration proceeding, or effecting the settlement thereof or the settlement of claims or disputes;

(b) Holding meetings of its directors or shareholders or carrying on other activities concerning its internal affairs;

(c) Maintaining bank accounts;

(d) Maintaining offices or agencies for the transfer, exchange and registration of its securities, or appointing and maintaining trustees or depositaries with relation to its securities;

(e) Holding title to and managing real or personal property, or any interest therein, situated in this state, as executor of the will or administrator of the estate of any decedent, as trustee of any trust, or as guardian or conservator of the person or estate, or both, of any person;

(f) Making, participating in, or investing in loans or creating, as borrower or lender, or otherwise acquiring indebtedness or mortgages or other security interests in real or personal property;

(g) Securing or collecting its debts or enforcing any rights in property securing them; or

(h) Conducting an isolated transaction completed within a period of 30 days and not in the course of a number of repeated transactions of like nature.

Sec. 56. [REPEALER.]

(a) Minnesota Statutes 1986, section 298.401, is repealed.

(b) Minnesota Statutes 1986, section 299.013, is repealed.

(c) Minnesota Statutes 1987 Supplement, section 290.21, subdivision 8, is repealed.

(d) Minnesota Statutes 1987 Supplement, section 290.371, subdivision 2, is repealed.

Sec. 57. [EFFECTIVE DATE.]

Sections 1, 4, and 5 are effective January 1, 1988. Sections 7, 8, 9, 11, clause (13), 31, and 40 are effective for taxable years beginning after December 31, 1990, except that sections 9, 11, clause (13), and 40 are effective for taxable years beginning after December 31, 1989, insofar as they apply to 936 corporations. In this section, "936 corporations" are corporations referred to in section 9, clause (2)(ii). Sections 12, clause (11), 14, 26, 33, and 56, paragraph (c), are effective for taxable years beginning after December 31, 1988. Sections 2, 3, 32, 36, 37, and 38 are effective for taxable years beginning after December 31, 1987. Section 30, paragraphs (f), (g), (h), and (j) are effective for taxable years beginning after December 31, 1990, except that insofar as they apply to 936 corporations, they are effective for taxable years beginning after December 31, 1989. Sections 29, in its reference to section 290.17, subdivision 4, paragraph (i), and 30, paragraph (i), are effective for taxable years beginning after December 31, 1988, in its application to income described in section 290.01, subdivision 19d, clause (11), for taxable years beginning after December 31, 1989, in its application to other income of 936 corporations, and for taxable years beginning after December 31, 1990, in its application to other income of foreign operating corporations. Section 30, paragraph (k) is effective for taxable years beginning after December 31, 1987.

Sections 10, 11, clauses (2) and (3), 12, except for clause (11), 13, 15 to 18, 20, 21, 23, 25, 29 insofar as it refers to companies subject to the occupation tax, 34, 35, 39, 41 to 49, and 56, paragraph (d), are effective for taxable years beginning after December 31, 1986. Section 22 is effective for taxable years beginning after December 31, 1986, except that the part relating to the apportionment of the exemption amount among members of a unitary group is effective for taxable years beginning after December 31, 1987. Section 27 is effective for taxable years beginning after December 31, 1986, except that the part relating to the allowance of a net operating loss incurred in any taxable year to the extent of the apportionment ratio of the loss year is effective for taxable years beginning after December 31, 1987. Section 28 is effective for losses incurred in taxable years beginning after December 31, 1986, and is repealed

effective for taxable years beginning after December 31, 1993. Sections 6, 50, and 55 are effective the day following final enactment. Sections 51 and 52 are effective for ores mined after December 31, 1989. Section 53 is effective for ores mined after December 31, 1986, and before January 1, 1990. Section 54 is effective for ore mined after December 31, 1986. Section 56, paragraph (a), is effective for ores mined after December 31, 1989. Section 56, paragraph (b), is effective for ores mined after December 31, 1986, and supersedes the repealer in Laws 1987, chapter 268, article 9, section 43.

ARTICLE 3

FEDERAL UPDATE

Section 1. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 4, is amended to read:

Subd. 4. [CORPORATIONS.] The term "corporation" shall include every entity which is a corporation under section 7701(a)(3) or is treated as a corporation under section 851(q) or 7704 of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987, and financial institutions. A corporation's franchise is its authorization to exist and conduct business, whether created by legislation, by executive order, by a governmental agency, by contract or other private action, or by some combination thereof. Every corporation is deemed to have a corporate franchise. An entity described in section 646(b) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be classified in the same manner for purposes of this chapter as it is for federal income tax purposes.

Sec. 2. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19f mean the code in effect for purposes of determining net income for the applicable year.

Sec. 3. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] ~~For tax years beginning after December 31, 1986,~~ The term "gross income" means the gross income as defined in section 61 of the Internal Revenue Code of 1986, as amended through the date named in subdivision 19 for the applicable taxable year, plus any additional items of income taxable under this chapter but not taxable under the Internal Revenue Code, less any items included in federal gross income but of a character exempt from state income tax under the laws of the United States. ~~For tax years beginning before January 1, 1987, except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.~~

~~For tax years beginning before January 1, 1987, the term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in Minnesota Statutes 1986, section 290.01, subdivisions 20a to 20f. For estates and trusts the adjusted gross income for purposes of the preceding sentence shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in Minnesota Statutes 1986, section 290.01, subdivisions 20a to 20f.~~

~~(i) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law Number 97-248, section 6(b)(2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f)(4), (g), (j), (l), 103(c), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number~~

~~97-448, sections 101 and 102 of Public Law Number 97-473, and section 243 of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.~~

~~(ii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982. The provisions of sections 905, 1708, and 1879(m) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.~~

~~(iii) The Internal Revenue Code of 1954, as amended through December 31, 1983, shall be in effect for taxable years beginning after December 31, 1983. The provisions of sections 13, 17, 25(b), 31, 32, 41 to 43, 52, 55, 56, 71 to 74, 77, 81, 82, 91, 92, 94, 101 to 103, 105 to 108, 111 to 113, 147(c), 171, 172, 174, 175, 179(a), 221, 223, 224, 421(b), 432, 481, 491, 512, 522 to 524, 554 to 557, 561, 611(a), 621 to 623, 626 to 628, 711(e), 712(d), 713(b), (c), (g), and (h), 721(a), (b), (d), (g), (i), (o), (p), (r), (t), and (w), 722(c), 1001, 1026, 1061 to 1064, 1066, 1076, 1078, and 2638(b) of the Deficit Reduction Act of 1984, Public Law Number 98-369, section 1 of Public Law Number 98-611, and sections 1801, 1802, 1805 to 1809, 1812, 1842, 1853 to 1855, 1866, 1869 to 1873, 1875, and 1878(g) and (h) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.~~

~~(iv) The Internal Revenue Code of 1954, as amended through May 25, 1985, shall be in effect for taxable years beginning after December 31, 1984. The provisions of sections 101, 102, 103, 201, and 202 of Public Law Number 99-121 and sections 402, 403, 1803, 1804, 1852, and 1861 of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.~~

~~(v) The Internal Revenue Code of 1954, as amended through December 31, 1985, shall be in effect for taxable years beginning after December 31, 1985.~~

~~The provisions of sections 121 to 123, 201, 202, 241, 401, 405, 411 to 413, 653, 654, 804, 811, 822, 1001, 1003, 1122, 1162, 1164, 1166, 1301, 1401, 1402, 1707, 1826, 1827, 1843, 1867, 1868, 1879(f), and 1895 of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.~~

~~References to the Internal Revenue Code of 1954 in subdivisions~~

~~20a, 20b, 20e, and 20f mean the code in effect for the purpose of defining gross income for the applicable taxable year.~~

Sec. 4. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss for any taxable year shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation does business both within and without Minnesota, and apportions its income under the provisions of section 290.191, the net operating loss deduction shall be allowed to the extent of the apportionment ratio of the loss year.

(d) No additional net operating loss deduction is allowed in a subsequent taxable year for the portion of a net operating loss deduction used to offset Minnesota income in a year in which the taxpayer is subject to the alternative minimum tax in section 290.092.

(e) The provisions of sections 381, 382, and 384 of the Internal Revenue Code of 1986, as amended through December 31, 1987, apply to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers.

Sec. 5. Minnesota Statutes 1986, section 290.931, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENTS OF DECLARATION.] Every corporation subject to taxation under this chapter (excluding section 290.92) shall make a declaration of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed ~~$1,000~~ $500, or in accordance with rules prescribed by the commissioner for an affiliated group of corporations electing to file one return as permitted by rules prescribed under section 290.37, subdivision 1.

Sec. 6. Minnesota Statutes 1986, section 290.934, subdivision 1, is amended to read:

Subdivision 1. [ADDITION TO THE TAX.] In case of any under-

payment of estimated tax by a corporation, ~~except as provided in subdivision 4,~~ there shall be added to the tax for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment (determined under subdivision 2) for the period of the underpayment (determined under subdivision 3).

Sec. 7. Minnesota Statutes 1987 Supplement, section 290.934, subdivision 2, is amended to read:

Subd. 2. [AMOUNT OF UNDERPAYMENT.] For purposes of subdivision 1, the amount of the underpayment shall be the excess of

(1) ~~the amount of tax shown on the return for the tax year or, if no return is filed,~~ the ~~tax for the tax year~~ required installment, over

(2) the amount, if any, of the installment paid on or before the last date prescribed for payment.

Sec. 8. Minnesota Statutes 1986, section 290.934, subdivision 3, is amended to read:

Subd. 3. [PERIOD OF UNDERPAYMENT.] The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier

(1) The 15th day of the third month following the close of the taxable year.

(2) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this paragraph, a payment of estimated tax ~~on any installment date~~ shall be ~~considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under subdivision 2(1) for such installment date~~ credited against unpaid required installments in the order in which such installments are required to be paid.

Sec. 9. Minnesota Statutes 1986, section 290.934, is amended by adding a subdivision to read:

Subd. 3a. [REQUIRED INSTALLMENTS.] (1) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

(2) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(a) 90 percent of the tax shown on the return for the taxable year, or if no return is filed 90 percent of the tax for such year; or

(b) 100 percent of the tax shown on the return of the corporation for the preceding taxable year providing such return was for a full 12-month period, did show a liability, and was filed by the corporation.

(3) Except for determining the first required installment for any taxable year, paragraph (2), clause (b) does not apply in the case of a large corporation. The term "large corporation" means a corporation or any predecessor corporation that had taxable net income of $1,000,000 or more for any taxable year during the testing period. The term "testing period" means the three taxable years immediately preceding the taxable year involved. A reduction allowed to a large corporation for the first installment that is allowed by applying paragraph (2), clause (b) must be recaptured by increasing the next required installment by the amount of the reduction.

(4) In the case of a required installment, if the corporation establishes that the annualized income installment is less than the amount determined in paragraph (1), the amount of the required installment is the annualized income installment and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.

(5) The "annualized income installment" is the excess, if any, of:

(a) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the taxable income:

(i) for the first two months of the taxable year, in the case of the first required installment;

(ii) for the first two months or for the first five months of the taxable year, in the case of the second required installment;

(iii) for the first six months or for the first eight months of the taxable year, in the case of the third required installment; and

(iv) for the first nine months or for the first 11 months of the taxable year, in the case of the fourth required installment, over;

(b) the aggregate amount of any prior required installments for the taxable year.

(c) For the purpose of this paragraph, the annualized income shall be computed by placing on an annualized basis the taxable income for the year up to the end of the month preceding the due date for the

quarterly payment multiplied by 12 and dividing the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as the case may be) referred to in clause (a).

(d) The "applicable percentage" used in clause (a) is:

In the case of the following required installments:	The applicable percentage is:
1st	22.5
2nd	45
3rd	67.5
4th	90

(6)(a) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

(i) take the taxable income for all months during the taxable year preceding the filing month;

(ii) divide that amount by the base period percentage for all months during the taxable year preceding the filing month;

(iii) determine the tax on the amount determined under item (ii); and

(iv) multiply the tax computed under item (iii) by the base period percentage for the filing month and all months during the taxable year preceding the filing month.

(b) For purposes of this paragraph:

(i) the "base period percentage" for any period of months is the average percent which the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years;

(ii) the term "filing month" means the month in which the installment is required to be paid;

(iii) this paragraph shall only apply if the base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent; and

(iv) the commissioner may provide by rule for the determination of the base period percentage in the case of reorganizations, new corporations, and other similar circumstances.

(c) In the case of a required installment, determined under this paragraph, if the corporation determines that the installment is less than the amount determined in paragraph (1), the amount of the required installment is the amount determined under this paragraph and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987.

Sec. 11. [REPEALER.]

Minnesota Statutes 1986, sections 290.07, subdivisions 3 and 6; 290.11; 290.12, as amended by Laws 1987, chapter 268, article 1, section 64; 290.131, as amended by Laws 1987, chapter 268, article 1, section 65; 290.132, as amended by Laws 1987, chapter 268, article 1, section 66; 290.133, as amended by Laws 1987, chapter 268, article 1, section 67; 290.134, as amended by Laws 1987, chapter 268, article 1, section 68; 290.135, as amended by Laws 1987, chapter 268, article 1, section 69; 290.136, as amended by Laws 1987, chapter 268, article 1, section 70; 290.138, as amended by Laws 1987, chapter 268, article 1, section 71; and 290.934, subdivision 4; and Minnesota Statutes 1987 Supplement, section 290.14, is repealed.

Sec. 12. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1986, as amended through December 31, 1987" for the phrase "Internal Revenue Code of 1986, as amended through December 31, 1986" whenever that phrase occurs in chapter 290, except section 290.01, subdivision 19, and chapter 291.

Sec. 13. [EFFECTIVE DATES.]

Section 4 is effective for taxable years beginning after December 31, 1986. The repeal in section 11 of Minnesota Statutes 1986, section 290.07, subdivisions 3 and 6, are effective for taxable years beginning after December 31, 1986. The remainder of section 11 is effective for taxable years beginning after December 31, 1987.

Except as provided in section 2, all other sections of this article are effective for taxable years beginning after December 31, 1987.

ARTICLE 4

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) the greater of federal adjusted gross income as defined in the Internal Revenue Code or zero; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (1) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of

disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) ~~the ordinary income portion of~~ a lump sum distribution under section 402(e)(3) of the Internal Revenue Code; ~~and~~

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a), 102, ~~117,~~ and 121;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(c) surplus food or other relief in kind supplied by a governmental agency;

(d) relief granted under this chapter; or

(e) child support payments received under a temporary or final decree of dissolution or legal separation.

(3) The sum of the following amounts shall be subtracted from income:

(a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 prior to June 1 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code of 1986, as amended through December 31, 1987, for the taxable year for which the income is reported.

Sec. 2. Minnesota Statutes 1986, section 290A.03, subdivision 7, is amended to read:

Subd. 7. [DEPENDENT.] "Dependent" means any person who is ~~under 18 years of age at the end of the calendar year who receives more than 50 percent of support from the claimant, or who is between 18 and 21 years of age and is a full time student who receives more than 50 percent of support from the claimant~~ considered a dependent under sections 151 and 152 of the Internal Revenue Code of 1986, as amended through December 31, 1987. In the case of a son, stepson, daughter, or stepdaughter of the claimant, amounts received as an aid to families with dependent children grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the claimant. "Dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead. ~~"Dependent" includes a person over 18 years of age who lives in the claimant's homestead and who receives more than 50 percent of support from the claimant.~~

Sec. 3. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead before reductions made under section 273.13 but after deductions made ~~pursuant to~~ under sections 273.132, 273.135, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of

federal adjusted gross income. For homesteads which are manufactured homes as defined in section 274.19, subdivision 8, "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivision 22 or 23 on or before June 1 of the year in which the "property taxes payable" were levied; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made prior to October 1 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 4. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 14, is amended to read:

Subd. 14. [NET TAX.] "Net tax" means

(a) the property tax, exclusive of special assessments, interest, and penalties, and after reduction for any state paid property tax credits as required in subdivision 13 except for the reduction under section 273.13, subdivisions 22 and 23, or

(b) the payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes,

for the calendar year in which the rent was paid. If a portion of the property is occupied as a homestead or is used for other than rental purposes, the net tax shall be the amount of tax reduced by the percentage that the nonrental use comprises of the total square footage of the building. If a portion of the property is used for purposes other than for residential rental and none of the property is occupied as a homestead, the net tax shall be the amount of the tax of the parcel multiplied by a fraction, the numerator of which is the assessed value of the residential rental portion and the denominator of which is the total assessed value of the parcel. If a portion

of the property is used for other than rental residential purposes, the county treasurer shall list on the property tax statement the amount of net tax pertaining to the rental residential portion of the property.

The amount of the net tax shall not be reduced by an abatement or a court ordered reduction in the property tax on the property made after the certificate of rent constituting property tax has been provided to the renter.

Sec. 5. Minnesota Statutes 1987 Supplement, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant ~~who is disabled or has attained the age of 65 by June 1 of the year in which a refund is payable or who, on the federal tax return filed for the prior year, claimed a personal exemption for a dependent pursuant to section 151 of the Internal Revenue Code, and~~ whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable or rent constituting property taxes. The state refund will be equal to the amount of property taxes payable or rent constituting property taxes that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
$0 to 999	1.0 percent	10 percent	$1,100
1,000 to 1,999	~~1.0~~ 1.1 percent	~~10~~ 11 percent	$1,100
2,000 to 2,999	~~1.0~~ 1.2 percent	~~10~~ 12 percent	$1,100
3,000 to 3,499	~~1.0~~ 1.3 percent	~~11~~ 13 percent	$1,100
3,500 to 3,999	~~1.0~~ 1.3 percent	~~11~~ 13 percent	$1,100
4,000 to 4,499	~~1.0~~ 1.4 percent	~~11~~ 14 percent	$1,100
4,500 to 4,999	~~1.0~~ 1.4 percent	~~12~~ 14 percent	$1,100
5,000 to 5,999	~~1.0~~ 1.5 percent	~~12~~ 15 percent	$1,100
6,000 to 6,999	~~1.1~~ 1.5 percent	~~12~~ 16 percent	$1,100
7,000 to 7,999	~~1.1~~ 1.6 percent	~~13~~ 17 percent	$1,100
8,000 to 8,999	~~1.2~~ 1.6 percent	~~13~~ 18 percent	$1,100
9,000 to 9,999	~~1.2~~ 1.7 percent	~~13~~ 19 percent	$1,100
10,000 to 10,999	~~1.3~~ 1.7 percent	~~14~~ 20 percent	$1,075
11,000 to 11,999	~~1.4~~ 1.8 percent	~~14~~ 22 percent	$1,075
12,000 to 12,999	~~1.5~~ 1.8 percent	~~14~~ 24 percent	$1,075
13,000 to 13,999	~~1.5~~ 1.9 percent	~~15~~ 26 percent	$1,075
14,000 to 14,999	~~1.5~~ 2.0 percent	~~16~~ 28 percent	$1,075
15,000 to 15,999	~~1.6~~ 2.1 percent	~~17~~ 30 percent	$1,075

16,000 to 16,999	~~1.7~~ 2.2 percent	~~18~~ 32 percent	$1,075
17,000 to 17,999	~~1.8~~ 2.3 percent	~~19~~ 34 percent	$1,050
18,000 to 18,999	~~1.9~~ 2.4 percent	~~20~~ 36 percent	$1,050
19,000 to 19,999	~~2.0~~ 2.6 percent	~~22~~ 38 percent	$1,050
20,000 to 20,999	~~2.1~~ 2.8 percent	~~24~~ 40 percent	$1,050
21,000 to 21,999	~~2.2~~ 3.0 percent	~~26~~ 42 percent	$1,050
22,000 to 22,999	~~2.2~~ 3.2 percent	~~28~~ 44 percent	$1,050
23,000 to 23,999	~~2.2~~ 3.3 percent	~~30~~ 46 percent	$1,025
24,000 to 24,999	~~2.3~~ 3.4 percent	~~32~~ 48 percent	$1,025
25,000 to 25,999	~~2.3~~ 3.5 percent	~~34~~ 50 percent	$1,025
26,000 to 26,999	~~2.3~~ 3.6 percent	~~36~~ 52 percent	$1,025
27,000 to 27,999	~~2.4~~ 3.7 percent	~~38~~ 54 percent	$1,000
28,000 to 28,999	~~2.4~~ 3.8 percent	~~40~~ 56 percent	$ 900
29,000 to 29,999	~~2.4~~ 3.9 percent	~~42~~ 58 percent	$ 800
30,000 to 30,999	~~2.4~~ 4.0 percent	~~44~~ 60 percent	$ 700
31,000 to 31,999	~~2.5~~ 4.0 percent	~~46~~ 60 percent	$ 600
32,000 to 32,999	~~2.5~~ 4.0 percent	~~48~~ 60 percent	$ 500
33,000 to 33,999	~~2.5~~ 4.0 percent	~~50~~ 60 percent	$ 300
34,000 to 34,999	~~2.5~~ 4.0 percent	~~50~~ 60 percent	$ 100

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision. For taxes payable in 1989, the amount of the refund must be reduced by the homestead credit. No payment is allowed if the claimant's household income is $35,000 or more.

Sec. 6. Minnesota Statutes 1987 Supplement, section 290A.04, subdivision 2b, is amended to read:

Subd. 2b. The commissioner may reconstruct the tables in ~~subdivisions~~ subdivision 2 ~~and 2a~~ for homeowners to reflect the elimination of the homestead credit beginning for claims based on taxes payable in ~~1989~~ 1990.

Sec. 7. Minnesota Statutes 1986, section 290A.04, is amended by adding a subdivision to read:

Subd. 2h. If the net property taxes payable in 1989 on a homestead increase more than ten percent over the net property taxes payable in 1988 on the same property, and the amount of that increase is $40 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 75 percent of the amount by which the increase exceeds ten percent. This subdivision shall not apply to any increase in the net property taxes payable attributable to improvements made to the homestead.

A refund under this subdivision shall not exceed $250.

For purposes of this subdivision, "net property taxes payable"

means property taxes payable after reductions made pursuant to sections 273.13, subdivisions 22 and 23; 273.132; 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivision 2.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

Sec. 8. Minnesota Statutes 1987 Supplement, section 290A.06, is amended to read:

290A.06 [FILING TIME LIMIT, LATE FILING; INCOME TAX RETURN.]

Any claim for a refund based on property taxes payable shall be filed with the department of revenue on or before August 15 of the year in which the property taxes are due and payable. ~~A copy of the claimant's federal income tax return for the taxable year preceding the year in which the property taxes are payable must be filed with the claim if the claimant filed a federal income tax return for that year.~~

Any claim for rent constituting property taxes shall be filed with the department of revenue on or before August 15 of the year following the year in which the rent was paid. A copy of the claimant's federal income tax return for the taxable year in which the rent was paid must be filed with the claim if the claimant filed a federal income tax return for that year.

The commissioner may extend the time for filing these claims for a period not to exceed six months in the case of sickness, absence, or other disability, or when in the commissioner's judgment other good cause exists.

A claim filed after the original or extended due date shall be allowed, but the amount of credit shall be reduced by five percent of the amount otherwise allowable, plus an additional five percent for each month of delinquency, not exceeding a total reduction of 25 percent which may be canceled or reduced by the commissioner in the case of sickness, absence, or other disability, or when in the commissioner's judgment other good cause exists. In any event no claim shall be allowed if the initial claim is filed one year after the original due date for filing the claim.

The time limit on redetermination of claims for refund and examination of records shall be governed by sections 290.49, 290.50,

and 290.56 and for purposes of computing the time limit as provided in these sections the due date of the property tax refund return shall be the same as the due date contained in section 290.42 for an income tax return covering the year in which the rent was paid or the year preceding the year in which the property taxes are payable.

Sec. 9. [290A.24] [FINANCIAL REPORTING.]

For financial reporting and accounting purposes and for purposes of the state budget, the refunds paid under this chapter must be recognized and accounted for as an adjustment in the total amount of withholding tax paid under section 290.92 and declarations of estimated tax under section 290.93.

Sec. 10. [TRANSITION RULE.]

For purposes of claims based on rent paid in 1987 and property taxes payable in 1988, a claimant who has a dependent under the revised definition in section 2 shall be treated as having claimed a personal exemption for a dependent under federal law in order to qualify for a refund under Minnesota Statutes 1987 Supplement, section 290A.04, subdivision 2.

Sec. 11. Laws 1987, chapter 268, article 3, section 12, is amended to read:

Sec. 12. [LIMITATIONS ON PROPERTY TAX REFUNDS.]

~~(a)~~ For claims filed based on rent paid in 1986 and property taxes payable in 1987, the commissioner shall pay ~~67~~ 100 percent of the payments allowable under section 290A.04, subdivisions 1 and 2. ~~The commissioner shall include with each reduced refund a statement that the reduction is required by this section.~~

~~(b) Minnesota Statutes 1986, section 290A.23 does not apply to claims based on property taxes payable in 1988 and rent paid in 1987 under section 290A.04, subdivisions 1 and 2. $125,000,000 is appropriated to the commissioner of revenue for fiscal year 1989 to pay the claims. The commissioner shall estimate the amount of payments allowable under section 290A.04, subdivisions 1 and 2, by August 25, 1988. If the estimate exceeds the $125,000,000 limitation, the commissioner shall proportionally reduce the refunds paid so that the refunds paid equal $125,000,000. All refunds for claims based on property taxes payable in 1988 and rent paid in 1987 must be reduced by the same percentage. If reduced, the commissioner shall include with each refund a statement that the reduction is required by this section.~~

Sec. 12. [PAYMENT.]

By June 15, 1988, the commissioner of revenue shall pay claimants for claims paid before the date of final enactment based on rent paid in 1986 and property taxes payable in 1987 the difference between the payments allowable under Minnesota Statutes, section 290A.04, subdivisions 1 and 2, and the amounts paid under Laws 1987, chapter 268, article 3, section 12, paragraph (a). The amounts paid shall be reduced for claims filed after the original or extended due date as provided in Minnesota Statutes, section 290A.06. Interest shall not be paid on payments made by June 15, 1988. Thereafter, interest shall be added at the rate specified in Minnesota Statutes, section 270.76, from June 15, 1988, until the claim is paid.

The commissioner of revenue shall include with each payment a statement explaining that the payment is the balance of the claim filed based on rent paid in 1986 or property taxes payable in 1987 and that the payment is required by this act. The statement must read substantially as follows:

"Here is the rest of your 1986 property tax refund.

As you recall, a state law reduced all 1986 property tax refund checks by 33 percent.

The amount of this check, together with the amount of the property tax refund check you received last fall, should equal the amount of the refund you listed on your 1986 property tax refund application."

Sec 13. [REPEALER.]

Minnesota Statutes 1987 Supplement, section 290A.04, subdivision 2a, is repealed.

Sec. 14. [APPROPRIATION.]

The amount necessary to pay the refunds required in section 12 is appropriated for fiscal year 1988 from the general fund to the commissioner of revenue.

Sec. 15. [EFFECTIVE DATES.]

Sections 1 to 5 and 13 are effective for claims based on rent paid in 1988 and subsequent years and claims based on property taxes payable in 1989 and subsequent years. Section 6 is effective for claims based on property taxes paid in 1990. Section 7 is effective for property taxes payable in 1989. Section 8 is effective for claims based on rent paid in 1987 and subsequent years and claims based on property taxes payable in 1988 and subsequent years. Sections 10, 11, 12, and 14 are effective the day following final enactment.

ARTICLE 5

PROPERTY TAX REFORM

Section 1. Minnesota Statutes 1987 Supplement, section 124.155, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENT TO AIDS.] The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

(a) foundation aid as defined in section 124A.01;

(b) secondary vocational aid authorized in section 124.573;

(c) special education aid authorized in section 124.32;

(d) secondary vocational aid for handicapped children authorized in section 124.574;

(e) gifted and talented aid authorized in section 124.247;

(f) aid for pupils of limited English proficiency authorized in section 124.273;

(g) aid for chemical use programs authorized in section 124.246;

(h) interdistrict cooperation aid authorized in section 124.272;

(i) summary program aid authorized in section 124A.033;

(j) transportation aid authorized in section 124.225;

(k) community education programs aid authorized in section 124.271;

(l) adult education aid authorized in section 124.26;

(m) early childhood family education aid authorized in section 124.2711;

(n) capital expenditure equalization aid authorized in section 124.245;

(o) homestead credit ~~replacement aid authorized in section 273.1394~~ under section 273.13 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter;

(p) agricultural credit ~~replacement aid authorized in~~ under section ~~273.1395~~ 273.132 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter;

(q) transition aid and disparity reduction aid authorized in section 273.1398;

~~(q)~~ (r) attached machinery aid authorized in section 273.138, subdivision 3; and

~~(r)~~ (s) teacher retirement and F.I.C.A. aid authorized in sections 124.2162 and 124.2163.

The commissioner of education shall schedule the timing of the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible.

Sec. 2. Minnesota Statutes 1987 Supplement, section 124.2131, subdivision 3, is amended to read:

Subd. 3. [DECREASE IN IRON ORE ASSESSED VALUE.] If in any year the ~~assessed value~~ gross tax capacity of iron ore property, as defined in section 273.13, subdivision 31 in any district is less than the ~~assessed value~~ gross tax capacity of such property in the preceding year, the commissioner of revenue shall redetermine for all purposes the adjusted ~~assessed value~~ gross tax capacity of the preceding year taking into account only the decrease in ~~assessed value~~ gross tax capacity of iron ore property as defined in section 273.13, subdivision 31. If subdivision 2, clause (a), is applicable to the district, the decrease in iron ore property shall be applied to the adjusted assessed value as limited therein. In all other respects, the provisions of clause (1) shall apply.

Sec. 3. Minnesota Statutes 1987 Supplement, section 124.2139, is amended to read:

124.2139 [REDUCTION OF ~~HOMESTEAD CREDIT~~ PAYMENTS TO SCHOOL DISTRICTS.]

The commissioner of revenue shall reduce the homestead credit ~~replacement aid~~ payments under section 273.13 for fiscal year 1990, the sum of the homestead credit, and transition aid and disparity reduction aid payments under section 273.1398 for fiscal years 1991 and thereafter made to school districts ~~pursuant to section 273.1394~~ by the product of:

(1) the district's fiscal year 1984 payroll for coordinated plan members of the public employees retirement association, times

(2) the difference between the employer contribution rate in effect

prior to July 1, 1984, and the total employer contribution rate in effect after June 30, 1984.

Sec. 4. Minnesota Statutes 1987 Supplement, section 124A.02, subdivision 3a, is amended to read:

Subd. 3a. [ADJUSTED ASSESSED VALUATION.] "Adjusted assessed valuation" means the assessed valuation of the taxable property ~~notwithstanding the provisions of section 275.49~~ of the school district as adjusted by the commissioner of revenue under section 124.2131. The adjusted assessed valuation for any given calendar year shall be used to compute levy limitations for levies certified in the succeeding calendar year and aid for the school year beginning in the second succeeding calendar year.

Sec. 5. Minnesota Statutes 1987 Supplement, section 124A.02, subdivision 11, is amended to read:

Subd. 11. [MINIMUM AID.] A qualifying district's minimum aid for each school year shall equal its minimum guarantee for that school year, minus the sum of:

(1) the amount of the district's homestead credit ~~replacement aid paid~~ under section ~~273.1394 and its~~ 273.13, for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter, agricultural credit ~~replacement aid~~ under section ~~273.1395~~ 273.132, for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter, and transition aid and disparity reduction aid paid under section 273.1398 for that school year, ~~after any positive tax base adjustment but prior to any negative tax base adjustment under section 273.1396~~;

(2) the amount by which property taxes of the district for use in that school year are reduced by the attached machinery provisions in section 273.138, subdivision 6;

(3) the amount by which property taxes of the district for use in that school year are reduced by the state reimbursed disaster or emergency reassessment provisions in section 273.123; and

(4) the amount by which property taxes of the district for use in that school year are reduced by the metropolitan agricultural preserve provisions in section 473H.10.

Sec. 6. Minnesota Statutes 1987 Supplement, section 272.115, subdivision 4, is amended to read:

Subd. 4. No real estate sold on or after January 1, 1978, for which a certificate of value is required pursuant to subdivision 1 shall ~~receive the homestead value exemption amount or the agricultural~~

~~exemption amount computed in section 275.081; or the taconite homestead credit provided in sections 273.134 to 273.136~~ be classified as a homestead, unless a certificate of value has been filed with the county auditor in accordance with this section.

This subdivision shall apply to any real estate taxes that are payable the year or years following the sale of the property.

Sec. 7. Minnesota Statutes 1987 Supplement, section 273.1102, is amended by adding a subdivision to read:

Subd. 3. [1988 ADJUSTMENT.] For school districts levy limitations or authorities expressed in terms of mills and adjusted assessed value, their levy limitations shall be converted by the department of education to "equalized tax capacity rates." For purposes of this calculation, the 1987 adjusted assessed values of the district shall be converted to "adjusted gross tax capacities" by multiplying the equalized market values by class of property by the gross tax capacity rates provided in section 273.13. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue the 1987 market value for taxes payable in 1988 for any new classes of property established in this article. The commissioner shall use those values, and estimate values where needed, in developing the 1987 tax capacity for each school district under this section. The requirements of section 124.2131, subdivision 1, paragraph (c), and subdivisions 2 and 3, shall remain in effect.

Sec. 8. Minnesota Statutes 1987 Supplement, section 273.123, subdivision 4, is amended to read:

Subd. 4. [STATE REIMBURSEMENT.] The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 2 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January 2 assessed value and the tax actually payable based on the reassessed value determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions containing the property at the time distributions are made pursuant to section ~~273.1394~~ 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter, in the same proportion that the ad valorem tax is distributed.

Sec. 9. Minnesota Statutes 1987 Supplement, section 273.123, subdivision 5, is amended to read:

Subd. 5. [COMPUTATION OF CREDITS.] The amounts of any credits or tax relief which reduce the gross tax shall be computed

upon the reassessed value determined under subdivision 2. Payment shall be made pursuant to section ~~273.1394~~ 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter. For purposes of the property tax refund, property taxes payable, as defined in section 290A.03, subdivision 13, and net property taxes payable, as defined in section 290A.04, subdivision 2d, shall be computed upon the reassessed value determined under subdivision 2.

Sec. 10. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP.] (a) Each family farm corporation and each partnership operating a family farm is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class 2a property or as class 1b property under section 273.13, subdivision 22, paragraph (b), but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.

Sec. 11. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 11, is amended to read:

Subd. 11. [LIMITATION ON HOMESTEAD CLASSIFICATION.] If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1 or class 2a or the value of the first tier of ~~assessment~~ gross tax capacity percentages provided under section 273.13, subdivision 22, or 23, paragraph (a) is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23, ~~and the homestead exemption under section 275.081, subdivision 2~~. The limitation in this subdivision does not apply to buildings containing fewer than four residential units or to a single rented or leased dwelling unit located within or attached to a private garage

or similar structure owned by the owner of a homestead and located on the premises of that homestead.

If the assessor has classified a property as both homestead and nonhomestead, the homestead credit provided in section 273.13, subdivisions 22 and 23 and the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

Sec. 12. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 13, is amended to read:

Subd. 13. [SOCIAL SECURITY NUMBER REQUIRED FOR HOMESTEAD APPLICATION.] ~~Beginning with the January 2, 1987, assessment,~~ Every property owner applying for homestead classification must furnish to the county assessor that owner's social security or taxpayer identification number. If the social security or taxpayer identification number is not provided, the county assessor shall classify the property as nonhomestead. The social security numbers of the property owners are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue.

At the request of the commissioner, each county must give the commissioner a ~~listing~~ list that includes the name and social security or taxpayer identification number of each property owner applying for homestead classification.

If, in comparing the lists supplied by the counties, the commissioner finds that a property owner is claiming more than one homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the ~~homestead exemption amount provided under section 275.081~~ classification as a homestead under section 273.13, the homestead credit under section 273.13 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter, the taconite homestead credit, and the supplemental homestead credit, and the tax reduction resulting from the agricultural ~~exemption amount provided in section 275.081~~ credit under section 273.132 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter. The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead benefits plus a penalty equal to 25 percent of the homestead benefits. The property owners may appeal the county's determination by filing a notice of appeal

with the Minnesota tax court within 60 days of the date of the notice from the county.

If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount to the succeeding year's tax list to be collected as part of the property taxes.

Any amount of homestead benefits recovered from the property owner must be transmitted to the commissioner by the end of each calendar quarter. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. The amount of penalty collected must be deposited in the county general fund.

The commissioner will provide suggested homestead applications to each county. If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 13. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 15a, is amended to read:

Subd. 15a. [GENERAL FUND, REPLACEMENT OF REVENUE.] (1) Payment from the general fund shall be made, as provided herein, for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in ~~subdivision~~ subdivisions 22 and 23.

(2) Each county auditor shall certify, not later than May 1 of each year to the commissioner of revenue the amount of reduction resulting from ~~subdivision~~ subdivisions 22 and 23 in the auditor's county. This certification shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy. The commissioner may make such changes in the certification as are deemed necessary or return a certification to the county auditor for corrections.

(3) Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall annually determine the

taxing district distribution of the amounts certified under clause (2). The commissioner of revenue shall pay to each taxing district, other than school districts, its total payment for the year in equal installments on or before July ~~15~~ 20 and December 15 of each year.

Sec. 14. Minnesota Statutes 1986, section 273.13, is amended by adding a subdivision to read:

Subd. 21a. [TAX CAPACITY.] In this section, wherever the "tax capacity" of a class of property is specified without qualification as to whether it is the property's "net tax capacity" or its "gross tax capacity," the "net tax capacity" and "gross tax capacity" of that property are the same as its "tax capacity."

Sec. 15. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first $68,000 of market value of class 1a property ~~must be assessed at 17~~ has a net tax capacity of one percent of its market value and a gross tax capacity of 2.17 percent of its market value. The ~~homestead~~ market value of class 1a property that exceeds $68,000 ~~must be assessed at 27~~ but does not exceed $100,000 has a tax capacity of 2.5 percent of its market value. The market value of class 1a property that exceeds $100,000 has a tax capacity of 3.3 percent of its market value.

(b) Class 1b property includes real estate or manufactured homes used for the purposes of a homestead by

(1) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(iii) whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed pursuant to clause (1) only if the commissioner of jobs and training certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of jobs and training shall provide a copy of the certification to the commissioner of revenue.

~~Class 1b property is valued and assessed as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first $33,000 of market value shall be valued and assessed at five percent, the next $33,000 of market value shall be valued and assessed at 14 percent, and the remaining market value shall be valued and assessed at 18 percent; and in the case of all other real estate and manufactured homes, the first $34,000 of market value shall be valued and assessed at five percent, the next $34,000 of market value shall be valued and assessed at 17 percent, and the remaining market value shall be valued and assessed at 27 percent. In the case of agricultural land including a manufactured home used for purposes of a homestead, the commissioner of revenue~~

~~shall adjust,~~ as ~~provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 18 percent rates; and for all other real estate and manufactured homes, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 17 percent rates.~~ Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first $32,000 market value of class 1b property has a net tax capacity of .4 percent of its market value and a gross tax capacity of .87 percent of its market value. The remaining market value of class 1b property has a gross or net tax capacity using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner. ~~It must be assessed at 12~~ Class 1c property has a tax capacity of .9 percent of market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

(d) For taxes levied in 1988, payable in 1989 only, the tax to be paid on class 1a or class 1b property, ~~less any reduction received pursuant to sections 273.123 and 473H.10~~, shall be reduced by 54 percent of the tax imposed on the first $68,000 of market value. The amount of the reduction shall not exceed ~~$700~~ $725.

Sec. 16. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded, ~~together with the house and garage. The first $66,000 of market value of an agricultural homestead is valued at 30 percent.~~ The market value of the house and garage and immediately surrounding one acre of land that does not exceed $65,000 has a net tax capacity of .805 percent of market value and a gross tax capacity of 1.75 percent of market value. The excess market value over $65,000 has a tax capacity of 2.2 percent. If the market value of the house, garage, and surrounding one acre of land is less than $65,000, the value of the remaining land including improvements equal to the difference between $65,000 and the market value of the house, garage, and surrounding one acre of land has a net tax capacity of 1.12 percent of market value and a gross tax capacity of 1.75 percent of market value for the first 320 acres of land and the remaining value over 320 acres has a

net tax capacity of 1.295 percent of market value and a gross tax capacity of 1.75 percent of market value. The remaining value of class 2a property ~~is assessed at 40~~ over the $65,000 market value that does not exceed 320 acres has a net tax capacity of 1.44 percent of market value and a gross tax capacity of 2.25 percent of market value. The remaining property over the $65,000 market value in excess of 320 acres has a net tax capacity of 1.665 percent of market value and a gross tax capacity of 2.25 percent of market value.

Noncontiguous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 2a. If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

For taxes levied in 1988, payable in 1989 only, the tax to be paid on class 2a property~~, less any reduction received pursuant to sections 273.123 and 473H.10~~ and class 1b property under section 273.13, subdivision 22, paragraph (b), used for agricultural purposes shall be reduced by ~~52~~ 54 percent of the tax. The amount of the reduction shall not exceed ~~$700~~ $725.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; and (2) real estate that is nonhomestead agricultural land. Class 2b property ~~is assessed at 40~~ has a net tax capacity of 1.665 percent of market value and a gross tax capacity of 2.25 percent of market value.

Agricultural land as used in this section ~~shall mean~~ means contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land and land included in federal farm programs.

Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, including the breeding of fish for sale and consumption provided that it is located on land zoned for agricultural use, shall be considered as agricultural land, if it is not used primarily for residential purposes.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

Sec. 17. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial ~~and~~, industrial, and utility property is class 3a. It ~~is assessed at 60~~ has a tax capacity of 3.3 percent of the first ~~$80,000~~ $100,000 of market value and ~~96~~ 5.25 percent of the market value over ~~$80,000~~ $100,000. For taxes payable in 1991, the 5.25 percent rate shall be 5.2 percent and for taxes payable in 1992 and subsequent years the rate shall be 5.15 percent. In the case of state-assessed commercial ~~or~~, industrial, and utility property owned by one person or entity, only one parcel ~~may qualify for the 60~~ has a tax capacity 3.3 percent ~~assessment~~. In the case of other commercial ~~or~~, industrial, and utility property owned by one person or entity, only one parcel in each county ~~may qualify for the 60~~ has a tax capacity of 3.3 percent ~~assessment~~.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and ~~shall be valued and assessed at 45~~ has a tax capacity of 2.5 percent of the first $50,000 of market value and ~~50~~ 3.5 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the tax capacity of the first ~~$80,000~~ $100,000 of market value ~~shall be valued and assessed at 60~~ is 3.3 percent and the tax capacity of the remainder ~~shall be assessed and valued at 86~~ is 4.8 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

Sec. 18. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property ~~is assessed at 70~~ has a tax capacity of 4.1 percent of market value.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, recreational, and ~~homesteads~~ a structure having five or more stories that is constructed with materials meeting the requirements for type I or II construction as defined in the state building code, 90 percent or more of which is used or is to be used as apartment housing for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is the earlier date;

(2) post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing;

(3) manufactured homes not classified under any other provision; ~~and~~

(4) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b), which has a tax capacity of 2.7 percent of market value.

Class 4b property ~~is assessed at 60 percent for taxes levied in 1988, payable in 1989 and thereafter~~ has a tax capacity of 3.5 percent of market value, except as provided in clause (4).

(c) Class 4c property includes:

(1) a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan;

(2) a structure that is:

(i) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended; and

(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance

for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter~~.~~; and

(3) a qualified low-income building that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or (ii) meets the requirements of that section. Classification pursuant to this clause is limited to buildings the construction or rehabilitation of which began after May 1, 1988 and to a term of 15 years.

For all properties described in clauses (1) ~~and (2)~~, (2), and (3) and in paragraph (d), ~~clause (2),~~ the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents. The land on which these structures are situated has a tax capacity of 3.5 percent of market value if the structure contains fewer than four units, and 4.1 percent of market value if the structure contains four or more units.

~~(3)~~ (4) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (a) it is a nonprofit corporation organized under chapter 317; (b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (c) it limits membership with voting rights to residents of the designated community; and (d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and

~~(4)~~ (5) except as provided in subdivision 22, paragraph ~~(d)~~ (c), ~~clause (1),~~ real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment. For this

purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for the use. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in clauses (5) and (6) also includes the remainder of class ~~4d~~ 1c resorts and has a tax capacity of 2.6 percent of market value, except that noncommercial seasonal recreational property has a tax capacity of 2.3 percent of market value; and

~~(5)~~ (6) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1986. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity; and

Class 4c property ~~is assessed at 50~~ classified under clauses (1), (2), (3), and (4) has a tax capacity of 2.5 percent of market value.

(d) Class 4d property includes:

~~(1) commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment,~~

~~and that includes a portion used as a homestead by the owner. The area of the property that is classified as class 4d must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore;~~

~~(2)~~ any structure:

(i) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration;

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the farmers home administration. Property ~~must be assessed~~ is classified under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The ~~30 percent and 50 percent assessment ratios~~ 1.5 percent and 2.5 percent tax capacity assignments apply to the properties described in paragraph (c), clauses (1) ~~and (2),~~ (2), and (3) and this clause, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. Classification under this clause is only available to property of a nonprofit or limited dividend entity~~;~~ ~~and~~

~~(3) the first $34,000 of market value of real estate or manufactured homes used for the purposes of a homestead by~~

~~(i) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or~~

~~(ii) any person, hereinafter referred to as "veteran," who:~~

~~(A) served in the active military or naval service of the United States; and~~

~~(B) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and~~

~~(C) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or~~

~~(iii) any person who:~~

~~(A) is permanently and totally disabled and~~

~~(B) receives 90 percent or more of total income from~~

~~(1) aid from any state as a result of that disability; or~~

~~(2) supplemental security income for the disabled; or~~

~~(3) workers' compensation based on a finding of total and permanent disability; or~~

~~(4) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or~~

~~(5) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or~~

~~(6) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability.~~

~~Property is classified and assessed pursuant to this clause only if the commissioner of human services certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of human services shall provide a copy of the certification to the commissioner of revenue.~~

~~The remaining value of class 4(d)(3) property in excess of $34,000 shall be valued and assessed under subdivision 22 or 23, as appropriate, provided that only the value in excess of $34,000 but not in excess of $68,000 is assessed at the rate provided for the first tier of value in subdivision 22 or only the value in excess of $34,000 but not in excess of $66,000 is assessed at the rate provided for the first tier of value in subdivision 23.~~

Class 4d property ~~is assessed at 30 percent of market value~~ has a tax capacity of 1.5 percent of market value.

Sec. 19. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 31, is amended to read:

Subd. 31. [CLASS 5.] All property not included in any other class is class 5 property ~~and is assessed at 96 percent of market value~~.

(a) Tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures, have a tax capacity of 4.6 percent of market value.

(b) Unmined iron ore and low-grade iron-bearing formations as defined in section 273.14 have a tax capacity of 5.25 percent of market value.

(c) Vacant land has a tax capacity of 5.25 percent of market value.

(d) All other property not otherwise classified has a tax capacity of 5.25 percent of market value.

Sec. 20. Minnesota Statutes 1986, section 273.1315, is amended to read:

273.1315 [CERTIFICATION OF 1B PROPERTY.]

Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), clause (2) or (3), shall file with the commissioner of revenue for each assessment year a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), clause (2) or (3), for 1b classification;

(b) the property owner's household income, as defined in section 290A.03, for the previous calendar year; and

(c) any additional information prescribed by the commissioner.

The declaration shall be filed on or before March 1 of each year to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this section shall be subject to section 290A.17.

The commissioner shall provide to the assessor on or before April 1 a listing of the parcels of property qualifying for 1b classification.

Sec. 21. [273.132] [STATE AGRICULTURAL CREDIT.]

Subdivision 1. [AGRICULTURAL HOMESTEAD PROPERTY.] For taxes levied in 1988, payable in 1989 only, the county auditor shall reduce the tax for all purposes on all property receiving the homestead credit under section 273.13, subdivision 23, by an amount equal to 36 percent of the tax levy imposed on up to 320 acres of land including the buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling.

Subd. 2. [OTHER AGRICULTURAL PROPERTY.] For taxes levied in 1988, payable in 1989 only, the county auditor shall reduce the tax for all purposes on all other agricultural lands classified under section 273.13, subdivision 23, including buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling, and on timber land classified under section 273.13, subdivision 23, paragraph (b) by an amount equal to 26 percent of the tax levy imposed on the property.

Subd. 3. [ADMINISTRATION.] The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy and may make changes in the certification as deemed necessary or return a certification to the county auditor for corrections.

Subd. 4. [PAYMENT TO TAXING JURISDICTIONS.] Payment from the general fund must be made to each taxing jurisdiction to replace the revenue lost as a result of the credit provided in this section. Payment to taxing jurisdictions other than school districts must be made by the commissioner in equal installments on or before July 20 and December 15 each year. Payment to school districts must be made to the commissioner of education as provided in section 273.1392.

Subd. 5. [APPROPRIATION.] The amount necessary to make the payments required under this section is appropriated from the general fund in the state treasury to the commissioners of revenue and education for property taxes payable in 1989.

Sec. 22. Minnesota Statutes 1987 Supplement, section 273.135, subdivision 2, is amended to read:

Subd. 2. For taxes payable in 1989 only, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage

of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10.

(c) (1) The maximum reduction of the net tax up to the taconite breakpoint is $225.40 on property described in clause (a) and $200.10 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by $15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax on property described in clause (a) is $490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is $435 for taxes payable in 1985. These maximum amounts shall increase by $15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22, "effective tax rate" means tax divided by the market value of the property, and the "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Subd. 2a. For taxes payable in 1990 and thereafter, the amount of the reduction authorized by subdivision 1 shall be

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10.

(c) The total maximum reduction of the net tax on property described in clause (a) is $490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is $435 for taxes payable in 1985. These maximum amounts shall increase by $15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit payable under this section and "effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 23. Minnesota Statutes 1987 Supplement, section 273.1391, subdivision 2, is amended to read:

Subd. 2. For taxes payable in 1989 only, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint

on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the maximums specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10.

(c)(1) The maximum reduction of the net tax up to the taconite breakpoint is $200.10 for taxes payable in 1985. This maximum amount shall increase by $15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax is $435 for taxes payable in 1985. This total maximum amount shall increase by $15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22 and "effective tax rate" means tax divided by the market value of the property, and the "base year effective tax rate" means the tax on the property after application of the credits payable under section 273.13, subdivisions 22 and 23 and this section for taxes payable in 1988, divided by the market value of the property. A new parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Subd. 2a. For taxes payable in 1990 and thereafter, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the tax, provided that the amount of ~~said~~ the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the tax, but not to exceed the maximums specified in clause (c) and not to exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than $10.

(c) The total maximum reduction of the tax is $435 for taxes payable in 1985. This total maximum amount shall increase by $15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit under this section, "effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 24. Minnesota Statutes 1987 Supplement, section 273.1392, is amended to read:

The amounts of ~~small business transition credit under section~~

~~273.1195;~~ disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead credit ~~replacement aid~~ under section ~~273.1394~~ 273.13; agricultural credit ~~replacement aid~~ under section ~~273.1395~~ 273.132; aids and credits under section 273.1398; and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

Sec. 25. Minnesota Statutes 1987 Supplement, section 273.1393, is amended to read:

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

(1) ~~small business property tax transition credit as provided in section 273.1195;~~

~~(2)~~ disaster credit as provided in section 273.123;

~~(3)~~ (2) powerline credit as provided in section 273.42;

~~(4)~~ (3) agricultural preserves credit as provided in section 473H.10;

~~(5)~~ (4) enterprise zone credit as provided in section 469.171;

(5) state agricultural credit as provided in section 273.132;

(6) state paid homestead credit as provided in section 273.13~~, subdivision 23~~;

(7) taconite homestead credit as provided in section 273.135;

(8) supplemental homestead credit as provided in section 273.1391.

The combination of all property tax credits must not exceed the gross tax amount.

Sec. 26. [273.1398] [TRANSITION AND DISPARITY REDUCTION AID; CREDIT GUARANTEE.]

Subdivision 1. [DEFINITIONS.] (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of mill rates.

(c) "Gross tax capacity" means the product of the appropriate percentages of market value listed as gross tax capacities in section 273.13 and equalized market values. "Total gross tax capacity" means the gross tax capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the gross tax capacity of property referred to in clauses (1) and (2) for disparity reduction aid payable in 1989, the gross tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Gross tax capacity cannot be less than zero.

(d) "Net tax capacity" means the product of the appropriate percentages of market value listed as net tax capacities in section 273.13 and equalized market values. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. For computation of aids payable in 1989 only, if the aggregate assessment sales ratio is less than or equal to 92 percent, the assessment sales ratios by class shall be adjusted proportionally so that the aggregate ratio of the unequalized market values to the equalized market values equals 92 percent; otherwise the equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Homestead effective rate" means the product of (i) 46 percent; (ii) 2.17 percent; and (iii) the total tax capacity rate for taxes payable in 1989 within a unique taxing jurisdiction multiplied by the 1988 aggregate assessment sales ratio. A sales ratio of .92 is used if the actual sales ratio is less than .92.

(g) For purposes of calculating the transition aid authorized pursuant to subdivision 2, the "subtraction factor" is the product of (i) a unique taxing jurisdiction's homestead effective rate; (ii) its net tax capacity; and (iii) 103.

(h) For purposes of calculating and allocating transition aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties" or "gross taxes" means the total gross taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction before reduction by any credits for taxes payable in the year prior to that in which the aids are payable. For purposes of disparity reduction aid only, total gross taxes shall be reduced by the taxes levied for any school district referendum levies authorized pursuant to section 124A.03, subdivision 2, and any school district debt levies authorized pursuant to section 475.61. Gross taxes levied cannot be less than zero.

(i) "Income maintenance aids" means:

(1) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(2) preadmission screening and alternative care grants under section 256B.091, subdivision 8;

(3) general assistance, and work readiness under section 256D.03, subdivision 2;

(4) general assistance medical care under section 256D.03, subdivision 6;

(5) aid to families with dependent children under section 256.82, subdivision 1, including emergency assistance under section 256.871, subdivision 6; and funeral expense payments under section 256.935, subdivision 1; and

(6) supplemental aid under section 256D.36, subdivision 1.

Subd. 2. [TRANSITION AID.] (a) Transition aid for each unique

taxing jurisdiction for taxes payable in 1990 equals the total gross taxes levied on all properties, minus the unique taxing jurisdiction's subtraction factor. Transition aid cannot be less than zero. The transition aid so determined for school districts for purposes of general education and transportation levies shall be multiplied by the ratio of the adjusted gross tax capacity based upon the 1988 adjusted gross tax capacity to the estimated 1987 adjusted gross tax capacity based upon the 1987 adjusted assessed value. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue with the 1988 market values for taxes payable in 1989 for any new classes of property established in this article. The commissioner shall use those values, and estimate values where needed, in developing the 1988 tax capacity for each unique taxing jurisdiction under this section.

(b)(1) The transition aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's gross taxes bears to the total gross taxes levied within the unique taxing jurisdiction.

(2) If a local government's total tax capacity rate for all funds for taxes payable in 1989 varies within the area in which it exercises taxing authority, the local government's allocated transition aid must be further allocated between the part of its levy in respect to which the tax capacity rate is constant throughout the area in which it exercises taxing authority and the part of its levy in respect to which the tax capacity rate varies throughout the area in which it exercises taxing authority.

(c) In 1991 and subsequent years, a local government shall receive transition aid equal to that it received in 1990 subject to the requirement of the last sentence of subdivision 6.

(d) The difference between (1) the income maintenance aids payable to a county and (2) the income maintenance aids that would be payable to the county pursuant to the rates in effect for calendar year 1989 shall be reduced by the sum of the amount of transition aid a county receives under this subdivision for all unique taxing jurisdictions located within its borders. The reduction must not reduce the difference to less than zero. The reduction shall be prorated among all payments of the increased income maintenance aids so that each payment is reduced by an equal percentage amount. The commissioner of revenue shall certify each county's transition aid to the commissioner of human services for purposes of this adjustment.

Subd. 3. [DISPARITY REDUCTION AID.] (a) For taxes payable in 1989, a disparity reduction aid shall be calculated for each unique taxing jurisdiction. The aid is the greater of:

(1) the difference between (i) the total 1988 gross tax payable on all taxable property within the unique taxing jurisdiction, and (ii) the gross tax capacity of the unique taxing jurisdiction; or

(2) 20 percent of the difference between (i) the 1988 gross tax of the city or township, and (ii) 23 percent of the city's or township's gross tax capacity.

In no case can the aid be less than $0.

(b) The disparity reduction aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's payable gross taxes bears to the total payable gross taxes levied within the unique taxing jurisdiction.

(c) In 1990 and subsequent years, a local government shall receive disparity reduction aid equal to that it received in 1989.

Subd. 4. [DISPARITY REDUCTION CREDIT.] (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, located in cities with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census which are adjacent to cities in another state or immediately adjacent to a city adjacent to a city in another state qualify for disparity reduction credits, if the adjacent city in the other state has a population of greater than 5,000 and less than 75,000. The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to three percent of the property's market value and (ii) the tax on class 3a and class 3b property to 3.3 percent of market value.

(b) The county auditor shall annually certify the costs of the credits to the department of revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

Subd. 5. [HOMESTEAD AND AGRICULTURAL CREDIT GUARANTEE.] Beginning with taxes payable in 1990, each unique taxing jurisdiction may receive additional homestead and agricultural credit payments.

(1) Each year, the commissioner shall certify to the county auditor the total education aids paid under chapters 124 and 124A, transition aid and disparity reduction aid paid under section 273.1398, local government aid to cities, counties, and towns paid under chapter 477A, and income maintenance aid paid to counties for each taxing jurisdiction. The county auditor shall apportion each local government's aids to the unique taxing jurisdiction based upon the

proportion that the unique taxing jurisdiction's tax capacity bears to the total tax capacity of the local government.

(2) Each year, the county auditor will compute a gross tax capacity rate for each taxing jurisdiction equal to its total levy divided by its gross tax capacity. For each unique taxing jurisdiction, a total gross tax capacity rate will be determined. This total gross tax capacity rate will be applied against the gross tax capacity of each property that would have been eligible for the homestead credit or the agricultural credit for taxes payable in 1989. A credit amount will be determined for each parcel based upon the credit rate structure in effect for taxes payable in 1989. The resulting credit amounts will be summed for all parcels in the unique taxing jurisdiction.

If the amount determined in clause (2) is greater than the amount determined in clause (1), the difference will be additional homestead and agricultural credit payments for the unique taxing jurisdiction. The additional credit amount shall proportionately reduce the tax capacity rates of all local governments levying taxes within the unique taxing jurisdiction. The county auditor shall certify the amounts of all additional credits determined under this section in a form prescribed by the commissioner.

Subd. 6. [PAYMENT.] The commissioner shall certify the aids provided in subdivisions 2 and 3 before September 30 of the year preceding the distribution year to the county auditor of the affected local government and pay them and the credit reimbursements to local governments other than school districts at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions. Aids and credit reimbursements to school districts must be certified to the commissioner of education and paid under section 273.1392. Payment shall not be made to any taxing jurisdiction that has ceased to levy a property tax nor shall transition aid be payable on the part of a levy to which transition aid was separately allocated under subdivision 2, paragraph (b), clause (2) which is no longer levied.

Subd. 7. [APPROPRIATION.] An amount sufficient to pay the aids and credits provided under this section is annually appropriated from the general fund to the commissioner of revenue.

Sec. 27. Minnesota Statutes 1987 Supplement, section 273.165, subdivision 2, is amended to read:

Subd. 2. [IRON ORE.] Unmined iron ore included in class 5, paragraph (b), must be assessed with and as a part of the real estate in which it is located, but ~~at the rate~~ its gross tax capacity would be as established in section 273.13, subdivision ~~30~~ 31. The real estate in which iron ore is located, other than the ore, must be classified and assessed in accordance with the provisions of the appropriate

classes. In assessing any tract or lot of real estate in which iron ore is known to exist, the assessable value of the ore exclusive of the land in which it is located, and the assessable value of the land exclusive of the ore must be determined and set down separately and the aggregate of the two must be assessed against the tract or lot.

Sec. 28. Minnesota Statutes 1987 Supplement, section 273.37, subdivision 2, is amended to read:

Subd. 2. Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before the 15th day of November, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

Sec. 29. Minnesota Statutes 1986, section 273.40, is amended to read:

273.40 [ANNUAL TAX ON COOPERATIVE ASSOCIATIONS.]

Cooperative associations organized under the provisions of Laws 1923, chapter 326, and laws amendatory thereof and laws supplemental thereto, and engaged in electrical heat, light or power business upon a mutual, nonprofit, and cooperative plan in rural areas, as hereinafter defined, are hereby recognized as quasi-public in their nature and purposes; but such cooperative associations, which operate within the corporate limits of any city shall ~~be assessed on the basis of 43 percent~~ have a tax capacity of the market value of that portion of its property located within the corporate limits of any city as provided for in section 273.13, subdivisions 24 and 31.

Sec. 30. [275.065] [PROPOSED PROPERTY TAXES; NOTICE.]

Subdivision 1. [PROPOSED LEVY.] On or before August 1, each taxing authority shall adopt a proposed budget and certify to the county auditor the proposed property tax levy for taxes payable in the following year. For purposes of this section, "taxing authority" shall include all home rule and statutory cities with a population of over 2,500, counties, school districts, the metropolitan council, and the metropolitan regional transit commission.

Subd. 2. [TAX RATE COMPUTATIONS.] (a) The county auditor shall compute each taxing authority's tax capacity rate that when

applied to the net tax capacity of the taxing district as of January 2 of the current year, excluding new construction, additions to structures, or property added to or deleted from the assessment rolls since the previous year's assessment, yields the taxing authority the same levy as the taxing authority levied the previous year. This tax capacity rate is the "no-increase tax rate."

(b) The county auditor shall compute a tax capacity rate that when applied to the net tax capacity of the taxing authority as of January 2 of the current year, including new construction, additions to structures, or property added to or deleted from the assessment rolls since the previous year's assessment, yields the authority's proposed levy for taxes levied in the current year. This tax capacity rate is the "proposed tax rate."

(c) The county auditor shall notify the taxing authority of its no-increase tax capacity rate and its proposed tax capacity rate on or before August 8. The taxing authority may amend its proposed levy but must certify to the county auditor by August 15 its final proposed levy and the date the taxing authority will hold a public hearing to adopt its budget and property tax levy.

(d) The county auditor shall recompute the taxing authority's proposed tax capacity rate to reflect any adjustments made by the taxing authority under paragraph (c), and notify the taxing authority of the proposed tax capacity rate and the percent, if any, by which the recomputed proposed tax capacity rate exceeds the no-increase tax capacity rate. That percent is the percentage increase in property taxes proposed by the taxing authority.

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) If there is a percentage increase in property taxes proposed by the taxing authority, on or before September 15, the county auditor shall compute for each parcel of property on the assessment rolls within the taxing authority the proposed property tax for taxes levied in the current year. In the case of cities under 2,500 population, and all special taxing districts except the metropolitan council and the metropolitan regional transit commission, the auditor shall use the taxing district's previous year tax capacity rate for use in computing the total property tax. The county auditor shall prepare and deliver by first class mail to each taxpayer at the address listed on the city's current year's assessment roll, a notice of the taxpayer's proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) A notice in substantially the following form shall be sufficient.

NOTICE OF PROPOSED PROPERTY TAXES

DO NOT PAY - THIS IS NOT A BILL

This notice shows the amount your next property tax bill will be if proposed budgets are approved by the local government districts you live in. It also shows the amount of your next property tax bill if the local government districts you live in do not change their budgets from this year.

Name of property owner	Description of property	Market value of property	Class of property
John Q. and Mary W. Smith	Lot 1, Block 1 Pleasant Acres subdivision Middletown, Minnesota	$65,000	residential homestead

Based on their proposed budgets, next year the governing bodies of the county, city, school district, and special tax districts you live in are proposing to collect from you the amount of property tax shown below. At the meetings listed below, the governing bodies will discuss and vote on the amount of their budgets for next year. The larger the amount of the budget, the more property tax you will pay. You can attend the meetings and express your opinions about the amount of the budget before the budget is voted on.

These local governments collect property tax from you	Amount of your tax next year if they do not change their budgets from this year	Amount of your tax next year if they adopt their proposed budgets	Time and place of meetings on proposed budgets
County: Spruce	$218.55	$257.75	September 1, 1988, 7:30 pm Room 123, Spruce Co. Courthouse

City or Town: Middletown	$168.63	$184.09	October 1, 1988, 8:00 pm Middletown Town Hall
Public School: Ind. Dist. 123			
set by school board	$47.56	$146.88	September 25, 1988, Cafeteria, Middletown Town Hall
set by state law	$300.00	$300.00	
Special Tax Districts			
Metropolitan Council	$25.00	$50.00	October 5, 1988, 3:00 pm Board Room, Tri-County Hospital
Metropolitan Regional Transit Board	$10.00	$12.00	October 12, 1988, 6:00 pm Common Room, Tri-County Library
Tax before State payments:	$769.74	$950.72	
Payments by State:	(subtract: $215.00)	(subtract: $235.00)	

Your tax if budget is not changed: $554.74

Your tax if proposed budget is adopted: $715.72

Subd. 4. [COSTS.] The taxing authority shall pay the county for the reasonable cost of the county auditor's services and for the costs of preparing and mailing the notice required in this section.

Subd. 5. [PUBLIC ADVERTISEMENT.] (a) On or before September 15, the taxing authority shall advertise in a qualified newspaper a notice of its intent to adopt a budget and property tax levy at a public hearing.

The advertisement must be no less than one-quarter page in size of a standard-size or a tabloid-size newspaper, and the headline in the advertisement shall be in a type no smaller than 18 point. The

advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in a newspaper of general paid circulation in the city. Whenever possible, the advertisement must appear in a newspaper that is published at least five days a week, unless the only newspaper in the city is published less than five days a week. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter.

(b) If the taxing authority proposes a percentage increase in property taxes, the advertisement must be in the following form:

"NOTICE OF TAX INCREASE

The . . . (name of taxing authority) . . . has tentatively adopted a measure to increase its property tax levy by . . . (percentage of increase over no-increase rate) . . . percent.

All concerned citizens are invited to attend a public hearing on the tax increase to be held on . . . (date and time) . . . at . . . (meeting place) . . . .

A FINAL DECISION on the proposed tax increase and the budget will be made at this hearing."

Subd. 6. [PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.] Prior to October 25, the governing body of the city shall hold a public hearing to adopt its final budget and property tax levy for taxes payable in the following year. The hearing must be held not less than two days or more than five days after the day the notice is first published.

At the hearing the taxing authority may amend the proposed budget and property tax levy and must adopt a final budget and property tax levy. The property tax levy adopted may not exceed the final proposed levy determined under subdivision 2, paragraph (c).

At the hearing the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions prior to adoption of any measures by the governing body. The governing body shall adopt its final property tax levy prior to adopting its final budget.

The hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No hearing may be held on a Sunday. The

school board and county board shall not schedule public meetings on days scheduled for the hearing by the governing body of the city.

If the hearing is recessed, the taxing authority shall publish a notice in a qualified newspaper of general paid circulation in the city. The notice must state the time and place for the continuation of the hearing and must be published at least two days but not more than five days prior to the date the hearing will be continued.

Subd. 7. [CERTIFICATION OF COMPLIANCE.] At the time the taxing authority certifies its tax levy under section 275.07, it shall certify to the commissioner of revenue its compliance with this section. The certification must contain copies of the advertisement required under subdivision 5, the resolution adopting the final property tax levy under subdivision 6, and any other information required by the commissioner of revenue. If the commissioner determines that the taxing authority has failed to substantially comply with the requirements of this section, the commissioner of revenue shall notify the county auditor. When fixing rates under section 275.08 for a taxing authority that has not complied with this section, the county auditor must use the no-increase tax rate.

Sec. 31. Minnesota Statutes 1987 Supplement, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities ~~and~~, towns, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before October ~~10~~ 25 in each year. The taxes ~~of a school district must be certified to the commissioner of education by October 10 in each year~~ certified shall not be adjusted by the aid received under section 273.1398, subdivisions 2 and 3. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year. If the local unit notifies the commissioner of revenue~~, or the commissioner of education in the case of a school district,~~ before October ~~10~~ 25 of its inability to certify its levy by that date, and the commissioner is satisfied that the delay is unavoidable and is not due to the negligence of the local unit's officials or staff, the commissioner shall extend the time within which the local unit shall certify its levy up to 15 calendar days beyond the date of request for extension. ~~For 1988 only, the commissioner may extend the certification time to November 7 if the requirements of this subdivision are met.~~

Sec. 32. Minnesota Statutes 1986, section 275.07, is amended by adding a subdivision to read:

Subd. 3. The county auditor shall adjust each local government's levy certified under subdivision 1 by the amount of transition aid certified by section 273.1398, subdivision 2. If a local government's transition aid was further allocated between portions of its levy

pursuant to section 273.1398, subdivision 2, paragraph (b)(2), the levy or fund to which the transition aid was allocated is the levy or fund which must be adjusted.

Sec. 33. Minnesota Statutes 1986, section 275.08, is amended by adding a subdivision to read:

Subd. 1a. For taxes payable in 1989, the county auditor shall compute the gross tax capacity for each parcel according to the rates specified in section 273.13. The gross tax capacity will be the appropriate rate multiplied by the parcel's market value. For taxes payable in 1990 and subsequent years, the county auditor shall compute the net tax capacity for each parcel according to the rates specified in section 273.13. The net tax capacity will be the appropriate rate multiplied by the parcel's market value.

Sec. 34. Minnesota Statutes 1986, section 275.08, is amended by adding a subdivision to read:

Subd. 1b. The amounts certified under section 275.07 after adjustment under section 275.07, subdivision 3 by an individual local government unit shall be divided by the total gross tax capacity of all taxable properties within the local government unit's taxing jurisdiction for tax payable in 1989 and by the total net tax capacity of all taxable properties within the local government unit's taxing jurisdiction, for taxes payable in 1990 and thereafter. The resulting ratio, the local government's tax capacity rate, multiplied by each property's gross tax capacity for taxes payable in 1989 and net tax capacity for taxes payable in 1990 and subsequent years shall be each property's total tax for that local government unit before reduction by any credits.

Sec. 35. Minnesota Statutes 1986, section 275.08, is amended by adding a subdivision to read:

Subd. 1c. After the tax capacity rate of a local government has been determined pursuant to subdivision 1b, the auditor shall adjust the local government's tax capacity rate within each unique taxing jurisdiction as defined in section 273.1398, subdivision 1, in which the local government exercises taxing authority. The adjustment shall equal the unique taxing jurisdiction's disparity reduction aids allocated to the local government pursuant to section 273.1398, subdivision 3 divided by the total tax capacity of all taxable property within the unique taxing jurisdiction. The adjustment shall reduce the tax capacity rate of the local government within the unique taxing jurisdiction for which the adjustment was calculated.

Sec. 36. [275.011] [MILL RATE LEVY LIMITATIONS; CONVERSION FROM MILLS TO DOLLARS.]

Subdivision 1. The property tax levied for any purpose subject to a mill rate limitation imposed by statute or special law, excluding levies subject to mill rate limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, must not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of the applicable mill rate limitation imposed by statute or special law multiplied by the total assessed valuation of all taxable property subject to the tax as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property subject to the tax divided by the assessment year 1987 total market valuation of all taxable property subject to the tax; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the property tax levy limitation for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property subject to the tax for the current assessment year divided by the total market valuation of all taxable property subject to the tax for the previous assessment year.

For the purpose of determining the property tax levy limitation for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property subject to the tax without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

Subd. 2. A mill rate levy limitation imposed by statute or special law that is presently in effect, excluding those mill rate levy limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, shall be construed to allow no more and no less property taxes than the amount determined under this section.

Subd. 3. [COUNTY CAPITAL IMPROVEMENT MILL LIMITS.] For purposes of determining the mill rate limits applicable to county capital improvement programs under section 373.40, the mill rate limit applicable to the county must be divided by 0.45 and multiplied by the county's assessed value for taxes payable in 1988. The resulting dollar amount must be used in determining the limitation under the procedures provided by this section.

Sec. 37. Minnesota Statutes 1987 Supplement, section 275.50, subdivision 2, is amended to read:

Subd. 2. [GOVERNMENTAL SUBDIVISION.] (a) "Governmental subdivision" means a county, a home rule charter city, or a statutory city, except a home rule charter or statutory city that has a population of less than 2,500 according to the most recent federal census.

(b) "Governmental subdivision" also includes any home rule charter or statutory city or town that receives a distribution from the taconite municipal aid account in the levy year.

Sec. 38. Minnesota Statutes 1987 Supplement, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in ~~1983~~ 1988 payable in ~~1984~~ 1989 and subsequent years, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

~~(a) satisfy judgments rendered against the governmental subdivision by a court of competent jurisdiction in any tort action, or to pay the costs of settlements out of court against the governmental subdivision in a tort action when substantiated by a stipulation for the dismissal of the action filed with the court of competent jurisdiction and signed by both the plaintiff and the legal representative of the governmental subdivision, but only to the extent of the increase in levy for such judgments and out of court settlements over levy year 1970, taxes payable in 1971;~~

~~(b) pay the costs of complying with any written lawful order initially issued prior to January 1, 1977, by the state of Minnesota, or the United States, or any agency or subdivision thereof, which is authorized by law, statute, special act or ordinance and is enforceable in a court of competent jurisdiction, or any stipulation agreement or permit for treatment works or disposal system for pollution abatement in lieu of a lawful order signed by the governmental subdivision and the state of Minnesota, or the United States, or any agency or subdivision thereof which is enforceable in a court of competent jurisdiction. The commissioner of revenue shall in consultation with other state departments and agencies, develop a suggested form for use by the state of Minnesota, its agencies and subdivisions in issuing orders pursuant to this subdivision;~~

~~(c) pay the costs to a governmental subdivision for their minimum required share of any program otherwise authorized by law for which matching funds have been appropriated by the state of Minnesota or the United States, excluding the administrative costs of public assistance programs, to the extent of the increase in levy over the amount levied for the local share of the program for the~~

~~taxes payable year 1971. This clause shall apply only to those programs or projects for which matching funds have been designated by the state of Minnesota or the United States on or before September 1, of the previous year and only when the receipt of these matching funds is contingent upon the initiation or implementation of the project or program during the year in which the taxes are payable or those programs or projects approved by the commissioner;~~

~~(d)~~ (a) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services. Except for the costs of general assistance as defined in section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the costs of hospital care pursuant to section 261.21, the aggregate amounts levied pursuant to this clause are subject to a maximum increase of 18 percent over the amount levied for these purposes in the previous year. Effective with taxes levied in 1989, the portion of this special levy for income maintenance programs identified in section 273.1398, subdivision 1, paragraph (i), is eliminated;

~~(e)~~ (b) pay the costs of principal and interest on bonded indebtedness except on bonded indebtedness issued under section 471.981, subdivisions 4 to 4c or to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

~~(f)~~ (c) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

~~(g)~~ (d) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

~~(h)~~ (e) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

~~(i) pay the amounts required to compensate for a decrease in manufactured homes property tax receipts to the extent that the governmental subdivision's portion of the total levy in the current levy year, pursuant to section 274.19, subdivision 8, as amended, is less than the distribution of the manufactured homes tax to the governmental subdivision pursuant to Minnesota Statutes 1969, section 273.13, subdivision 3, in calendar year 1971;~~

~~(j)~~ (f) pay the amounts required, in accordance with section 275.0~~7~~5, to correct for a county auditor's error of omission but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

~~(k)~~ (g) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

~~(l) pay the increased cost of municipal services as the result of an annexation or consolidation ordered by the Minnesota municipal board but only to the extent and for the levy years as provided by the board in its order pursuant to section 414.01, subdivision 15. Special levies authorized by the board shall not exceed 50 percent of the levy limit base of the governmental subdivision and may not be in effect for more than three years after the board's order;~~

~~(m) pay the increased costs of municipal services provided to new private industrial and nonresidential commercial development, to the extent that the extension of such services are not paid for through bonded indebtedness or special assessments, and not to exceed the amount determined as follows. The governmental subdivision may calculate the aggregate of:~~

~~(1) the increased expenditures necessary in preparation for the delivering of municipal services to new private industrial and nonresidential commercial development, but limited to one year's expenditures one time for each such development;~~

~~(2) the amount determined by dividing the overall levy limitation established pursuant to sections 275.50 to 275.56, and exclusive of special levies and special assessments, by the total taxable value of the governmental subdivision, and then multiplying this quotient times the total increase in assessed value of private industrial and nonresidential commercial development within the governmental subdivision. For the purpose of this clause, the increase in the assessed value of private industrial and nonresidential commercial development is calculated as the increase in assessed value over the assessed value of the real estate parcels subject to such private development as most recently determined before the building permit was issued. In the fourth levy year subsequent to the levy year in which the building permit was issued, the increase in assessed value of the real estate parcels subject to such private development shall no longer be included in determining the special levy.~~

~~The aggregate of the foregoing amounts, less any costs of extending municipal services to new private industrial and nonresidential commercial development which are paid by bonded indebtedness or special assessments, equals the maximum amount that may be levied as a "special levy" for the increased costs of municipal services provided to new private industrial and nonresidential commercial development. In the levy year following the levy year in which the special levy made pursuant to this clause is discontinued, one-half of the amount of that special levy made in the preceding year shall be added to the permanent levy base of the governmental subdivision;~~

~~(n) recover a loss or refunds in tax receipts incurred in nonspecial levy funds resulting from abatements or court action in the previous year pursuant to section 275.48;~~

~~(o)~~ (h) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

~~(p) the amounts allowed under section 174.27 to establish and administer a commuter van program;~~

~~(q) pay the costs of financial assistance to local governmental units and certain administrative, engineering, and legal expenses pursuant to Laws 1979, chapter 253, section 3;~~

~~(r)~~(i) to compensate ~~for revenue lost as a result of abatements or court action pursuant to section 270.07, 270.17 or 278.01 due to~~ the state for the cost of a reassessment ordered by the commissioner of revenue pursuant to section 270.16;

~~(s) pay the total operating cost of a county jail as authorized in section 641.01. If the county government utilizes this special levy, then any amount levied by the county government in the previous year for operating its county jail and included in its previous year's levy limitation computed pursuant to section 275.51 shall be deducted from the current levy limitation;~~

~~(t) pay the costs of implementing section 18.023, including sanitation and reforestation;~~

~~(u) pay the estimated cost for the following calendar year of the county's share of funding the Minnesota cooperative soil survey;~~

~~(v) pay the costs of meeting the planning requirements of section 115A.46; the requirements of section 115A.917; the planning requirements of the metropolitan plan adopted under section 473.149 and county master plans adopted under section 473.803; waste reduction and source separation programs and facilities; response actions that are financed in part by service charges under section 400.08 or 115A.15, subdivision 6; closure and postclosure care of a solid waste facility closed by order of the pollution control agency or by expiration of an agency permit before January 1, 1989; and current operating and maintenance costs of a publicly owned solid waste processing facility financed with general obligation bonds issued after a referendum before March 25, 1986;~~

~~(w) pay the annual principal and interest due on a loan made under section 116J.37;~~

~~(x) pay the annual principal and interest due on a loan from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations; and~~

~~(y) pay the costs of constructing public libraries.~~ and

(j) pay the debt service on tax increment financing revenue bonds to the extent that revenue to pay the bonds or to maintain reserves for the bonds is insufficient as a result of the provisions of this article.

Sec. 39. Minnesota Statutes 1986, section 275.51, subdivision 3f, is amended to read:

Subd. 3f. [LEVY LIMIT BASE.] (a) The property tax levy limit base for governmental subdivisions for taxes levied in ~~1983~~ 1988 shall be ~~calculated by adding the following amounts:~~ equal to the total actual levy for taxes payable in 1988 plus the amount of any payments the governmental subdivision was certified to receive in 1988 under sections 477A.011 to 477A.014 and minus any special levies claimed for taxes payable in 1988 pursuant to Laws 1987, chapter 268, article 5, section 12, subdivision 4, clauses (1), (2), (3), and (4). A county's levy limit base will be increased by the amount of any increase in its levy under section 134.07 over that levied under section 134.07 for taxes payable in 1988 which is required under Laws 1987, chapter 398, article 9, section 2. For governmental subdivisions located in the seven-county metropolitan area, the total actual levy for taxes payable in 1988 shall include the fiscal disparities distribution levy pursuant to Minnesota Statutes 1986, section 473F.08, subdivision 7a.

~~(1) the property tax permitted to be levied in 1982 for taxes payable in 1983 pursuant to Minnesota Statutes 1982, section 275.51, subdivision 3c; plus~~

~~(2) the amount of any payments the governmental subdivision was certified to receive in 1983 pursuant to Minnesota Statutes 1982, sections 477A.011 to 477A.03; plus~~

~~(3) the amount of any payments certified to the governmental subdivision in 1983 pursuant to Minnesota Statutes 1982, sections 298.28 and 298.282; plus~~

~~(4) the difference between the amount certified to the governmental subdivision in 1983 and the amount certified in 1984 pursuant to section 273.138; plus~~

~~(5) any amount levied as a special assessment to cover the costs of municipal operation and maintenance activities for the taxes payable year 1983; and~~

~~(6) the amount of any base adjustment authorized by the commissioner of revenue pursuant to subdivision 3g.~~

(b) For taxes levied in ~~1984~~ 1989 and subsequent years, a governmental subdivision's levy limit base is equal to its adjusted levy limit base for the preceding year ~~provided that, for taxes levied in 1984, the levy limit base of a county containing a city of the first class shall be increased by the amount paid to the county under section 273.138 in 1984 less the amount that will be paid to it under section 273.138 in 1985~~ not including the adjustment made under subdivision 3h, paragraph (c), plus for taxes levied in 1989 the administrative reimbursement aid received in 1988.

~~(c) The property tax levy limit base for cities and towns defined as a governmental subdivision only under section 275.50, subdivision 2, paragraph (b), for taxes levied in 1986 shall be calculated by adding the following amounts:~~

~~(1) the property tax levied in 1985 for taxes payable in 1986, exclusive of any levies for debt service; plus~~

~~(2) the amount of any payments the governmental subdivision was certified to receive in 1986 pursuant to Minnesota Statutes 1985 Supplement, sections 477A.011 to 477A.03; plus~~

~~(3) the amount of any payments certified to the governmental subdivision in 1986 pursuant to Minnesota Statutes 1984, section 298.282, and Minnesota Statutes 1985 Supplement, section 298.28; plus~~

~~(4) any amount levied as a special assessment to cover the costs of municipal operation and maintenance activities for the taxes payable year 1986.~~

~~For taxes levied in 1987 and subsequent years, the levy limit base of a governmental subdivision defined only in section 275.50, subdivision 2, paragraph (b), is equal to its adjusted levy limit base for the preceding year.~~

Sec. 40. Minnesota Statutes 1987 Supplement, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1988 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to ~~Laws 1987, article 5, section 12, or~~ subdivision 3f, increased by:

(a) a percentage equal to ~~the percentage growth in the implicit price deflator, or three~~ four percent~~, whichever is lesser~~ for taxes levied in 1988 and three percent for taxes levied in 1989 and subsequent years; and

(b) a percentage equal to the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, using figures derived pursuant to subdivision 6~~;~~.

~~(c) one-half of the amount levied as a special levy in the previous year for paying the costs of municipal services provided to new private industrial and nonresidential commercial development pursuant to section 275.50, subdivision 5, clause (m), if the special levy is discontinued;~~

~~(d) the amount of any permanent increase in the levy limit base approved at a general or special election held during the 12-month period ending September 30 of the levy year, pursuant to section 275.58, subdivisions 1 and 2; and~~

~~(e) the amount, if known, equal to the decrease in federal revenue sharing allotment from the levy year to the year in which the levy is payable; otherwise the amount equal to the decrease in federal revenue sharing allotment in the levy year as compared to the previous year if the levy base for the previous year has not been adjusted for a decrease in federal revenue sharing allotment.~~

For taxes levied in 1989 and subsequent years, to the resulting product must be added the estimated reduction in a county's income maintenance aids as defined in section 273.1398, subdivision 1, pursuant to section 273.1398, subdivision 2, paragraph (d). The department of human services shall annually estimate the increase

in income maintenance aids referred to in section 273.1398, subdivision 2, paragraph (d) and certify it by county to the department of revenue by July 15 of the levy year preceding that in which the aids are payable. If the actual increase in a county's income maintenance aid referred to in section 273.1398, subdivision 2, paragraph (d) is less than or greater than the amount added to a county's adjusted levy limit base in the prior year, its adjusted levy limit base for the subsequent year will be increased or decreased by the appropriate amount.

Sec. 41. Minnesota Statutes 1987 Supplement, section 275.51, subdivision 3i, is amended to read:

Subd. 3i. [LEVY LIMITATION.] The levy limitation for a governmental subdivision shall be equal to the adjusted levy limit base determined pursuant to subdivision 3h, reduced by

~~(a)~~ the ~~total amount of~~ local government aid that the governmental subdivision has been certified to receive pursuant to sections 477A.011 to 477A.014~~;~~.

~~(b) taconite aids pursuant to sections 298.28 and 298.282 including any aid received in the levy year which was required to be placed in a special fund for expenditure in the next succeeding year;~~

~~(c) state reimbursements for wetlands and native prairie property tax exemptions pursuant to sections 273.115, subdivision 3, and 273.116, subdivision 3; (d) payments in lieu of taxes to a county pursuant to section 477A.12 which are required to be used to provide property tax levy reduction certified to be paid in the calendar year in which property taxes are payable; and (e) payments from the proceeds of the net proceeds tax under section 298.018. If the sum of the taconite aids deducted exceeds the adjusted levy limit base, the excess must be used to reduce the amounts levied as special levies pursuant to section 275.50, subdivisions 5 and 7. The commissioner of revenue shall notify a governmental subdivision of any excess taconite aids to be used to reduce special levies.~~

~~As provided in section 298.28, one cent per taxable ton of the amount distributed under section 298.28, subdivision 5, paragraph (d), shall not be deducted from the levy limit base of the counties that receive that aid. The resulting figure~~ This amount is the amount of property taxes which a governmental subdivision may levy for all purposes other than those for which special levies and special assessments are made.

~~For taxes levied in 1987 and subsequent years, the levy limit for a county as calculated under paragraph (b) shall be decreased by an additional amount equal to the reduction in the distribution to the county under section 298.28, from the 1986 distribution to the 1987 distribution.~~

Sec. 42. Minnesota Statutes 1986, section 275.51, is amended by adding a subdivision to read:

Subd. 3j. [APPEALS.] A governmental subdivision subject to the limitations in this section may appeal to the commissioner of revenue for an adjustment in its levy limit base under this section. If the governmental subdivision can provide evidence satisfactory to the commissioner that its levy for taxes payable in 1988 had been reduced because it had made expenditures from reserve funds, the commissioner may permit the governmental subdivision to increase its levy limit base under this section by the amount determined by the commissioner. The commissioner's decision is final.

Sec. 43. Minnesota Statutes 1987 Supplement, section 276.04, is amended to read:

276.04 [NOTICE OF RATES; PROPERTY TAX STATEMENTS.]

Subdivision 1. [AUDITOR TO PUBLISH RATES.] On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose.

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall, whether or not directed by the county board, cause to be printed on all tax statements, or on an attachment, a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality and school district ~~shall~~ must be separately stated ~~but~~. The amounts due other taxing districts, if any, may be aggregated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The statement shall include the following sentence, printed in upper case letters in boldface print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) For taxes payable in 1990 and thereafter, real and personal property tax statements must contain (1) the property's market value, as defined in section 272.03, subdivision 8, (2) the net tax

capacity rate applicable to the property's classification under section 273.13, and the product of (1) and (2), the property's initial tax. The statement must show the difference between a property's gross tax capacity and net tax capacity multiplied by the tax capacity rate as "state paid homestead and agricultural credit." The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) education aids payable under chapters 124 and 124A, (ii) local government aid for cities, towns, and counties under chapter 477A, (iii) disparity reduction aid paid under section 273.1398, and (iv) income maintenance aids as defined in section 273.1398, subdivision 1, paragraph (i). The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.

(d) For taxes payable in 1989 only, the statement must show the property's market value, as defined in section 272.03, subdivision 8, and the amount attributable to section 273.13, subdivisions 22 and 23 as "state paid homestead credit" and the amount attributable to section 273.132 as "state paid agricultural credit." The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) education aids under chapters 124 and 124A, (ii) local government aid for cities, towns, and counties under chapter 477A, and (iii) disparity reduction aid under section 273.1398. The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.

Subd. 3. [MAILING OF TAX STATEMENTS.] The county treasurer shall mail to taxpayers statements of their personal property taxes due~~, such statements to be mailed~~ not later than February 15 ~~(~~, except in the case of manufactured homes and sectional structures taxed as personal property~~)~~. Statements of the real property taxes due shall be mailed not later than January 31; ~~provided, that~~. The validity of the tax shall not be affected by failure of the treasurer to mail ~~such~~ the statement. The taxpayer is defined as the owner who is responsible for the payment of the tax. ~~Such real and personal property tax statements shall contain the market value, as defined in section 272.03, subdivision 8, used in determining the tax. The statement shall show the amount attributable to the decrease in tax under section 275.082 attributable to Minnesota Statutes 1986, section 124.2137 as "state paid agricultural credit amount" and the amount attributable to the decrease in tax under section 275.082 attributable to Minnesota Statutes 1986, section 273.13, subdivisions 22 and 23 as "state paid homestead credit amount." The statement must state the amount deducted under section 273.1195 and identify it as "state paid small business transition credit."~~

Subd. 4. [COLLECTION SITE.] If so directed by the county board, the treasurer shall visit places in the county as the treasurer deems expedient for the purpose of receiving taxes and the county board is

authorized to pay the expenses of such visits and of preparing duplicate tax lists. Failure to mail the tax statement shall not be deemed a material defect to affect the validity of any judgment and sale for delinquent taxes.

Sec. 44. Minnesota Statutes 1987 Supplement, section 276.06, is amended to read:

276.06 [TAX STATEMENTS TO STATE APPORTIONMENT OF TAXES.]

The treasurer of each county may cause to be printed, stamped, or written on the back of all current tax statements, or on a separate sheet or card to be furnished with the statements, a statement showing the ~~number of mills~~ tax capacity rate of the current tax apportioned to the state, county, city, town, or school district.

Sec. 45. Minnesota Statutes 1986, section 298.28, subdivision 6, is amended to read:

Subd. 6. [PROPERTY TAX RELIEF.] (a) ~~22~~ 12 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .5625 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

Sec. 46. [TAX INCREMENT ADJUSTMENT.]

The county auditor shall determine a tax increment district's original tax capacity by multiplying the district's market values by class in the year of original certification or year of certification for any modification, as the case may be, by the tax capacity rates in section 273.13. The original tax capacity of an economic development district shall also be inflated to reflect the annual adjustment required by section 469.177 for prior years. The original tax capac-

ities of the districts under this section shall be certified to authorities by July 1, 1988.

Sec. 47. Minnesota Statutes 1987 Supplement, section 473.446, subdivision 1, is amended to read:

Subdivision 1. [TAXATION WITHIN TRANSIT TAXING DISTRICT.] For the purposes of sections 473.401 to 473.451 and the metropolitan transit system, except as otherwise provided in this subdivision the regional transit board shall levy each year upon all taxable property within the metropolitan transit taxing district, defined in subdivision 2, a transit tax consisting of:

(a) an amount up to two mills times the assessed value of all such property, based upon the level of transit service provided for the property, the proceeds of which shall be used for payment of the expenses of operating transit and paratransit service and to provide for payment of obligations issued by the commission under section 473.436, subdivision 6;

(b) an additional amount, if any, as the board determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1985, to which property taxes under this section have been pledged; and

(c) an additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council or board has specifically pledged tax levies under this clause.

The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive full peak service and limited off-peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.5 mills on the property. The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive limited peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.75 mills on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner shall review the certifications to determine their accuracy and may make changes in the certification as necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the regional

transit board the amounts certified by the county auditors on the dates provided in section ~~273.1394~~ 273.1398. There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments in fiscal year 1987 and thereafter.

For the purposes of this subdivision, "full peak and limited off-peak service" means peak period regular route service, plus weekday midday regular route service at intervals longer than 60 minutes on the route with the greatest frequency; and "limited peak period service" means peak period regular route service only.

Sec. 48. Minnesota Statutes 1987 Supplement, section 473F.02, subdivision 4, is amended to read:

Subd. 4. "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of such property exempt from taxation pursuant to section 272.02:

(a) Class 1, 1b, 2a, 4a, 4b, 4c, and 4d property except resorts and property classified under section 273.13, subdivision 25, paragraph (c), clause (6);

(b) and that portion of class 3a, 3b, and 5 property used exclusively for residential occupancy.

Sec. 49. Minnesota Statutes 1986, section 473F.02, is amended by adding a subdivision to read:

Subd. 23. "Gross tax capacity" means the market value of real and personal property multiplied by its gross tax capacity rates in section 273.13.

Sec. 50. Minnesota Statutes 1987 Supplement, section 473F.05, is amended to read:

473F.05 [~~ASSESSED VALUATION~~ GROSS TAX CAPACITY; ~~1972~~ 1988 AND SUBSEQUENT YEARS.]

On or before November 20 of ~~1972~~ 1988 and each subsequent year, the assessors within each county in the area shall determine and certify to the county auditor the ~~assessed valuation~~ gross tax capacity in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3.

Sec. 51. Minnesota Statutes 1987 Supplement, section 473F.06, is amended to read:

473F.06 [INCREASE IN ~~ASSESSED VALUATION~~ GROSS TAX CAPACITY.]

On or before September 1 of 1976 and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the ~~assessed valuation~~ gross tax capacity determined in the preceding year pursuant to section 473F.05, of commercial-industrial property subject to taxation within each municipality in the auditor's county exceeds the ~~assessed valuation~~ gross tax capacity in 1971 of commercial-industrial property subject to taxation within that municipality. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 473F.05 to the county auditor who is responsible under other provisions of law for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 473F.07. Notwithstanding any other provision of sections 473F.01 to 473F.13 to the contrary, in the case of a municipality which is designated on July 24, 1971, as a redevelopment area pursuant to section 401(a)(4) of the Public Works and Economic Development Act of 1965, Public Law Number 89-136, the increase in its ~~assessed valuation~~ gross tax capacity of commercial-industrial property for purposes of this section shall be determined in each year subsequent to the termination of such designation by using as a base the ~~assessed valuation~~ gross tax capacity of commercial-industrial property in that municipality in the year following that in which such designation is terminated, rather than the ~~assessed valuation~~ gross tax capacity of such property in 1971. The increase in ~~assessed valuation~~ gross tax capacity determined by this section shall be reduced by the amount of any decreases in the ~~assessed valuation~~ gross tax capacity of commercial-industrial property resulting from any court decisions, court related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on June 30 of the current assessment year, where such decreases, if originally reflected in the determination of a prior year's ~~valuation~~ gross tax capacity under section 473F.05, would have resulted in a smaller contribution from the municipality in that year. An adjustment for such decreases shall be made only if the municipality made a contribution in a prior year based on the higher ~~valuation~~ gross tax capacity of the commercial-industrial property.

Sec. 52. Minnesota Statutes 1987 Supplement, section 473F.07, subdivision 1, is amended to read:

Subdivision 1. Each county auditor shall certify the determinations pursuant to sections 473F.05 and 473F.06 to the administrative auditor on or before November 20 of each year. The administrative auditor shall determine the sum of the amounts certified pursuant to section 473F.06, and divide that sum by 2½. The resulting amount

shall be known as the "areawide gross tax ~~base~~ capacity for ..... (year)."

Sec. 53. Minnesota Statutes 1986, section 473F.07, subdivision 4, is amended to read:

Subd. 4. The administrative auditor shall determine the proportion which the index of each municipality bears to the sum of the indices of all municipalities and shall then multiply this proportion in the case of each municipality, by the areawide gross tax ~~base~~ capacity.

Sec. 54. Minnesota Statutes 1986, section 473F.07, subdivision 5, is amended to read:

Subd. 5. The product of the multiplication prescribed by subdivision 4 shall be known as the "areawide gross tax ~~base~~ capacity for .....(year) attributable to .....(municipality)." The administrative auditor shall certify such product to the auditor of the county in which the municipality is located on or before November 25.

Sec. 55. Minnesota Statutes 1986, section 473F.08, subdivision 1, is amended to read:

Subdivision 1. The county auditor shall determine the ~~taxable value~~ gross tax capacity of each governmental unit within the auditor's county in the manner prescribed by this section.

Sec. 56. Minnesota Statutes 1987 Supplement, section 473F.08, subdivision 2, is amended to read:

Subd. 2. The ~~taxable value~~ gross tax capacity of a governmental unit is its ~~assessed valuation~~ gross tax capacity, as determined in accordance with other provisions of law including section 469.177, subdivision 3, subject to the following adjustments:

(a) There shall be subtracted from its ~~assessed valuation~~ gross tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to 40 percent of the amount certified in that year pursuant to section 473F.06 in respect to that municipality as the total preceding year's ~~assessed valuation~~ gross tax capacity of commercial-industrial property which is subject to the taxing jurisdiction of the governmental unit within the municipality, determined without regard to section 469.177, subdivision 3, bears to the total preceding year's ~~assessed valuation~~ gross tax capacity of commercial-industrial property within the municipality, determined without regard to section 469.177, subdivision 3;

(b) There shall be added to its ~~assessed valuation~~ gross tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to the areawide ~~base~~ gross tax capacity for the year attributable to that municipality as the total preceding year's ~~assessed valuation~~ gross tax capacity of residential property which is subject to the taxing jurisdiction of the governmental unit within the municipality bears to the total preceding year's ~~assessed valuation~~ gross tax capacity of residential property of the municipality.

Sec. 57. Minnesota Statutes 1986, section 473F.08, subdivision 3, is amended to read:

Subd. 3. On or before October 15 of 1976 and each subsequent year, the county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) Determine the areawide portion of the levy for each governmental unit by multiplying the ~~nonagricultural mill rate~~ tax capacity rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) Determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

Sec. 58. Minnesota Statutes 1986, section 473F.08, subdivision 3a, is amended to read:

Subd. 3a. Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable in 1988 through property taxes payable in 1999, after the Hennepin county auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment certified pursuant to this subdivision shall be certified by the Hennepin county auditor to the administrative auditor pursuant to subdivision 5. The Hennepin county auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. This addi-

tional areawide portion of the levy which is distributed to the city of Bloomington shall be exempt from the city's levy limit provisions contained in sections 275.50 to 275.56. For property taxes payable from the year 2000 through 2009, the Hennepin county auditor shall adjust Bloomington's contribution to the areawide gross tax ~~base~~ capacity upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide ~~mill rate~~ tax capacity rate for taxes payable in the previous year.

Sec. 59. Minnesota Statutes 1987 Supplement, section 473F.08, subdivision 4, is amended to read:

Subd. 4. In 1972 and subsequent years, the county auditor shall divide that portion of the levy determined pursuant to subdivision 3, clause (b), by the ~~assessed valuation~~ gross tax capacity of the governmental unit, taking section 469.177, subdivision 3, into account, less that portion subtracted from ~~assessed valuation~~ gross tax capacity pursuant to subdivision 2, clause (a). The resulting rate shall apply to all taxable property except commercial-industrial property, which shall be taxed in accordance with subdivision 6.

Sec. 60. Minnesota Statutes 1986, section 473F.08, subdivision 5, is amended to read:

Subd. 5. On or before November 30 of 1972 and each subsequent year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (a). The administrative auditor shall then determine the ~~rate of taxation~~ tax capacity rate sufficient to yield an amount equal to the sum of such levies from the areawide gross tax ~~base~~ capacity. On or before December 5 the administrative auditor shall certify said rate to each of the county auditors.

Sec. 61. Minnesota Statutes 1987 Supplement, section 473F.08, subdivision 6, is amended to read:

Subd. 6. The rate of taxation determined in accordance with subdivision 5 shall apply in the taxation of each item of commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 469.174, subdivision 9, to that portion of the ~~assessed valuation~~ gross tax capacity of the item which bears the same proportion to its total ~~assessed valuation~~ gross tax capacity as 40 percent of the amount determined pursuant to section 473F.06 in respect to the municipality in which the property is taxable bears to the amount determined pursuant to section 473F.05. The rate of taxation determined in accordance with subdivision 4 shall apply in the taxation of the remainder of the ~~assessed valuation~~ gross tax capacity of the item.

Sec. 62. Minnesota Statutes 1986, section 473F.08, subdivision 10, is amended to read:

Subd. 10. For the purpose of computing the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where such authorization, requirement, or limitation is related in any manner to any value or valuation of taxable property within any governmental unit, such value or ~~valuation~~ gross tax capacity shall be adjusted to reflect the adjustments to ~~valuation~~ gross tax capacity effected by subdivision 2, provided that: (1) in determining the market value of commercial-industrial property or any class thereof within a governmental unit for any purpose other than section 473F.07, (a) the reduction required by this subdivision shall be that amount which bears the same proportion to the amount subtracted from the governmental unit's ~~assessed valuation~~ gross tax capacity pursuant to subdivision 2, clause (a), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the ~~assessed valuation~~ gross tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit, and (b) the increase required by this subdivision shall be that amount which bears the same proportion to the amount added to the governmental unit's ~~assessed valuation~~ gross tax capacity pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the ~~assessed valuation~~ gross tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit; and (2) in determining the market value of real property within a municipality for purposes of section 473F.07, the adjustment prescribed by clause (1) (a) hereof shall be made and that prescribed by clause (1) (b) hereof shall not be made.

Sec. 63. Minnesota Statutes 1986, section 473F.10, is amended to read:

473F.10 [REASSESSMENTS AND OMITTED PROPERTY.]

Subdivision 1. If the commissioner of revenue orders a reassessment of all or any portion of the property in a municipality other than in the form of a mathematically prescribed adjustment of valuation, or if omitted property is placed upon the tax rolls, and the reassessment has not been completed or the property placed upon the rolls, as the case may be, by November 15, the ~~assessed valuation~~ gross tax capacity of the affected property shall, for purposes of sections 473F.03 to 473F.08, be determined from the abstracts filed by the county auditor with the commissioner of revenue.

Subd. 2. If the reassessment, when completed and incorporated in the commissioner of revenue's certification of the ~~assessed valuation~~ gross tax capacity of the municipality, or the listing of omitted property, when placed on the rolls, results in an increase in the

~~assessed valuation~~ gross tax capacity of commercial-industrial property in the municipality which differs from that used, pursuant to subdivision 1, for purposes of sections 473F.03 to 473F.08, the increase in the ~~assessed valuation~~ gross tax capacity of commercial-industrial property in that municipality in the succeeding year, as otherwise computed under section 473F.06, shall be adjusted in a like amount, by an increase if the reassessment or listing discloses a larger increase than was used for purposes of sections 473F.03 to 473F.08, or by a decrease if the reassessment or listing discloses a smaller increase than was used for those purposes, provided that no adjustment shall reduce the amount determined under section 473F.06 to an amount less than zero.

Subd. 3. Subdivisions 1 and 2 shall not apply to the determination of the tax rate under section 473F.08, subdivision 4, or to the determination of the ~~assessed valuation~~ gross tax capacity of commercial-industrial property and each item thereof for purposes of section 473F.08, subdivision 6.

Sec. 64. [FISCAL DISPARITIES ADJUSTMENT.]

For purposes of determining the areawide levy and local levies under section 473F.08, subdivisions 3, 4, 5, and 6, for taxes payable in 1989, the initial computation shall be done based on chapter 473F as codified in Minnesota Statutes 1986 and Minnesota Statutes 1987 Supplement. However, after the dollar amount of the areawide and local levies has been determined under section 473F.08, subdivisions 3, 4, 5, and 6, the dollar amount of the levies shall be spread on the basis of this act. The dollar amount of the areawide tax shall be levied against the portion of commercial-industrial gross tax capacity equal to the portion of commercial-industrial assessed value that would have been subject to the areawide tax under Minnesota Statutes 1986. Prior to November 20, 1988, the county auditors with the assistance of the county assessors shall determine the gross tax capacity of commercial-industrial property in each municipality as of the January 2, 1971, assessment. The gross tax capacity shall be computed by multiplying the municipality's market value of commercial-industrial assessed value by class by the gross tax capacity rates in section 273.13.

Sec. 65. Minnesota Statutes 1987 Supplement, section 475.53, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] Except as otherwise provided by law, no school district shall be subject to a net debt in excess of ten percent of the actual market value of all taxable property ~~and of exempt property referred to in section 275.49,~~ situated within its corporate limits, as computed in accordance with this subdivision. The county auditor of each county containing taxable real or personal property situated within any school district shall certify to the district upon request the market value of all such property. ~~The~~

~~county auditor of each county containing exempt property referred to in section 275.49, situated within any school district, shall certify to the district upon request the total market value of all such property as determined under section 275.49.~~ The commissioner of revenue shall certify to the district upon request the market value of railroad property within the district as most recently determined under section 270.87. Whenever the commissioner of revenue, in accordance with section 124.2131, subdivision 1, has determined that the assessed valuation of any district furnished by county auditors is not based upon the market value of taxable property in the district, the commissioner of revenue shall certify to the district upon request the ratio most recently ascertained to exist between such value and the actual market value of property within the district. The actual market value of property within a district, on which its debt limit under this subdivision is based, is (a) the value certified by the county auditors and, where applicable, by the commissioner of revenue under section 270.87, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value.

Sec. 66. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 15. [CITY REVENUE.] "City revenue" equals the sum of (i) the city's aid payable under section 477A.013, in the year prior to that for which aids are being calculated, and (ii) its levy for taxes payable in the year prior to that for which aids are being calculated, and (iii) for aids payable in 1991 and subsequent years, the city's transition aid payable under section 273.1398, subdivision 2, in the year prior to that for which aids are being calculated.

Sec. 67. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 16. [BASE REVENUE GUARANTEE.] "Base revenue guarantee" is the sum of (1) $160 per household plus (2) $150 multiplied by each tenfold increase in households, or fraction thereof, above ten rounded to the nearest dollar.

Sec. 68. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 17. [REVENUE GUARANTEE INCREASE.] "Revenue guarantee increase" is the sum of:

(1) $190 per household for cities of the first class located in the metropolitan area and $190 per household for cities located outside the metropolitan area; and

(2) 15 percent of a city's base revenue guarantee for cities in which

the population has declined since the estimate for the third year preceding the most recent estimate.

Sec. 69. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 18. [CITY REVENUE GUARANTEE.] "City revenue guarantee" is the product of:

(1) the sum of a city's base revenue guarantee and the city's revenue guarantee increase;

(2) the number of households in the city; and

(3) 108 percent for aids payable in 1989 and 104 percent for aids payable in 1990 and subsequent years.

Sec. 70. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 19. [METROPOLITAN AREA.] "Metropolitan area" is the metropolitan area as defined in section 473.121, subdivision 2.

Sec. 71. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 20. [CITY TAX CAPACITY.] "City tax capacity" means (1) 23 percent of the net tax capacity computed using the net tax capacity rates listed in section 273.13 for all taxable property within the city based on the assessment two years prior to that for which aids are being calculated, plus (2) a city's levy on the fiscal disparities distribution under section 473F.08, subdivision 3, paragraph (a), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 2, paragraph (a), and (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. The net tax capacity will be computed using equalized market values.

Sec. 72. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 21. [EQUALIZED MARKET VALUES.] Equalized market values are equalized market values as defined in section 273.1398, subdivision 1.

Sec. 73. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 22. [CITY INITIAL AID.] "Initial aid" for a city is its city revenue guarantee minus the city's tax capacity. Initial aid cannot be less than $0.

Sec. 74. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 23. [CITY EXPENDITURE/UNLIMITED AID RATIO.] "Expenditure/unlimited aid ratio" for a city is the ratio of its city revenue to its city revenue guarantee.

Sec. 75. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 24. [LOCAL GOVERNMENT AID INCREASE.] "Local government aid increase" is aid payable in 1989 pursuant to section 477A.013, subdivision 3, minus the city's 1988 local government aid.

Sec. 76. Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. [TOWNS.] In calendar year 1988 ~~and calendar years thereafter~~, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03; or (b) the amount certified in 1987 pursuant to sections 477A.011 to 477A.03. In calendar year 1989, each town that had levied for taxes payable in 1988 at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 106 percent of the distribution received under Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, in 1988. In calendar year 1990 and subsequent years, each town that had levied for taxes payable in the prior year a tax capacity rate of at least .0125 shall receive a distribution equal to the amount received in 1989 under this subdivision.

Sec. 77. Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 2, is amended to read:

Subd. 2. [CITIES.] In calendar year 1988 ~~and calendar years thereafter~~, each city shall receive a local government aid distribution equal to the amount that the city was certified to receive for calendar year 1987 under this subdivision.

Sec. 78. Minnesota Statutes 1987 Supplement, section 477A.013, is amended by adding a subdivision to read:

Subd. 3. [CITY AID DISTRIBUTION.] In 1989, a city whose initial aid is greater than $0 will receive the following aid increases in addition to an amount equal to the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.013:

(1) for a city whose expenditure/unlimited aid ratio is at least 1.5, two percent of city revenue;

(2) for a city whose expenditure/unlimited aid ratio is at least 1.4 but less than 1.5, 2.5 percent of city revenue;

(3) for a city whose expenditure/unlimited aid ratio is at least 1.3 but less than 1.4, three percent of city revenue;

(4) for a city whose expenditure/unlimited aid ratio is at least 1.2 but less than 1.3, four percent of city revenue;

(5) for a city whose expenditure/unlimited aid ratio is at least 1.1 but less than 1.2, five percent of city revenue;

(6) for a city whose expenditure/unlimited aid ratio is at least 1.05 but less than 1.1, six percent of city revenue;

(7) for a city whose expenditure/unlimited aid ratio is at least 1.0 but less than 1.05, seven percent of city revenue;

(8) for a city whose expenditure/unlimited aid ratio is at least .95 but less than 1.0, 7.5 percent of city revenue;

(9) for a city whose expenditure/unlimited aid ratio is at least .75 but less than .95, 8.5 percent of city revenue; and

(10) for a city whose expenditure/unlimited aid ratio is less than .75, nine percent of city revenue.

In 1990 and subsequent years, a city whose initial aid is greater than $0 will receive an amount equal to the aid it received under this subdivision and subdivision 4 in the year prior to that for which aids are being calculated plus an aid increase equal to 50 percent of the rates listed in clauses 1 to 10 multiplied by city revenue.

A city's aid increase under this subdivision is limited to the lesser of (1) 20 percent of its levy for taxes payable in the year prior to that for which aids are being calculated after the adjustments provided in section 273.1398, subdivision 2, or (2) its initial aid amount,

provided that no city will receive an increase that is less than two percent of its 1988 local government aid for aids payable in 1989.

A city whose initial aid is $0 will receive in 1989 an amount equal to 102 percent of the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.013. A city whose initial aid is $0 will receive in 1990 and subsequent years an amount equal to the aid it received in the previous year under this subdivision and subdivision 4.

Sec. 79. Minnesota Statutes 1987 Supplement, section 477A.013, is amended by adding a subdivision to read:

Subd. 4. [ADDITIONAL DISTRIBUTION.] A city with a population over 2500 is eligible for additional aid in 1989 only. The amount of additional aid is equal to (1) the product of (i) the lesser of 50 percent of a city's "city revenue guarantee" or 50 percent of a city's "city revenue" and (ii) one minus the ratio of the city's tax capacity per household to 435; less (2) the sum of (i) the disparity reduction aid payable to all unique taxing jurisdictions within a city and (ii) the local government aid increase for the city. The additional aid under this section cannot be less than zero.

Sec. 80. [NOTIFICATION OF ADMINISTRATIVE DIRECTIVES.]

The commissioner of revenue shall notify the chairs of the senate committee on taxes and tax laws and the house committee on taxes of administrative directives or interpretations of the provisions of this article. The notice must be given at least five days before a directive or interpretation is released to the public or provided to a local government to allow time for the chairs to provide advice or to comment on the commissioner's directive or interpretation of the law. An administrative directive or interpretation includes an explanation of a provision, a clarification of its application to a particular circumstance, a directive on how to apply or administer a provision, and other similar communications that are intended to direct or guide local government officials in administering the law. This section applies only to written materials that are either released to the public or mailed, sent or provided to a local government or a local government official.

Sec. 81. [REPEALER.]

(a) Minnesota Statutes 1986, sections 272.64; 273.13, subdivisions 7a and 30; 275.49; 477A.011, subdivisions 4, 5, 6, 7a, 10, 11, 12, 13, and 14; and Minnesota Statutes 1987 Supplement, sections 273.1102, subdivision 2; 273.1195; 273.13, subdivision 9; 273.1394; 273.1395; 273.1396; 273.1397; 275.081; 275.082; 275.125, subdivision 22; and 477A.011, subdivision 7; and Laws 1987, chapter 268, article 6, section 19, are repealed.

(b) Minnesota Statutes 1986, section 275.50, subdivisions 3, 7, and 8 are repealed.

(c) Minnesota Statutes 1987 Supplement, section 273.13, subdivision 15a, and section 21 are repealed.

Sec. 82. Laws 1987, chapter 268, article 6, section 53, is amended to read:

Sec. 53. [REPEALER.]

Minnesota Statutes 1986, sections 13.58; 124.2131, subdivision 4; 124.2137; ~~124.2139;~~ 124A.031, subdivision 4; 273.112, subdivision 9; 273.115; 273.116; 273.13, subdivisions 26, 27, 28, and 29; and 273.1311; ~~273.1315; 273.135, subdivision 5; and 273.1391, subdivision~~ 4, are repealed.

Sec. 83. [REENACTMENT.]

Notwithstanding Minnesota Statutes, section 645.36, Minnesota Statutes, sections 124.2139; 273.1315; 273.135, subdivision 5; and 273.1391, subdivision 4, are reenacted and are effective as amended in this article for taxes levied in 1988 and thereafter, payable in 1989 and thereafter.

Sec. 84. [INSTRUCTION TO REVISOR.]

The revisor of statutes shall change the words "assessed value" or "assessed valuation" wherever they appear in Minnesota Statutes to "gross tax capacity" in Minnesota Statutes 1988 and "net tax capacity" in Minnesota Statutes 1989 Supplement and subsequent editions of the statutes except section 275.011. The revisor of statutes shall change the words "mill rate" wherever they appear in Minnesota Statutes to "tax capacity rate" in Minnesota Statutes 1988 and subsequent editions of the statutes except section 275.011.

Sec. 85. [APPROPRIATION.]

$4,000,000 is appropriated to the commissioner of revenue from the general fund for the biennium ending June 30, 1989. This money is to be used by the commissioner to provide grants and other assistance to all counties for the purpose of developing, upgrading, and maintaining county property tax administrative data collection and processing systems and for the costs of administering this article.

Sec. 86. [EFFECTIVE DATE.]

Sections 1 to 29, 31 to 79, 81, paragraphs (a) and (b), 82 and 83 are effective for taxes levied in 1988, payable in 1989, and thereafter,

except as otherwise provided. Sections 30 and 81, paragraph (c) are effective for taxes levied in 1989, payable in 1990, and thereafter. Sections 80 and 85 are effective the day following final enactment.

ARTICLE 6

PROPERTY TAX TECHNICAL AND ADMINISTRATION

Section 1. Minnesota Statutes 1986, section 270.075, subdivision 2, is amended to read:

Subd. 2. As soon as practicable and not later than ~~November~~ December 1 next following the levy of the tax, the commissioner shall give actual notice to the airline company of the assessed valuation and of the tax. The taxes imposed under sections 270.071 to 270.079 shall become due and payable on January 1 following the levy thereof. If any tax is not paid on the due date or, if an appeal is made pursuant to section 270.076, within 60 days after notice of an increased tax, a late payment penalty of ten percent of the unpaid tax shall be assessed. The unpaid tax and penalty shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid. All interest and penalties shall be added to the tax and collected as a part thereof.

Sec. 2. Minnesota Statutes 1987 Supplement, section 272.01, subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which for any reason is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to (1) property leased or used by way of a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 458C, municipal auditorium, airport owned by a city, town, county, or group thereof but not the airports owned or operated by the metropolitan airports commission or a city of over 50,000 population or an airport authority therein, municipal museum or municipal stadium or (2) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport or (3) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by

the metropolitan airports commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes shall not be exempt.

(c) Taxes imposed by this subdivision shall be due and payable as in the case of personal property taxes and such taxes shall be assessed to such lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

Sec. 3. Minnesota Statutes 1987 Supplement, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

(1) all public burying grounds;

(2) all public schoolhouses;

(3) all public hospitals;

(4) all academies, colleges, and universities, and all seminaries of learning;

(5) all churches, church property, and houses of worship;

(6) institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clause (1) or (2), or paragraph (d), clause (2);

(7) all public property exclusively used for any public purpose;

(8) except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d) shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transport-

ing or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures; and

(f) flight property as defined in section 270.071.

(9) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, other than real property used primarily as a solid waste disposal site.

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and

floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause and section 273.116. Upon receipt of an application for the exemption and credit provided in this clause and section 273.116 for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8, and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by paragraph (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to parents and children who are receiving AFDC or parents of children who are temporarily in foster care. (ii) It has the purpose of reuniting families and enabling parents to advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring

of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least six months but no longer than one year, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is sponsored by an organization that has received a grant under section 256.7365 for the biennium ending June 30, 1989, for the purposes of providing the services in items (i) to (iv). (vi) It is sponsored by an organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

Sec. 4. Minnesota Statutes 1987 Supplement, section 272.121, is amended to read:

272.121 [CURRENT TAX ON DIVIDED PARCELS.]

Subdivision 1. [CERTIFICATION OF PAYMENT.] Except as provided in subdivision 2, if a deed or other instrument conveys a parcel of land that is less than a whole parcel of land as described in the current tax list, the county auditor shall not transfer or divide the land in the auditor's official records, and the county recorder shall not file and record the instrument, unless the instrument of conveyance contains a certification by the county treasurer that the taxes due in the current tax year for the whole parcel have been paid. This certification is in addition to the certification for delinquent tax required by section 272.12.

Subd. 2. [EXCEPTIONS.] No certification of current tax paid is required when the land is being conveyed to the federal government, the state, or a home rule charter or statutory city or any other political subdivision, or for any sheriff's or referee's certificate of sale or other instrument if a certification of delinquent tax for the instrument is not required under section 272.12.

Sec. 5. Minnesota Statutes 1986, section 273.112, subdivision 3, is amended to read:

Subd. 3. Real estate shall be entitled to valuation and tax deferment under this section only if it is:

(a) actively and exclusively devoted to golf, skiing or archery or

firearms range recreational use or uses and other recreational uses carried on at the establishment;

(b) five acres in size or more, except in the case of an archery or firearms range;

(c)(1) operated by private individuals and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more, provided that the club does not discriminate in membership requirements or selection on the basis of sex; and

(d) made available, in the case of real estate devoted to golf, for use without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

Sec. 6. Minnesota Statutes 1986, section 273.112, subdivision 6, is amended to read:

Subd. 6. Application for deferment of taxes and assessment under this section shall be made at least 60 days prior to January 2 of each year. Such application shall be filed with the assessor of the taxing district in which the real property is located on such form as may be prescribed by the commissioner of revenue. The assessor may require proof by affidavit or other written verification that the property qualifies under subdivision 3. In the case of property operated by private clubs pursuant to subdivision 3, clause (c)(3), in

order to qualify for valuation and tax deferment under this section, the taxpayer must submit to the assessor proof by affidavit or other written verification that the bylaws or rules and regulations of the club meet the eligibility requirements provided under this section. The signed affidavit or other written verification shall be sufficient demonstration of eligibility for the assessor unless the county attorney determines otherwise.

The county assessor shall refer any question regarding the eligibility for valuation and deferment under this section to the county attorney for advice and opinion under section 388.051, subdivision 1. Upon request of the county attorney, the taxpayer shall furnish information that the county attorney considers necessary in order to determine eligibility under this section.

Real estate is not entitled to valuation and deferment under this section unless the county assessor has filed with the assessor's tax records prior to October 16 a statement that the application has been accepted.

Sec. 7. Minnesota Statutes 1987 Supplement, section 273.1195, is amended to read:

273.1195 [STATE PAID SMALL BUSINESS PROPERTY TAX TRANSITION CREDIT.]

For property taxes payable in 1988 only, class 3a commercial industrial property is eligible for a state paid small business transition property tax credit if the payable 1988 property taxes on the first $120,000 of market value of the property exceed three percent of the January 2, 1987, market value. The credit is equal to 50 percent of the property tax amount which is in excess of three percent of market value. Only the first $120,000 of market value of a qualifying parcel and the taxes attributable to the first $120,000 of market value are eligible for the computation of this credit. Only a parcel that qualifies for the 28 percent assessment ratio contained in section 273.13, subdivision 24, paragraph (a), qualifies for the credit provided in this section. Only the market value and property tax attributable to the part of the parcel that is class 3a must be used in computing the credit provided in this section.

~~In the case of taxes paid in installments pursuant to section 279.01, subdivision 1, the credit under this section must be deducted from the second one-half installment payable October 15.~~ The amount of the reduction must be reported to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29.

There is annually appropriated from the general fund to the commissioners of revenue and education the amount necessary to replace the revenue lost to local units of government and school

districts as a result of the reduction in property taxes provided in this section. The payment amounts must be determined and the installments paid under the provisions of sections 273.13, subdivision 15a, and 273.1392.

Sec. 8. Minnesota Statutes 1986, section 273.121, is amended to read:

273.121 [VALUATION OF REAL PROPERTY, NOTICE.]

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be assessed or reclassified that year if the person's address is known to the assessor, otherwise the occupant of the property. ~~In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor shall not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility.~~ The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of review or equalization. It shall contain the amount of the valuation in terms of market value, the new classification, the assessor's office address, and the dates, places, and times set for the meetings of the local board of review or equalization and the county board of equalization. If the assessment roll is not complete, the notice shall be sent by ordinary mail at least ten days prior to the date on which the board of review has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

Sec. 9. Minnesota Statutes 1986, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a homestead. Dates for establish-

ment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

The assessor shall require proof, by affidavit or otherwise, of the facts upon which classification as a homestead may be determined.

For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner shall apply for it to the assessor by July 1 of the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor must not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility.

If an individual is purchasing property with the intent of claiming it as a homestead, and is required by the terms of the financing agreement to have one or both parents shown on the deed as coowners, the assessor shall allow a full homestead classification and extend full homestead credit. This provision only applies to first time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

Sec. 10. Minnesota Statutes 1986, section 273.124, subdivision 6, is amended to read:

Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the social security numbers of those members. To qualify for the treatment

provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under sections 308.05 to 308.18; (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years; (c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Sec. 11. Minnesota Statutes 1986, section 277.05, is amended to read:

277.05 [SHERIFF TO FILE LIST OF UNCOLLECTED TAXES.]

If the sheriff is unable, for want of goods and chattels whereon to levy, to collect by a distress, or otherwise, the taxes, or any part thereof, assessed upon the personal property of any persons, the sheriff shall file with the court administrator of the district court, on September first following, a list of such taxes, with an affidavit of the sheriff, or of the deputy sheriff entrusted with the collection thereof, stating that the affiant has made diligent search and inquiry for goods and chattels from which to collect such taxes, and is unable to collect the same. The list of such taxes as they apply to manufactured homes shall be filed on December 1. The sheriff shall note on the margin of such list the place to which any delinquent taxpayer may have removed, with the date of removal, if known. At the time of filing the list the sheriff shall also return all the warrants with endorsements thereon showing the doings of the sheriff or deputy in the premises, and the court administrator shall file and preserve the same. On or before September tenth thereafter, the court administrator shall deliver such list and affidavit to the county treasurer, who shall, by comparison of such list with the tax duplicates in the treasurer's office, ascertain whether or not all personal property taxes reported by the treasurer to the court administrator as delinquent, except those included in such list, have been paid into the treasurer's office, and shall attach to the list a certificate stating whether or not all taxes reported by the treasurer to the court administrator as delinquent and not included in the list have been

received, and stating the items of such taxes, if any, as have been received. The court administrator shall deliver such list and affidavit as they apply to manufactured homes on or before December 10. The treasurer shall deliver such list and affidavit, with the certificate attached, to the county board at its first session thereafter, which shall cancel such taxes as it is satisfied cannot be collected. A copy of the tax list so revised, and also a separate list of the taxes so canceled, shall be included in the records of the proceedings of the board, and published in full, as a part of the proceedings.

Sec. 12. Minnesota Statutes 1986, section 277.06, is amended to read:

277.06 [CITATION TO DELINQUENTS; DEFAULT JUDGMENT.]

On October 20, or within ten days after the adjournment of the county board, whichever occurs first, the county auditor shall file a copy of such revised list with the court administrator of the district court~~, and~~. The county auditor shall file a copy of the revised list as it applies to manufactured homes on January 20. Within ten days ~~thereafter~~ after the list has been filed, the court administrator shall issue a citation to each delinquent named in the list, stating the amount of tax and penalty, and requiring such delinquent to appear on a day to be set by the district court in the county, appointed to be held at a time not less than 30 days after the issuance of such citation, and show cause, if any there be, why the delinquent should not pay the tax and penalty. The citation shall be delivered for service to the sheriff of the county where such person may at the time reside or be. If such person, after service of the citation, fails to pay such tax, penalty, and costs to the sheriff before the first day of the term, or on such day to show cause as aforesaid, the court shall direct judgment against the person for the amount of such tax, penalty, and costs. When unable to serve the citation, the sheriff shall return the same to the court administrator, with a return thereto to that effect, and thereupon, or if the court decides that the service of such citation made or attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation, requiring such delinquent to appear on the first day of the next general term to be held in the county, and show cause as aforesaid, and if the delinquent fails to pay or to show cause, the court shall direct judgment as aforesaid. Whenever the sheriff has been unable to serve any such citation theretofore issued in any year or years, or whenever the court decides that the service of any such citation theretofore made or attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation requiring such delinquent to appear, as in the case last provided, and with like effect; provided, that all citations other than the first shall be issued only on the request of the county attorney.

Sec. 13. Minnesota Statutes 1987 Supplement, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3, on May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified as class 4d or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the ~~16th~~ first day of each month, up to and including October ~~16~~ 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed $50, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the ~~16th day of each month up to and including December 16~~ first day of November and December following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the ~~16th day of each month up to and including December 16~~ first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding $50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum

payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 14. Minnesota Statutes 1986, section 279.01, subdivision 3, is amended to read:

Subd. 3. In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2c agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December ~~16~~ 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2c agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December ~~16~~ 1 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 1b agricultural homestead, class 2a, or class 2c agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead, class 2a, or class 2c agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 provided that at least 50 percent of the property's market value is classified class 1b agricultural, class 2a, or class 2c agricultural.

Sec. 15. [375.1691] [JUDICIAL ORDER AFTER BUDGET PREPARATION.]

Notwithstanding any law to the contrary, a judicial order compelling payment out of county funds shall not be paid unless approved by the county board, if a budget request for the item was not submitted to the county board prior to adoption of the budget in effect for the fiscal year. If the county board refuses to approve payment, the order may be paid in the first fiscal year for which a budget is approved after receipt of the order. This section does not apply to a judgment or other award against the county that is a result of litigation to which the county or a county official in an official capacity was a party.

Sec. 16. Minnesota Statutes 1986, section 375.192, subdivision 1, is amended to read:

Subdivision 1. Notwithstanding section 270.07, upon written application by the owner of the property, the county board may grant a reduction, for the current year, of the assessed valuation of any real

property in that county which erroneously has been classified, for tax purposes, as nonhomestead property, as is necessary to give it the assessed valuation which it would have received if it had been classified correctly. The application shall be made on a form prescribed by the commissioner of revenue. It shall include the social security number of the applicant and a statement of facts of ownership and occupancy. The social security number of the property owner is private data on individuals as defined by section 13.02, subdivision 12. It shall be sworn to by the owner of the property before an officer authorized to take acknowledgments. Before it is acted upon by the county board, the application shall be referred to the county assessor, or if the property is located in a city of the first class having a city assessor, to the city assessor, who shall investigate the facts and attach a report of the investigation to the application.

With respect to abatements relating to the current year's tax processed through June 30, the county auditor shall notify the commissioner of revenue on or before July 31 of that same year of all applications granted pursuant to this subdivision. With respect to abatements relating to the current year's tax processed after June 30 through the balance of the year, the county auditor shall notify the commissioner of revenue on or before the following January 31 of all applications granted pursuant to this subdivision. The form submitted by the county auditor shall be prescribed by the commissioner of revenue and shall contain the information which the commissioner deems necessary.

Sec. 17. Minnesota Statutes 1987 Supplement, section 475.61, subdivision 3, is amended to read:

Subd. 3. [IRREVOCABILITY.] Tax levies so made and filed shall be irrevocable, except as provided in this subdivision.

In each year when there is on hand any excess amount in the debt redemption fund of a school district at the time the district makes its property tax levies, the amount of the excess shall be certified by the school board to the ~~commissioner of education who shall compute the reduced tax levy, after adjustment for the homestead credit replacement aid paid pursuant to section 273.1394, the agricultural credit replacement aid paid pursuant to section 273.1395, and the tax base adjustment pursuant to section 273.1396. The commissioner of education shall certify the adjusted reduced tax levy to the~~ county auditor and the auditor shall reduce the tax levy otherwise to be included in the rolls next prepared by the amount certified, unless the school board determines that the excess amount is necessary to ensure the prompt and full payment of the obligations and any call premium on the obligations, or will be used for redemption of the obligations in accordance with their terms. An amount shall be presumed to be excess for a school district in the amount that it, together with the levy required by subdivision 1, will exceed 10%

percent of the amount needed to meet when due the principal and interest payments on the obligations due before the second following July 1. This subdivision shall not limit a school board's authority to specify a tax levy in a higher amount if necessary because of anticipated tax delinquency or for cash flow needs to meet the required payments from the debt redemption fund.

If the governing body, including the governing body of a school district, in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditory the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

Sec. 18. Minnesota Statutes 1986, section 477A.015, is amended to read:

477A.015 [PAYMENT DATES.]

The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in two installments on July ~~15~~ 20 and December 15 annually.

The commissioner may pay all or part of the payment due on December 15 at any time after August 15 upon the request of a city that requests such payment as being necessary for meeting its cash flow needs.

Sec. 19. [ADJUSTMENT FOR CREDITS.]

Subdivision 1. A county auditor may make a final certification of prior year adjustments not previously claimed for wetlands credit and reimbursement, native prairie credit and reimbursement, and the small business credit in the 1989 abstract of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy and make the changes deemed necessary. After they have been reviewed, the commissioner shall include these prior year adjustments in the 1989 aid payments.

Subd. 2. A county auditor may make a final certification of prior year adjustments not previously claimed for homestead credit and agricultural credit in the 1990 abstract of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy and make the changes deemed necessary. After they have been reviewed, the commissioner shall include these prior year adjustments in the 1990 aid payments.

Sec. 20. Laws 1987, chapter 268, article 6, section 54, is amended to read:

Sec. 54. [EFFECTIVE DATE.)

Except where provided otherwise, sections 1 to 13, and 15 to 53 are effective for taxes levied in 1988, payable in 1989, and thereafter. Section 14 is effective for taxes payable in 1987 and thereafter.

Sec. 21. [REPEALER.]

Minnesota Statutes 1986, section 275.035, is repealed.

Sec. 22. [EFFECTIVE DATE.]

Sections 2, 3, 9, 10, 13, 14, and 17 are effective for taxes levied in 1988 and thereafter, payable in 1989 and thereafter.

Sections 4 and 20 are effective the day following final enactment.

Sections 5 and 6 are effective for assessment year 1988 and thereafter, taxes payable in 1989 and thereafter. Notwithstanding Minnesota Statutes, section 273.112, subdivision 6, in order to qualify for the valuation and tax deferment for the 1988 assessment, the taxpayer of the property operated by private clubs under Minnesota Statutes, section 273.112, subdivision 3, clause (c)(3), must submit an affidavit or other written verification to the assessor by September 1, 1988, showing that the bylaws or rules and regulations of the private club meet the eligibility requirements of section 5 by September 1, 1988.

Section 7 is effective only for taxes payable in 1988.

ARTICLE 7

ASSESSORS

Section 1. [270.185] [REASSESSMENT FUND; COMPENSATION.]

Subdivision 1. A permanent reassessment revolving fund of $250,000 is created. $250,000 is appropriated from the general fund to the permanent reassessment revolving fund. The fund is annually appropriated to the commissioner of revenue for the purposes of this section.

Subd. 2. Each special assessor or deputy appointed under sections 270.11, subdivision 3, or 270.16 shall be compensated from the revolving fund for costs of assessment in an amount fixed by the commissioner. The commissioner shall certify the amounts to the commissioner of finance who shall make payment from the revolv-

ing fund. Each county shall reimburse the revolving fund within two years after the expenses are paid. The commissioner shall notify each county auditor of the reimbursable amount and the auditor shall levy a tax upon all taxable property in the assessment district or districts where the reassessment was made to pay the expenses. The amounts reimbursed shall be deposited in the revolving fund and are annually appropriated for its purposes.

Sec. 2. Minnesota Statutes 1986, section 270.41, is amended to read:

270.41 [BOARD OF ASSESSORS.]

(a) A board of assessors is hereby created. The board shall be for the purpose of establishing, conducting, reviewing, supervising, coordinating or approving courses in assessment practices, and establishing criteria for determining assessor's qualifications. The board shall also have authority and responsibility to consider other matters relating to assessment administration brought before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke an assessor's license. The board shall consist of nine members, who shall be appointed by the commissioner of revenue, in the manner provided herein.

1. Two from the department of revenue,

2. Two county assessors,

3. Two assessors who are not county assessors, one of whom shall be a township assessor, and

4. One from the private appraisal field holding a professional appraisal designation,

5. Two public members as defined by section 214.02.

The appointment provided in 2 and 3 may be made from two lists of not less than three names each, one submitted to the commissioner of revenue by the Minnesota association of assessing officers or its successor organization containing recommendations for the appointment of appointees described in 2, and one by the Minnesota association of assessors, inc. or its successor organization containing recommendations for the appointees described in 3. The lists must be submitted 30 days before the commencement of the term. In the case of a vacancy, a new list shall be furnished to the commissioner by the respective organization immediately. A member of the board who shall no longer be engaged in the capacity listed above shall automatically be disqualified from membership in the board.

The board shall annually elect a chair and a secretary of the board.

(b) The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee for any of the following causes or acts:

(1) failure to complete required training;

(2) inefficiency or neglect of duty;

(3) "unprofessional conduct" which means knowingly neglecting to perform a duty required by law, or violation of the laws of this state relating to the assessment of property or unlawfully exempting property or knowingly and intentionally listing property on the tax list at substantially less than its market value or the level required by law in order to gain favor or benefit, or knowingly and intentionally misclassifying property in order to gain favor or benefit; or

(4) conviction of a crime involving moral turpitude; or

(5) any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license.

(c) The board of assessors may adopt rules under chapter 14, defining or interpreting grounds for refusing to grant or renew, and for suspending or revoking a license under this section. An action of the board of assessors in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.

Sec. 3. Minnesota Statutes 1987 Supplement, section 270.485, is amended to read:

270.485 [SENIOR ACCREDITATION.]

The legislature finds that the property tax system would be enhanced by requiring that every county assessor and senior appraiser in the department of revenue's ~~property tax review~~ local government services division obtain senior accreditation from the state board of assessors. By January 1, ~~1989~~ 1990, or in the case of a county assessor within one year of the first appointment under section 273.061, whichever is later, every county assessor and senior appraiser, including the department's regional representatives, must obtain senior accreditation from the state board of assessors. The board shall provide the necessary courses or training. If a department senior appraiser or regional representative fails to obtain senior accreditation by January 1, ~~1989~~ 1990, the failure shall be grounds for dismissal, disciplinary action, or corrective

action. Except as provided in section 273.061, subdivision 2, paragraph (c), after December 30, ~~1988~~ 1989, the commissioner must not approve the appointment of a county assessor who is not senior accredited by the state board of assessors. No employee hired by the commissioner as a senior appraiser or regional representative after June 30, 1987, shall attain permanent status until the employee obtains senior accreditation.

Sec. 4. Minnesota Statutes 1986, section 273.01, is amended to read:

273.01 [LISTING AND ASSESSMENT, TIME.]

All real property subject to taxation shall be listed and at least one-fourth of the parcels listed shall be appraised each year with reference to their value on January 2 preceding the assessment so that each parcel shall be reappraised at maximum intervals of four years. All real property becoming taxable in any year shall be listed with reference to its value on January 2 of that year. Except ~~for the corrections permitted herein~~ as provided in section 274.01, subdivision 1, all real property assessments shall be completed two weeks prior to the date scheduled for the local board of review or equalization and no valuations entered thereafter shall be of any force and effect. In the event a valuation and classification is not placed on any real property by the dates scheduled for the local board of review or equalization the valuation and classification determined in the preceding assessment shall be continued in effect and the provisions of section 273.13 shall, in such case, not be applicable, except with respect to real estate which has been constructed since the previous assessment. ~~The county assessor or any assessor in any city of the first class may either before or after the dates specified herein correct any errors in valuation of any parcels of property, that may have been incurred in the assessment; provided, that in the case of such correction it increases the valuation of any parcel of property, the assessor shall notify the owner of record or the person to whom the tax statement is mailed. Not more than two percent of the total number of parcels in the assessor's jurisdiction may be corrected after the dates specified herein and in the event of any corrections in excess of the authorized number of such corrections, all corrections shall be void.~~ Real property containing iron ore, the fee to which is owned by the state of Minnesota, shall, if leased by the state after January 2 in any year, be subject to assessment for that year on the value of any iron ore removed under said lease prior to January 2 of the following year. Personal property subject to taxation shall be listed and assessed annually with reference to its value on January 2; and, if acquired on that day, shall be listed by or for the person acquiring it.

Sec. 5. Minnesota Statutes 1986, section 273.05, subdivision 1, is amended to read:

Subdivision 1. [APPOINTMENT OF TOWN AND CITY ASSESSORS.] Notwithstanding any other provision of law all town assessors shall be appointed by the town board, and notwithstanding any charter provisions to the contrary, all city assessors shall be appointed by the city council or other appointing authority as provided by law or charter. Such assessors shall be residents of the state but need not be a resident of the town or city for which they are appointed. They shall be selected and appointed because of their knowledge and training in the field of property taxation. All town and statutory city assessors shall be appointed for indefinite terms. The term of the town or city assessors may be terminated at any time by the town board or city council on charges by the commissioner of revenue of inefficiency or neglect of duty. Vacancies in the office of town or city assessor shall be filled within 90 days by appointment of the respective appointing authority indicated above. If the vacancy is not filled within 90 days, the office shall be terminated. When a vacancy in the office of town or city assessor is not filled by appointment, and it is imperative that the office of assessor be filled, the county auditor shall appoint some resident of the county as assessor for such town or city. The county auditor may appoint the county assessor as assessor for such town or city, in which case the town or city shall pay to the county treasurer the amount determined by the county auditor to be due for the services performed and expenses incurred by the county assessor in acting as assessor for such town or city. The term of any town or statutory city assessor in a county electing in accordance with section 273.052 shall be terminated as provided in section 273.055.

The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

Sec. 6. Minnesota Statutes 1987 Supplement, section 273.061, subdivision 1, is amended to read:

Subdivision 1. [OFFICE CREATED; APPOINTMENT, QUALIFICATIONS.] Every county in this state shall have a county assessor. The county assessor shall be appointed by the board of county commissioners and shall be a resident of this state. The assessor shall be selected and appointed because of knowledge and training in the field of property taxation and appointment shall be approved by the commissioner of revenue before the same shall become effective. Upon receipt by the county commissioners of the commissioner of revenue's refusal to approve an appointment, the term of the appointee shall terminate at the end of that day. Notwithstanding any law to the contrary, a county assessor must have senior accreditation from the state board of assessors by January 1, ~~1989~~ 1990, or within one year of the assessor's first appointment under this section, whichever is later.

Sec. 7. Minnesota Statutes 1986, section 273.061, subdivision 2, is amended to read:

Subd. 2. [TERM; VACANCY.] (a) The terms of county assessors appointed under this section shall be four years. A new term shall begin on January 1 of every fourth year after 1973. When any vacancy in the office occurs, the board of county commissioners, within 30 days thereafter, shall fill the same by appointment for the remainder of the term, following the procedure prescribed in subdivision 1. The term of the county assessor may be terminated by the board of county commissioners at any time, on charges of inefficiency or neglect of duty by the commissioner of revenue. If the board of county commissioners does not intend to reappoint a county assessor who has been certified by the state board of assessors, the board shall present written notice to the county assessor not later than 90 days prior to the termination of the assessor's term, that it does not intend to reappoint the assessor. If written notice is not timely made, the county assessor will automatically be reappointed by the board of county commissioners.

The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

(b) In the event of a vacancy in the office of county assessor, through death, resignation or other reasons, the deputy (or chief deputy, if more than one) shall perform the functions of the office. If there is no deputy, the county auditor shall designate a person to perform the duties of the office until an appointment is made as provided in clause (a). Such person shall perform the duties of the office for a period not exceeding 30 days during which the county board must appoint a county assessor. Such 30-day period may, however, be extended by written approval of the commissioner of revenue.

(c) In the case of the first appointment under paragraph (a) of a county assessor who is accredited but who does not have senior accreditation, an approval of the appointment by the commissioner shall be for a term of one year. A county assessor appointed to a one-year term under this paragraph must reapply to the commissioner at the end of the one-year term. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

Sec. 8. Minnesota Statutes 1987 Supplement, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of review except in cities whose charters provide for a board of equalization. The county assessor

shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting. The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation may be made by the county assessor after the board of review or the county board of equalization has adjourned. This restriction does not apply to corrections of errors that are merely clerical or administrative in nature.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) If a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for

a review of the assessment or classification, the person may not appear before the county board of equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

Sec. 9. [COUNTY ASSESSORS; SENIOR ACCREDITATION.]

Notwithstanding Minnesota Statutes, section 273.061, the commissioner of revenue's approval on January 1, 1989, of appointments of assessors who are not senior accredited on January 1, 1989, shall be for a term of one year. A county assessor appointed for a one-year term must reapply to the commissioner by January 1, 1990, to obtain the approval of the commissioner for the remainder of the four-year term.

Sec. 10. [APPROPRIATION.]

There is appropriated to the state board of assessors from the general fund the amount of $10,000 to be used in fiscal year 1989 for adopting rules under section 2.

Sec. 11. [EFFECTIVE DATE.]

Section 1 is effective the day after final enactment.

ARTICLE 8

HUMAN SERVICES PROGRAMS

Section 1. Minnesota Statutes 1987 Supplement, section 256.01, subdivision 2, is amended to read:

Subd. 2. [SPECIFIC POWERS.] Subject to the provisions of

section 241.021, subdivision 2, the commissioner of human services shall:

(1) Administer and supervise all forms of public assistance provided for by state law and other welfare activities or services as are vested in the commissioner. Administration and supervision of human services activities or services includes, but is not limited to, assuring timely and accurate distribution of benefits, completeness of service, and quality program management. In addition to administering and supervising human services activities vested by law in the department, the commissioner shall have the authority to:

(a) require local agency participation in training and technical assistance programs to promote compliance with statutes, rules, federal laws, regulations and policies governing human services;

(b) monitor, on an ongoing basis, the performance of local agencies in the operation and administration of human services, enforce compliance with statutes, rules, federal laws, regulations, and policies governing welfare services and promote excellence of administration and program operation;

(c) develop a quality control program or other monitoring program to review county performance and accuracy of benefit determinations;

(d) require local agencies to make an adjustment to the public assistance benefits issued to any individual consistent with federal law and regulation and state law and rule and to issue or recover benefits as appropriate;

(e) delay or deny payment of all or part of the state and federal share of benefits and administrative reimbursement according to the procedures set forth in section 256.016; and

(f) make contracts with and grants to public and private agencies and organizations, both profit and nonprofit, and individuals, using appropriated funds.

(2) Inform local agencies, on a timely basis, of changes in statute, rule, federal law, regulation, and policy necessary to local agency administration of the programs.

(3) Administer and supervise all child welfare activities; promote the enforcement of laws protecting handicapped, dependent, neglected and delinquent children, and children born to mothers who were not married to the children's fathers at the times of the conception nor at the births of the children; license and supervise child-caring and child-placing agencies and institutions; supervise the care of children in boarding and foster homes or in private

institutions; and generally perform all functions relating to the field of child welfare now vested in the state board of control.

~~(3)~~ (4) Administer and supervise all noninstitutional service to handicapped persons, including those who are visually impaired, hearing impaired, or physically impaired or otherwise handicapped. The commissioner may provide and contract for the care and treatment of qualified indigent children in facilities other than those located and available at state hospitals when it is not feasible to provide the service in state hospitals.

~~(4)~~ (5) Assist and actively cooperate with other departments, agencies and institutions, local, state, and federal, by performing services in conformity with the purposes of Laws 1939, chapter 431.

~~(5)~~ (6) Act as the agent of and cooperate with the federal government in matters of mutual concern relative to and in conformity with the provisions of Laws 1939, chapter 431, including the administration of any federal funds granted to the state to aid in the performance of any functions of the commissioner as specified in Laws 1939, chapter 431, and including the promulgation of rules making uniformly available medical care benefits to all recipients of public assistance, at such times as the federal government increases its participation in assistance expenditures for medical care to recipients of public assistance, the cost thereof to be borne in the same proportion as are grants of aid to said recipients.

~~(6)~~ (7) Establish and maintain any administrative units reasonably necessary for the performance of administrative functions common to all divisions of the department.

~~(7) Administer and supervise any additional welfare activities and services as are vested by law in the department.~~

(8) The commissioner is designated as guardian of both the estate and the person of all the wards of the state of Minnesota, whether by operation of law or by an order of court, without any further act or proceeding whatever, except as to persons committed as mentally retarded.

(9) Act as coordinating referral and informational center on requests for service for newly arrived immigrants coming to Minnesota.

(10) The specific enumeration of powers and duties as hereinabove set forth shall in no way be construed to be a limitation upon the general transfer of powers herein contained.

(11) Establish county, regional, or statewide schedules of maximum fees and charges which may be paid by local agencies for

medical, dental, surgical, hospital, nursing and nursing home care and medicine and medical supplies under all programs of medical care provided by the state and for congregate living care under the income maintenance programs.

(12) Have the authority to conduct and administer experimental projects to test methods and procedures of administering assistance and services to recipients or potential recipients of public welfare. To carry out such experimental projects, it is further provided that the commissioner of human services is authorized to waive the enforcement of existing specific statutory program requirements, rules, and standards in one or more counties. The order establishing the waiver shall provide alternative methods and procedures of administration, shall not be in conflict with the basic purposes, coverage, or benefits provided by law, and in no event shall the duration of a project exceed four years. It is further provided that no order establishing an experimental project as authorized by the provisions of this section shall become effective until the following conditions have been met:

(a) The proposed comprehensive plan including estimated project costs and the proposed order establishing the waiver shall be filed with the secretary of the senate and chief clerk of the house of representatives at least 60 days prior to its effective date.

(b) The secretary of health, education, and welfare of the United States has agreed, for the same project, to waive state plan requirements relative to statewide uniformity.

(c) A comprehensive plan, including estimated project costs, shall be approved by the legislative advisory commission and filed with the commissioner of administration.

(13) In accordance with federal requirements establish procedures to be followed by local welfare boards in creating citizen advisory committees, including procedures for selection of committee members.

(14) Allocate federal fiscal disallowances or sanctions which are based on quality control error rates for the aid to families with dependent children, medical assistance, or food stamp program in the following manner:

(a) One-half of the total amount of the disallowance shall be borne by the county boards responsible for administering the programs. For the medical assistance and AFDC programs, disallowances shall be shared by each county board in the same proportion as that county's expenditures for the sanctioned program are to the total of all counties' expenditures for the AFDC and medical assistance programs. For the food stamp program, sanctions shall be shared by each county board, with 50 percent of the sanction being distributed to each county in the same proportion as that county's administra-

tive costs for food stamps are to the total of all food stamp administrative costs for all counties, and 50 percent of the sanctions being distributed to each county in the same proportion as that county's value of food stamp benefits issued are to the total of all benefits issued for all counties. Each county shall pay its share of the disallowance to the state of Minnesota. When a county fails to pay the amount due hereunder, the commissioner may deduct the amount from reimbursement otherwise due the county, or the attorney general, upon the request of the commissioner, may institute civil action to recover the amount due.

(b) Notwithstanding the provisions of paragraph (a), if the disallowance results from knowing noncompliance by one or more counties with a specific program instruction, and that knowing noncompliance is a matter of official county board record, the commissioner may require payment or recover from the county or counties, in the manner prescribed in paragraph (a), an amount equal to the portion of the total disallowance which resulted from the noncompliance, and may distribute the balance of the disallowance according to paragraph (a).

(15) Develop and implement special projects that maximize reimbursements and result in the recovery of money to the state. For the purpose of recovering state money, the commissioner may enter into contracts with third parties. Any recoveries that result from projects or contracts entered into under this paragraph shall be deposited in the state treasury and credited to a special account until the balance in the account reaches $400,000. When the balance in the account exceeds $400,000, the excess shall be transferred and credited to the general fund. All money in the account is appropriated to the commissioner for the purposes of this paragraph.

(16) Have the authority to make direct payments to facilities providing shelter to women and their children pursuant to section 256D.05, subdivision 3. Upon the written request of a shelter facility that has been denied payments under section 256.05, subdivision 3, the commissioner shall review all relevant evidence and make a determination within 30 days of the request for review regarding issuance of direct payments to the shelter facility. Failure to act within 30 days shall be considered a determination not to issue direct payments.

Sec. 2. [256.016] [COMPLIANCE SYSTEM.]

Subdivision 1. [AUTHORITY AND PURPOSE.] The commissioner shall administer a compliance system for aid to families with dependent children, the food stamp program, emergency assistance, general assistance, work readiness, medical assistance, general assistance medical care, emergency general assistance, Minnesota supplemental assistance, preadmission screening, and alternative care grants under the powers and authorities named in section

256.01, subdivision 2. The purpose of the compliance system is to permit the commissioner to supervise the administration of public assistance programs and to enforce timely and accurate distribution of benefits, completeness of service and efficient and effective program management and operations, to increase uniformity and consistency in the administration and delivery of public assistance programs throughout the state, and to reduce the possibility of sanctions and fiscal disallowances for noncompliance with federal regulations and state statutes.

The commissioner shall utilize training, technical assistance, and monitoring activities, as specified in section 256.01, subdivision 2, to encourage local agency compliance with written policies and procedures.

Subd. 2. [DEFINITIONS.] The following terms have the meanings given for the purpose of this section.

(a) "Administrative penalty" means an adjustment against the local agency's state and federal benefit and federal administrative reimbursement when the commissioner determines that the local agency is not in compliance with the policies and procedures established by the commissioner.

(b) "Quality control case penalty" means an adjustment against the local agency's federal administrative reimbursement and state and federal benefit reimbursement when the commissioner determines through a quality control review that the local agency has made incorrect payments, terminations, or denials of benefits as determined by state quality control procedures for the aid to families with dependent children, food stamp, or medical assistance programs, or any other programs for which the commissioner has developed a quality control system. Quality control case penalties apply only to agency errors as defined by state quality control procedures.

(c) "Quality control" means a review system of a statewide random sample of cases, designed to provide data on the accuracy with which state and federal policies are being applied in issuing benefits and as a fiscal audit to ensure the accuracy of expenditures. The quality control system is administered by the department. For the aid to families with dependent children, food stamp, and medical assistance programs, the quality control system is that required by federal regulation.

Subd. 3. [QUALITY CONTROL CASE PENALTY.] The department shall disallow, withhold, or deny state and federal benefit reimbursement and federal administrative reimbursement payment to a county when the commissioner determines that the county has incorrectly issued benefits or incorrectly denied or terminated

benefits. These cases shall be identified by state quality control reviews.

Subd. 4. [DETERMINING THE AMOUNT OF THE QUALITY CONTROL CASE PENALTY.] (a) The amount of the quality control case penalty is limited to the amount of the dollar error for the quality control sample month in a reviewed case as determined by the state quality control review procedures for the aid to families with dependent children and food stamp programs or for any other income transfer program for which the commissioner develops a quality control program.

(b) Payment errors in medical assistance or any other medical services program for which the department develops a quality control program are subject to set rate penalties based on the average cost of the specific quality control error element for a sample review month for that household size and status of institutionalization and as determined from state quality control data in the preceding fiscal year for the corresponding program.

(c) Errors identified in negative action cases, such as incorrect terminations or denials of assistance are subject to set rate penalties based on the average benefit cost of that household size as determined from state quality control data in the preceding fiscal year for the corresponding program.

Subd. 5. [ADMINISTRATIVE PENALTIES.] The department shall disallow or withhold state and federal benefit reimbursement and federal administrative reimbursement from local agencies when the actions performed by the local agency are not in compliance with the written policies and procedures established by the commissioner. The policies and procedures must be previously communicated to the local agency. A local agency shall not be penalized for complying with a written policy or procedure, even if the policy or procedure is found to be erroneous and is subsequently rescinded by the commissioner.

Subd. 6. [DETERMINING THE AMOUNT OF THE ADMINISTRATIVE PENALTY.] The amount of the penalty imposed on any local agency is based on the numbers of public assistance applicants and recipients that may be affected by the local agency's failure to comply with the policies and procedures established by the commissioner, the fiscal impact of the local agency's action, and the duration of the noncompliance as determined by the commissioner. Administrative penalties shall be imposed independent of any quality control case penalties.

Subd. 7. [PROCESS AND EXCEPTION.] (a)(1) The department shall notify the local agency in writing of all proposed quality control case penalties.

(2) The local agency may submit a written exception of the quality control error claim and proposed penalty. The exception must be submitted to the commissioner within ten calendar days of the receipt of the penalty notice.

(3) Within 20 calendar days of receipt of the written exception, the commissioner shall sustain, dismiss, or amend the quality control findings and case penalty and notify the local agency, in writing, of the decision and the amount of any penalty. The commissioner's decision is not subject to judicial review.

(b)(1) The department shall notify the local agency in writing of any proposed administrative penalty, the date by which the local agency must correct the issues noted in the penalty, and the time period within which the local agency must submit a corrective action plan for compliance.

(2) If the local agency fails to submit a corrective action plan within the stated time period, or if the corrective action plan does not bring the agency into compliance as determined by the department, or if the local agency fails to meet the commitments in the corrective action plan, the department shall issue the administrative penalty and notify the local agency in writing.

(3) The local agency may file written exception to the administrative penalty with the commissioner within 30 days of the receipt of the department's notice of issuing the administrative penalty. The local agency must notify the commissioner of its intent to file a written exception within ten days of the delivery of the department's notice of the administrative penalty. If the local agency does not notify the commissioner of its intent to file and does not file a written exception within the prescribed time periods, the department's initial decision shall be final.

(4) The commissioner shall sustain, dismiss, or amend the administrative penalty findings, and shall issue a written order to the local agency within 30 calendar days after receiving the local agency's written exception.

Subd. 8. [JUDICIAL REVIEW.] A local agency that is aggrieved by the order of the commissioner in an administrative penalty of over $75,000, or 1.5 percent of the total benefit expenditures for the income maintenance programs listed in subdivision 1, for that county, whichever is the lesser amount, may appeal the order to the court of appeals by serving a written copy of a notice of appeal upon the commissioner within 30 days after the date the commissioner issued the administrative penalty order, and by filing the original notice and proof of service with the court administrator of the court of appeals. Service may be made personally or by mail. Service by mail is complete upon mailing. The record of review shall consist of the advance notice of the administrative penalty to the local agency,

the local agency corrective action plan if any, the final notice of the administrative penalty, the local agency's written exception to the administrative penalty order, and any other material submitted for the commissioner's consideration, and the commissioner's final written order. The court may affirm the commissioner's decision or remand the case for further proceedings, or it may reverse or modify the decision if the substantial rights of the local agency have been prejudiced because the decision is: (1) in excess of the statutory authority or jurisdiction of the agency; (2) unsupported by substantial evidence in view of the entire record as submitted; (3) arbitrary or capricious; or (4) in violation of constitutional provisions.

Subd. 9. [TIMING AND DISPOSITION OF PENALTY AND CASE DISALLOWANCE FUNDS.] Quality control case penalty and administrative penalty amounts shall be disallowed or withheld from the next regular reimbursement made to the county agency for state and federal benefit reimbursements and federal administrative reimbursements for all programs covered in this section, according to procedures established in statute, but shall not be imposed sooner than 30 calendar days from the date of written notice of such penalties. All penalties must be deposited in the county incentive fund provided in section 256.017. All penalties must be imposed according to this provision until a decision is made regarding the status of a written exception. Penalties must be returned to local agencies when a review of a written exception results in a decision in their favor.

Subd. 10. [COUNTY OBLIGATION TO MAKE BENEFIT PAYMENTS.] Counties subject to fiscal penalties shall not reduce or withhold benefits from eligible recipients of programs listed in subdivision 1 in order to cover the cost of penalties under this section. County funds shall be used to cover the cost of any penalties.

Sec. 3. [256.017] [COUNTY PUBLIC ASSISTANCE INCENTIVE FUND.]

Beginning in 1990, $1,000,000 is appropriated from the general fund to the department in each fiscal year for awards to counties: (1) that have not been assessed an administrative penalty under section 256.016 in the corresponding fiscal year; and (2) that perform satisfactorily according to indicators established by the commissioner.

After consultation with local agencies, the commissioner shall inform local agencies in writing of the performance indicators that govern the awarding of the incentive fund for each fiscal year by April of the preceding fiscal year.

The commissioner may set performance indicators to govern the awarding of the total fund, may allocate portions of the fund to be

awarded by unique indicators, or may set a sole indicator to govern the awarding of funds.

The funds shall be awarded to qualifying local agencies according to their share of benefits for the programs related to the performance indicators governing the distribution of the fund or part of it as compared to the total benefits of all qualifying local agencies for the programs related to the performance indicators governing the distribution of the fund or part of it.

Sec. 4. Minnesota Statutes 1986, section 256.72, is amended to read:

256.72 [DUTIES OF COUNTY AGENCIES.]

The county agencies shall:

(1) Administer the provisions of sections 256.72 to 256.87 in the respective counties subject to the rules prescribed by the state agency pursuant to the provisions of those sections and to the supervision of the commissioner of human services specified in section 256.01;

(2) Report to the state agency at such times and in such manner and form as the state agency may from time to time direct; and

(3) Submit quarterly and annually to the county board of commissioners a budget containing an estimate and supporting data setting forth the amount of money needed to carry out the provisions of those sections.

(4) In addition to providing financial assistance, provide such services as will help to maintain and strengthen family life and promote the support and personal independence of parents and relatives insofar as such help is consistent with continuing parental care and protection.

Sec. 5. Minnesota Statutes 1986, section 256.81, is amended to read:

256.81 [COUNTY AGENCY, DUTIES.]

(1) The county agency shall keep such records, accounts, and statistics in relation to aid to families with dependent children as the state agency shall prescribe.

(2) Each grant of aid to families with dependent children shall be paid to the recipient by the county agency except in those instances in which the county agency subject to the rules of the state agency determines that payments for care shall be made to an individual

other than the parent or relative with whom the dependent child is living or to vendors of goods and services for the benefit of the child because such parent or relative is unable to properly manage the funds in the best interests and welfare of the child.

(3) The county shall be paid from state and federal funds available therefor the amount provided for in section 256.82.

(4) Federal funds available for administrative purposes shall be distributed between the state and the counties in the same proportion that expenditures were made except as provided for in section 256.016.

Sec. 6. Minnesota Statutes 1986, section 256.82, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY PAYMENTS.] For the period from January 1 to June 30, based upon estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency payment shall be made monthly in advance by the state to the counties of all federal funds available for that purpose for such succeeding month, together with an amount of state funds equal to ~~70~~ 85 percent of the difference between the total estimated cost and the federal funds so available for payments made ~~after December 31, 1979 and before January 1, 1981, and 85 percent of the difference for payments made after December 31, 1980~~ except as provided for in section 256.016. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.016. For the period from July 1 to December 31 based upon the estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency, payment shall be made monthly in advance by the state to the counties of all state and federal funds available for that purpose for the succeeding month except as provided for in section 256.016. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Effective January 1, 1989, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

Sec. 7. Minnesota Statutes 1986, section 256.863, is amended to read:

256.863 [RECOVERY OF MONEYS; APPORTIONMENT.]

When any amount shall be recovered from any source for assistance furnished under the provisions of sections 256.72 to 256.87, except as provided in sections 256.018 and 256.98, subdivision 7, there shall be paid to the United States the amount which shall be due under the terms of the Social Security Act and the balance thereof shall be paid into the treasury of the state or county substantially in the proportion in which they have respectively contributed toward the total assistance paid. ~~The amount due the respective participating units of government shall be determined by rule adopted by the commissioner of human services pursuant to a formula of reimbursement prescribed or authorized by the federal Social Security Administration.~~

Sec. 8. Minnesota Statutes 1986, section 256.871, subdivision 6, is amended to read:

Subd. 6. [ESTIMATED EXPENDITURES; PAYMENTS.] The county agency shall submit to the state agency an estimate of expenditures for each succeeding month in such form as required by the state agency. For the period from January 1 to June 30, payment shall be made monthly in advance by the state agency to the counties, of federal funds available for that purpose for each succeeding month, together with an amount of state funds equal to ten percent of the difference between the total estimated cost and the federal funds so available, except as provided for in section 256.016. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, payment shall be made monthly in advance by the state agency to the counties, of all state and federal funds available for that purpose for the succeeding month, except as provided for in section 256.016. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Effective January 1, 1989, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month.

Sec. 9. Minnesota Statutes 1986, section 256.935, subdivision 1, is amended to read:

Subdivision 1. On the death of any person receiving public assistance through aid to dependent children, the county agency shall pay an amount for funeral expenses not exceeding $370 and actual cemetery charges. No funeral expenses shall be paid if the estate of the deceased is sufficient to pay such expenses or if the children, or spouse, who were legally responsible for the support of the deceased while living, are able to pay such expenses; provided, that the additional payment or donation of the cost of cemetery lot,

interment, religious service, or for the transportation of the body into or out of the community in which the deceased resided, shall not limit payment by the county agency as herein authorized. Freedom of choice in the selection of a funeral director shall be granted to persons lawfully authorized to make arrangements for the burial of any such deceased recipient. In determining the sufficiency of such estate, due regard shall be had for the nature and marketability of the assets of the estate. The county agency may grant funeral expenses where the sale would cause undue loss to the estate. Any amount paid for funeral expenses shall be a prior claim against the estate, as provided in section 524.3-805, and any amount recovered shall be reimbursed to the agency which paid the expenses. For the period from January 1 to June 30, the state shall reimburse the county for 50 percent of any payments made for funeral expenses except as provided for in section 256.016. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period. For the period from July 1 to December 31, the state shall reimburse the county for 100 percent of any payments made for funeral expenses except as provided for in section 256.016.

Sec. 10. Minnesota Statutes 1986, section 256.991, is amended to read:

256.991 [RULES.]

The commissioner of human services may promulgate emergency and permanent rules as necessary to implement sections 256.01, subdivision 2; 256.82, subdivision 3; 256.966, subdivision 1; 256.968; 256D.03, subdivisions 3, 4, 6, and 7; and 261.23. The commissioner shall promulgate emergency and permanent rules to establish standards and criteria for deciding which medical assistance services require prior authorization and for deciding whether a second medical opinion is required for an elective surgery. The commissioner shall promulgate permanent and emergency rules as necessary to establish the methods and standards for determining inappropriate utilization of medical assistance services.

The commissioner of human services shall adopt emergency rules which meet the requirements of sections 14.29 to 14.36 for the medical assistance demonstration project. Notwithstanding the provisions of section 14.35, the emergency rules promulgated to implement section 256B.69 shall be effective for 360 days and may be continued in effect for an additional 900 days if the commissioner gives notice by publishing a notice in the state register and mailing notice to all persons registered with the commissioner to receive notice of rulemaking proceedings in connection with the project. The emergency rules shall not be effective beyond December 31, 1986, without meeting the requirements of sections 14.13 to 14.20.

Sec. 11. Minnesota Statutes 1986, section 256B.041, subdivision 5, is amended to read:

Subd. 5. [PAYMENT BY COUNTY TO STATE TREASURER.] If required by federal law or rules promulgated thereunder, or by authorized rule of the state agency, each county shall pay to the state treasurer the portion of medical assistance paid by the state for which it is responsible. ~~The county's share of cost shall be ten percent of that portion not met by federal funds.~~ Effective January 1, 1989, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

For the period from January 1 to June 30, the county shall advance ~~its portion~~ ten percent of that portion of medical assistance costs not met by federal funds, based upon estimates submitted by the state agency to the county agency, stating the estimated expenditures for the succeeding month. Upon the direction of the county agency, payment shall be made monthly by the county to the state for the estimated expenditures for each month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, payments will be made by the state agency, except as provided for in section 256.016, and the county agency will be advised of the amounts paid monthly.

Sec. 12. Minnesota Statutes 1986, section 256B.041, subdivision 7, is amended to read:

Subd. 7. Federal funds available for administrative purposes shall be distributed between the state and the county on the same basis that reimbursements are earned, except as provided for under section 256.016.

Sec. 13. Minnesota Statutes 1986, section 256B.05, subdivision 1, is amended to read:

Subdivision 1. The county agencies shall administer medical assistance in their respective counties under the supervision of the state agency and the commissioner of human services as specified in section 256.01, and shall make such reports, prepare such statistics, and keep such records and accounts in relation to medical assistance as the state agency may require.

Sec. 14. Minnesota Statutes 1987 Supplement, section 256B.091, subdivision 8, is amended to read:

Subd. 8. [ALTERNATIVE CARE GRANTS.] The commissioner shall provide grants to counties participating in the program to pay costs of providing alternative care to individuals screened under subdivision 4 and nursing home or boarding care home residents who request a screening. Prior to July of each year, the commissioner shall allocate state funds available for alternative care grants to each local agency. This allocation must be made as follows: half of the state funds available for alternative care grants must be allocated to each county according to the total number of adults in that county who are recipients age 65 or older who are reported to the department by March 1 of each state fiscal year and half of the state funds available for alternative care grants must be allocated to a county according to that county's number of Medicare enrollments age 65 or older for the most recent statistical report. Payment is available under this subdivision only for individuals (1) for whom the screening team would recommend nursing home or boarding care home admission, or continued stay if alternative care were not available; (2) who are receiving medical assistance or who would be eligible for medical assistance within 180 days of admission to a nursing home; (3) who need services that are not available at that time in the county through other public assistance; and (4) who are age 65 or older.

The commissioner shall establish by rule, in accordance with chapter 14, procedures for determining grant reallocations, limits on the rates for payment of approved services, including screenings, and submittal and approval of a biennial county plan for the administration of the preadmission screening and alternative care grants program. Grants may be used for payment of costs of providing care-related supplies, equipment, and services such as, but not limited to, foster care for elderly persons, day care whether or not offered through a nursing home, nutritional counseling, or medical social services, which services are provided by a licensed health care provider, a home health service eligible for reimbursement under Titles XVIII and XIX of the federal Social Security Act, or by persons employed by or contracted with by the county board or the local welfare agency. The county agency shall ensure that a plan of care is established for each individual in accordance with subdivision 3, clause (e)(2), and that a client's service needs and eligibility is reassessed at least every six months. The plan shall include any services prescribed by the individual's attending physician as necessary and follow up services as necessary. The county agency shall provide documentation to the commissioner verifying that the individual's alternative care is not available at that time through any other public assistance or service program and shall provide documentation in each individual's plan of care and to the commissioner that the most cost-effective alternatives available have been offered to the individual and that the individual was free to choose among available qualified providers, both public and private. The county agency shall document to the commissioner that the agency made reasonable efforts to inform potential providers of the antici-

pated need for services under the alternative care grants program, including a minimum of 14 days written advance notice of the opportunity to be selected as a service provider and an annual public meeting with providers to explain and review the criteria for selection, and that the agency allowed potential providers an opportunity to be selected to contract with the county board. Grants to counties under this subdivision are subject to audit by the commissioner for fiscal and utilization control.

The county must select providers for contracts or agreements using the following criteria and other criteria established by the county:

(1) the need for the particular services offered by the provider;

(2) the population to be served, including the number of clients, the length of time services will be provided, and the medical condition of clients;

(3) the geographic area to be served;

(4) quality assurance methods, including appropriate licensure, certification, or standards, and supervision of employees when needed;

(5) rates for each service and unit of service exclusive of county administrative costs;

(6) evaluation of services previously delivered by the provider; and

(7) contract or agreement conditions, including billing requirements, cancellation, and indemnification.

The county must evaluate its own agency services under the criteria established for other providers. The county shall provide a written statement of the reasons for not selecting providers.

The commissioner shall establish a sliding fee schedule for requiring payment for the cost of providing services under this subdivision to persons who are eligible for the services but who are not yet eligible for medical assistance. The sliding fee schedule is not subject to chapter 14 but the commissioner shall publish the schedule and any later changes in the State Register and allow a period of 20 working days from the publication date for interested persons to comment before adopting the sliding fee schedule in final forms.

The commissioner shall apply for a waiver for federal financial participation to expand the availability of services under this subdivision. The commissioner shall provide grants to counties from

the nonfederal share, unless the commissioner obtains a federal waiver for medical assistance payments, of medical assistance appropriations. A county agency may use grant money to supplement but not supplant services available through other public assistance or service programs and shall not use grant money to establish new programs for which public money is available through sources other than grants provided under this subdivision. A county agency shall not use grant money to provide care under this subdivision to an individual if the anticipated cost of providing this care would exceed the average payment, as determined by the commissioner, for the level of care that the recipient would receive if placed in a nursing home or boarding care home. For the period from January 1 to June 30, the nonfederal share may be used to pay up to 90 percent of the start-up and service delivery costs of providing care under this subdivision. Each county agency that receives a grant shall pay ten percent of the costs for persons who are eligible for the services but who are not yet eligible for medical assistance. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, the nonfederal share may be used to pay up to 100 percent of the start-up and service delivery costs of providing care under this subdivision.

The commissioner shall promulgate emergency rules in accordance with sections 14.29 to 14.36, to establish required documentation and reporting of care delivered.

Sec. 15. Minnesota Statutes 1987 Supplement, section 256B.15, is amended to read:

256B.15 [CLAIMS AGAINST ESTATES.]

If a person receives any medical assistance hereunder, on the person's death, if single, or on the death of the survivor of a married couple, either or both of whom received medical assistance, and only when there is no surviving child who is under 21 or is blind or totally disabled, the total amount paid for medical assistance rendered for the person and spouse, after age 65, without interest, shall be filed as a claim against the estate of the person or the estate of the surviving spouse in the court having jurisdiction to probate the estate. A claim against the estate of a surviving spouse who did not receive medical assistance, for medical assistance rendered for the predeceased spouse, is limited to the value of the assets of the estate that were marital property or jointly-owned property at any time during the marriage. The claim shall be considered an expense of the last illness of the decedent for the purpose of section 524.3-805. Any statute of limitations that purports to limit any county agency or the state agency, or both, to recover for medical assistance granted hereunder shall not apply to any claim made hereunder for reimbursement for any medical assistance granted hereunder. Counties

~~may retain~~ are entitled to one-half of the nonfederal share of medical assistance collections from estates that are directly attributable to county effort.

Sec. 16. Minnesota Statutes 1987 Supplement, section 256B.19, subdivision 1, is amended to read:

Subdivision 1. [DIVISION OF COST.] The cost of medical assistance paid by each county of financial responsibility shall be borne as follows: For the period from January 1 to June 30, payments shall be made by the state to the county for that portion of medical assistance paid by the federal government and the state on or before the 20th day of each month for the succeeding month upon requisition from the county showing the amount required for the succeeding month. Ninety percent of the expense of assistance not paid by federal funds available for that purpose shall be paid by the state and ten percent shall be paid by the county of financial responsibility, except as provided for in section 256.016.

For the period from January 1 to June 30, for counties that participate in a Medicaid demonstration project under sections 256B.69 and 256B.71, the division of the nonfederal share of medical assistance expenses for payments made to prepaid health plans or for payments made to health maintenance organizations in the form of prepaid capitation payments, this division of medical assistance expenses shall be 95 percent by the state and five percent by the county of financial responsibility. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016.

For the period from July 1 to December 31, except as provided for in section 256.016, payments shall be made by the state to the county for that portion of medical assistance paid by the federal government and the state on or before the 20th day of each month for the succeeding month upon requisition from the county showing the amount required for the succeeding month. The expense of assistance not paid by federal funds available for that purpose shall be paid by the state.

In counties where prepaid health plans are under contract to the commissioner to provide services to medical assistance recipients, the cost of court ordered treatment ordered without consulting the prepaid health plan that does not include diagnostic evaluation, recommendation, and referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 17. Minnesota Statutes 1986, section 256B.19, subdivision 2, is amended to read:

Subd. 2. Federal funds available for administrative purposes shall

be distributed between the state and the county in the same proportion that expenditures were made, except as provided for in section 256.016.

Sec. 18. Minnesota Statutes 1987 Supplement, section 256D.03, subdivision 2, is amended to read:

Subd. 2. ~~After December 31, 1980,~~ For the period from January 1 to June 30, state aid shall be paid to local agencies for 75 percent of all general assistance and work readiness grants up to the standards of sections 256D.01, subdivision 1a, and 256D.051, and according to procedures established by the commissioner, except as provided for under section 256.016. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016.

For the period from July 1 to December 31, state aid shall be paid to local agencies for ~~75~~ 100 percent of all general assistance and work readiness grants up to the standards of ~~section~~ sections 256D.01, subdivision 1a, and 256D.051, and according to procedures established by the commissioner, except as provided for under section 256.016 and except that, after December 31, ~~1987~~ 1988, state aid is reduced to 65 percent of all general assistance grants if the local agency does not make occupational or vocational literacy training available and accessible to recipients who are eligible for assistance under section 256D.05, subdivision 1, paragraph (a), clause (15).

After December 31, ~~1986~~ 1988, state aid must be paid to local agencies for 65 percent of work readiness assistance paid under section 256D.051 if the county does not have an approved and operating community investment program.

Any local agency may, from its own resources, make payments of general assistance: (a) at a standard higher than that established by the commissioner without reference to the standards of section 256D.01, subdivision 1; or, (b) to persons not meeting the eligibility standards set forth in section 256D.05, subdivision 1, but for whom the aid would further the purposes established in the general assistance program in accordance with rules promulgated by the commissioner pursuant to the administrative procedure act.

Sec. 19. Minnesota Statutes 1986, section 256D.03, subdivision 6, is amended to read:

Subd. 6. [DIVISION OF COSTS.] The state shall pay ~~90~~ 100 percent of the cost of general assistance medical care paid ~~by the local agency or county~~ pursuant to this section, in accordance with sections 256B.041, subdivision 5, and 256B.19, subdivision 1, except as provided for in section 256.016. In counties where prepaid health

plans are under contract to the commissioner to provide services to general assistance medical care recipients, the cost of court ordered treatment that does not include diagnostic evaluation, recommendation, or referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 20. Minnesota Statutes 1986, section 256D.04, is amended to read:

256D.04 [DUTIES OF THE COMMISSIONER.]

In addition to any other duties imposed by law, the commissioner shall:

(1) Supervise according to section 256.01 the administration of general assistance and general assistance medical care by local agencies as provided in sections 256D.01 to 256D.21;

(2) Promulgate uniform rules consistent with law for carrying out and enforcing the provisions of sections 256D.01 to 256D.21 to the end that general assistance may be administered as uniformly as possible throughout the state; rules shall be furnished immediately to all local agencies and other interested persons; in promulgating rules, the provisions of sections 14.01 to 14.70, shall apply;

(3) Allocate moneys appropriated for general assistance and general assistance medical care to local agencies as provided in section 256D.03, subdivisions 2 and 3;

(4) Accept and supervise the disbursement of any funds that may be provided by the federal government or from other sources for use in this state for general assistance and general assistance medical care;

(5) Cooperate with other agencies including any agency of the United States or of another state in all matters concerning the powers and duties of the commissioner under sections 256D.01 to 256D.21;

(6) Cooperate to the fullest extent with other public agencies empowered by law to provide vocational training, rehabilitation, or similar services; and

(7) Gather and study current information and report at least annually to the governor and legislature on the nature and need for general assistance and general assistance medical care, the amounts expended under the supervision of each local agency, and the activities of each local agency and publish such reports for the information of the public.

Sec. 21. Minnesota Statutes 1986, section 256D.36, subdivision 1, is amended to read:

Subdivision 1. Commencing January 1, 1974, the commissioner shall certify to each local agency the names of all county residents who were eligible for and did receive aid during December, 1973 pursuant to a categorical aid program of old age assistance, aid to the blind, or aid to the disabled. ~~From and after January 1, 1980, until January 1, 1981,~~ For the period from January 1 to June 30, the state shall pay ~~70~~ 85 percent and the county shall pay ~~30~~ 15 percent of the supplemental aid calculated for each county resident certified under this section who is an applicant for or recipient of supplemental security income, except as provided for in section 256.016. ~~After December 31, 1980, the state shall pay 85 percent and the county shall pay 15 percent of the aid.~~ Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, the state agency shall pay 100 percent of the supplemental aid calculated for each county resident certified under this section who is an applicant for or recipient of supplemental security income, except as provided for in section 256.016. The amount of supplemental aid for each individual eligible under this section shall be calculated pursuant to the formula prescribed in title II, section 212 (a) (3) of Public Law Number 93-66, as amended.

Sec. 22. Minnesota Statutes 1987 Supplement, section 256G.01, subdivision 3, is amended to read:

Subd. 3. [PROGRAM COVERAGE.] This chapter applies to all programs administered by the commissioner in which residence is the determining factor in establishing financial responsibility. These include, but are not limited to: ~~aid to families with dependent children; medical assistance; general assistance; general assistance medical care; Minnesota supplemental aid;~~ commitment proceedings, including voluntary admissions; poor relief funded wholly through local agencies; and social services, including title XX, IV-E and other components of the community social services act, sections 256E.01 to 256E.12. It also applies to service responsibility in the income maintenance and health care programs administered by the commissioner.

Sec. 23. Minnesota Statutes 1987 Supplement, section 256G.02, subdivision 4, is amended to read:

Subd. 4. [COUNTY OF FINANCIAL RESPONSIBILITY.] (a) "County of financial responsibility" has the meanings in paragraphs (b) to ~~(h)~~ (e).

(b) For an applicant who resides in the state and is not in a facility

described in subdivision 5, it means the county in which the applicant resides at the time of application.

(c) For an applicant who resides in a facility described in subdivision 5, it means the county in which the applicant last resided in nonexcluded status immediately before entering the facility.

(d) For an applicant who has not resided in this state for any time other than the excluded time, it means the county in which the applicant resides at the time of making application.

(e) ~~For medical assistance purposes only, and for an infant who has resided only in an excluded time facility, it means the county that would have been responsible for the infant if eligibility had been established, based on that of the birth mother, at the time of application.~~

~~(f) Notwithstanding paragraphs (b) to (d), the county of financial responsibility for medical assistance recipients is the county from which a recipient is receiving a maintenance grant or money payment under the program of aid to families with dependent children or Minnesota supplemental aid.~~

~~(g) Notwithstanding paragraphs (b) to (f), the county of financial responsibility for social services for a person receiving aid to families with dependent children, general assistance, general assistance medical care, medical assistance, or Minnesota supplemental aid is the county from which that person is receiving the aid or assistance.~~ If more than one named program is open concurrently, financial responsibility for social services attaches to the program that has the earliest date of application and has been open without interruption.

~~(h)~~ (f) Notwithstanding paragraphs (b) to ~~(g)~~ (e), the county of financial responsibility for semi-independent living services provided under section 252.275, and Minnesota Rules, parts 9525.0500 to 9525.0660, is the county of residence in nonexcluded status immediately before the placement into or request for those services.

Sec. 24. Minnesota Statutes 1987 Supplement, section 256G.04, subdivision 1, is amended to read:

Subdivision 1. [TIME OF DETERMINATION.] For purposes of establishing financial responsibility, residence must be determined as of the date a local agency receives a signed request or signed application or the date of eligibility, whichever is later. This subdivision extends to cases in which the applicant may move to another county after the date of application but before the grant or service is actually approved.

Sec. 25. Minnesota Statutes 1987 Supplement, section 256G.05, is amended to read:

256G.05 ~~[RESPONSIBILITY FOR EMERGENCIES.]~~

~~Subdivision 1. [RESIDENCE NOT A TEST.] In situations involving emergencies verified by a local agency, financial responsibility for aid to families with dependent children, general assistance, and Minnesota supplemental aid rests with the county in which an otherwise eligible person is physically present when the application is filed. The county of residence is not obligated to reimburse. Financial responsibility is limited to 30 days unless otherwise specified in the context of the affected program.~~

~~Subd. 2.~~ [NON-MINNESOTA RESIDENTS.]

State residence is not required for receiving emergency assistance in the general assistance and Minnesota supplemental aid programs only. The receipt of emergency assistance must not be used as a factor in determining county or state residence.

Sec. 26. Minnesota Statutes 1987 Supplement, section 256G.07, is amended to read:

256G.07 [MOVING TO ANOTHER COUNTY.]

Subdivision 1. [EFFECT OF MOVING.] Except as provided in subdivision 4, a person who has applied for and is receiving ~~assistance~~ services under a program governed by this chapter, in any county in this state, and who moves to another county in this state, is entitled to continue to receive that assistance from the county from which that person has moved until that person has resided in nonexcluded status for two full calendar months in the county to which that person has moved.

~~For purposes of general assistance and general assistance medical care, this time period is, however, one full calendar month.~~

Subd. 2. [TRANSFER OF RECORDS.] Before the person has resided in nonexcluded status for two calendar months~~, or one calendar month in the case of general assistance or general assistance medical care,~~ in the county to which that person has moved, the local agency of the county from which the person has moved shall transfer all necessary records relating to that person to the local agency of the county to which the person has moved.

Subd. 3. [CONTINUATION OF CASE.] When the case is terminated for 30 days or less before the recipient reapplies, that case remains the financial responsibility of the county from which the

recipient moved until the residence requirement in subdivision 1 is met.

Subd. 4. ~~[MULTIPLE FINANCIAL RESPONSIBILITY.] When more than one county becomes financially responsible for a case involving a single assistance unit, under a program covered by this chapter, that case must be immediately reconsidered by the affected local agencies. Beginning with the first day of the calendar month after that reconsideration, financial responsibility for the entire assistance unit belongs to the county that was initially responsible for the program with the earliest date of application.~~

~~Subd. 5.~~ [SOCIAL SERVICE PROVISION.] The types and level of social services to be provided in any case governed by this chapter are those otherwise provided in the county in which the person is physically residing at the time those services are provided.

Sec. 27. Minnesota Statutes 1987 Supplement, section 256G.10, is amended to read:

256G.10 [DERIVATIVE SETTLEMENT ELIMINATED.]

~~Except as described in section 256G.02, subdivision 4, paragraph (d),~~ Residence under this chapter must be determined independently for each applicant. The residence of the parent or guardian does not determine the residence of the child or ward. Physical or legal custody has no bearing on residence determinations. This section does not, however, apply to situations involving another state or limit the application of an interstate compact.

Sec. 28. Minnesota Statutes 1987 Supplement, section 256G.11, is amended to read:

256G.11 [NO RETROACTIVE EFFECT.]

This chapter ~~is not retroactive and~~ does not require the retroactive redetermination of financial responsibility for cases existing on January 1, 1988. This chapter applies only to applications and redeterminations of eligibility taken or routinely made after January 1, 1988.

~~Notwithstanding this section, however, existing social service cases tie to cases for those programs outlined in section 256G.02, subdivision 4, paragraph (g), for which an application is taken or a redetermination is made after January 1, 1988.~~

Sec. 29. [256.018] [RECOVERY OF MONEY; APPORTIONMENT.]

When an amount is recovered from any source for assistance

given under the provisions governing public assistance programs including aid to families with dependent children, emergency assistance, general assistance, work readiness, and Minnesota supplemental aid, there shall be paid to the United States the amount due under the terms of the Social Security Act and the balance must be paid into the treasury of the state or county in accordance with current rates of financial participation; except if the recovery is directly attributable to county effort, the county may keep one-half of the nonfederal share of the recovery. This does not apply to recoveries from medical providers or to recoveries begun by the department of human services' surveillance and utilization review division, state hospital collections unit, and the benefit recoveries division or, by the attorney general's office, or child support collections.

Sec. 30. Minnesota Statutes 1986, section 393.07, subdivision 2, is amended to read:

Subd. 2. [ADMINISTRATION OF PUBLIC WELFARE.] The county welfare board, subject to the supervision of the commissioner of human services, shall administer all forms of public welfare, both for children and adults, responsibility for which now or hereafter may be imposed on the commissioner of human services by law, including general assistance, aid to dependent children, county supplementation, if any, or state aid to recipients of supplemental security income for aged, blind and disabled, child welfare services, mental health services, and other public assistance or public welfare services, provided that the county welfare board shall not employ public health nursing or home health service personnel other than homemaker-home help aides, but shall contract for or purchase the necessary services from existing community agencies. The duties of the county welfare board shall be performed in accordance with the standards and rules which may be promulgated by the commissioner of human services to achieve the purposes intended by law and in order to comply with the requirements of the federal Social Security Act in respect to public assistance and child welfare services, so that the state may qualify for grants-in-aid available under that act. To avoid administrative penalties under section 256.016, the county welfare board must comply with (1) policies established by state law and (2) instructions from the commissioner relating (i) to public assistance program policies consistent with federal law and regulation and state law and rule and (ii) to local agency program operations. The commissioner may enforce county welfare board compliance with the instructions, and may delay, withhold, or deny payment of all or part of the state and federal share of benefits and federal administrative reimbursement, according to the provisions under section 256.016. The county welfare board shall supervise wards of the commissioner and, when so designated, act as agent of the commissioner of human services in the placement of the commissioner's wards in adoptive homes or in other foster care facilities. The county welfare board may contract with a bank or other

financial institution to provide services associated with the processing of public assistance checks and pay a service fee for these services, provided the fee charged does not exceed the fee charged to other customers of the institution for similar services.

Sec. 31. Minnesota Statutes 1987 Supplement, section 393.07, subdivision 10, is amended to read:

Subd. 10. [FEDERAL FOOD STAMP PROGRAM.] (a) The county welfare board shall establish and administer the food stamp program pursuant to rules of the commissioner of human services, the supervision of the commissioner as specified in section 256.01, and all federal laws and regulations. The commissioner of human services shall monitor food stamp program delivery on an ongoing basis to ensure that each county complies with federal laws and regulations. Program requirements to be monitored include, but are not limited to, number of applications, number of approvals, number of cases pending, length of time required to process each application and deliver benefits, number of applicants eligible for expedited issuance, length of time required to process and deliver expedited issuance, number of terminations and reasons for terminations, client profiles by age, household composition and income level and sources, and the use of phone certification and home visits. The commissioner shall determine the county-by-county and statewide participation rate. The commissioner shall report on the monitoring activities on a county-by-county basis in a report presented to the legislature by July 1 each year. This monitoring activity shall be separate from the management evaluation survey sample required under federal regulations.

(b) On July 1 of each year, the commissioner of human services shall determine a statewide and county-by-county food stamp program participation rate. The commissioner may designate a different agency to administer the food stamp program in a county if the agency administering the program fails to increase the food stamp program participation rate among families or eligible individuals, or comply with all federal laws and regulations governing the food stamp program. The commissioner shall review agency performance annually to determine compliance with this paragraph.

(c) ~~The county welfare board shall participate in a food stamp quality control system subject to the supervision of the commissioner of human services and pursuant to federal regulations.~~

A person who commits any of the following acts has violated section 256.98 and is subject to both the criminal and civil penalties provided under that section:

(1) Obtains or attempts to obtain, or aids or abets any person to obtain by means of a willfully false statement or representation, or intentional concealment of a material fact, food stamps to which the

person is not entitled or in an amount greater than that to which that person is entitled; or

(2) Presents or causes to be presented, coupons for payment or redemption knowing them to have been received, transferred or used in a manner contrary to existing state or federal law; or

(3) Willfully uses or transfers food stamp coupons or authorization to purchase cards in any manner contrary to existing state or federal law.

Sec. 32. [TRANSFER OF COUNTY FOOD STAMP QUALITY CONTROL SYSTEM EMPLOYEES.]

(a) All positions covered by the Minnesota merit system located in Crow Wing county family social service center and in the Redwood county welfare department classified as food stamp corrective action specialist I and II and as financial assistant supervisor I, if the positions supervise food stamp corrective action specialists, are transferred to the department of human services and become state civil service positions.

(b) All incumbent employees affected by this transfer, who choose to transfer to state civil service positions in the department of human services, must be transferred with no reduction in salary. Salaries of individual employees who transfer must be adjusted to the minimum salary or to the nearest equal or higher step on the state compensation plan for their class, whichever is greater.

(c) Existing sick leave and vacation accruals for an employee who transfers must be transferred to the department of human services and the employee shall accrue additional vacation and sick leave under the provisions of the appropriate state collective bargaining agreement based on the employee's years of service in either Crow Wing county family service center or in the Redwood county welfare department.

(d) If an employee who transfers chooses to retain the county coverage for employee and dependent health, dental, and life insurance, the department of human services shall reimburse the employee for one month of continued enrollment in the health, dental, and life insurance plans in an amount equal to what their former county employer would have paid for the coverage had the employee remained a county employee, until the employee is eligible for coverage under the state insurance plans.

(e) Classification seniority for an employee who transfers must be calculated according to the provisions of the appropriate state collective bargaining agreement based upon the employee's years of service in the county merit system.

Sec. 33. [REPEALER.]

Minnesota Statutes 1986, section 256.965; and Minnesota Statutes 1987 Supplement, section 256D.22, are repealed.

Sec. 34. [HUMAN SERVICES; APPROPRIATIONS.]

$1,655,500 is appropriated from the general fund to the commissioner of human services for the purposes indicated.

(a) $990,000 is for the county incentive fund, to be available until June 30, 1991.

(b) $110,000 is available beginning June 1, 1989, to convert county food stamp quality control staff to state employment.

(c) $555,500 is available beginning January 1, 1990, to implement state financing of income maintenance benefits as contained in this article by monitoring local agency performance in administering the income maintenance programs, providing technical assistance and program support, and reviewing local agency exceptions to compliance actions.

Sec. 35. [HUMAN SERVICES APPROPRIATION REDUCTION.]

The appropriation in Laws 1987, chapter 403, article 1, section 2, subdivision 2, for county administrative aid for fiscal year 1989 is reduced by $1,150,000 because of the changes made by this article.

Sec. 36. [POSITIONS.]

The following additional positions are approved for the department of human services.

Appeals and Contracts	1
Financial Management	2
Assistance Payments	22
Food Stamp Quality Control	25

Sec. 37. [EFFECTIVE DATE.]

The part of section 31 that strikes a part of paragraph (c) is effective June 1, 1990. Section 32 is effective June 1, 1989. Except as provided in section 34, the rest of this article is effective January 1, 1990.

ARTICLE 9

PULL-TAB TAX

Section 1. Minnesota Statutes 1986, section 349.12, subdivision 18, is amended to read:

Subd. 18. [DEAL.] "Deal" means each separate package, or series of packages, consisting of one game of pull-tabs or tipboards with the same serial number ~~purchased from a distributor~~.

Sec. 2. Minnesota Statutes 1986, section 349.12, is amended by adding a subdivision to read:

Subd. 19. [IDEAL GROSS.] "Ideal gross" means the total amount of receipts that would be received if every individual ticket in the pull-tab or tipboard deal was sold at its face value.

Sec. 3. Minnesota Statutes 1986, section 349.12, is amended by adding a subdivision to read:

Subd. 20. [IDEAL NET.] "Ideal net" means the pull-tab or tipboard deal's ideal gross, as defined under subdivision 19, less the total predetermined prize amounts available to be paid out. When the prize is not a monetary one, the ideal net is 50 percent of the ideal gross.

Sec. 4. Minnesota Statutes 1987 Supplement, section 349.212, subdivision 1, is amended to read:

Subdivision 1. [RATE.] There is hereby imposed a tax on all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, conducted by organizations licensed by the board at the rate specified in this subdivision. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 4.

On all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, the tax is ten percent of the gross receipts of a licensed organization from lawful gambling less prizes actually paid out, payable by the organization.

Sec. 5. Minnesota Statutes 1987 Supplement, section 349.212, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) There is imposed a tax on the sale of each deal of pull-tabs and tipboards sold by a licensed distributor to a licensed organization, or to an organization holding an exemption identification number. The rate of the tax is ten percent of the ~~face resale value of all the pull-tabs in each deal less the total prizes which may be paid out on all the pull-tabs in that~~ ideal net of the pull-tab and tipboard deal. The tax is payable to the commissioner of revenue in the manner prescribed in section 349.2121 and the rules of the commissioner. The commissioner shall pay the proceeds of the tax to the state treasurer for deposit in the general fund. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the licensed distributor to an organization is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A if the tax imposed by this subdivision has been paid and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 4.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the licensed or exempt organization, to a common or contract carrier for delivery to the organization, or when received by the organization's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

~~If a licensed organization or any organization holding an exemption number receives pull-tabs directly from the manufacturer and the manufacturer is not a licensed distributor, the distributor from whom the pull-tabs were purchased is liable for tax when the manufacturer delivers the pull-tabs to the organization, or to a contract or common carrier for delivery to the organization, or when the pull-tabs are received by the organization's authorized representative at the manufacturer's place of business, regardless of the manufacturer's or the distributor's method of accounting or the terms of the sale.~~

(c) The exemptions contained in section 349.214, subdivision 2, paragraph (b), do not apply to the tax imposed in this subdivision.

Sec. 6. Minnesota Statutes 1986, section 349.2121, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION AND ISSUANCE.] Every distributor licensed by the board who sells pull-tabs and tipboards to organizations authorized to sell pull-tabs and tipboards under this chapter must file with the commissioner of revenue an application, on a form the commissioner prescribes, for a gambling tax identification number and gambling tax permit. The commissioner, when satisfied that the applicant has a valid license from the board, shall

issue the applicant a permit and number. A permit is not assignable and is valid only for the distributor in whose name it is issued.

Sec. 7. Minnesota Statutes 1986, section 349.2121, subdivision 2, is amended to read:

Subd. 2. [RECORDS.] ~~The commissioner may by rule require a licensed distributor holding a permit under this section to keep such books, papers, documents, and records as the commissioner deems necessary to the enforcement of this chapter. The commissioner may examine, or cause to be examined, any books, papers, records, or other documents relevant to making a determination, whether they are in the possession of a distributor or another person or corporation. The commissioner may require the attendance of any persons having knowledge or information in the premises, to compel the production of books, papers, records, or memoranda by persons so required to attend, to take testimony on matters material to a determination, and to administer oaths or affirmations.~~ A distributor shall keep at each licensed place of business complete and accurate records for that place of business, including itemized invoices of pull-tabs and tipboards held, purchased, manufactured, or brought in or caused to be brought in from without this state, and of all sales of pull-tabs and tipboards. The records must show the names and addresses of purchasers, the inventory at the close of each period for which a return is required of all pull-tab and tipboard deals on hand, and other pertinent papers and documents relating to the purchase, sale, or disposition of pull-tab and tipboard deals. Books, records, and other papers and documents required by this section must be kept for a period of at least 3½ years after the date of the documents, or the date of the entries appearing in the records, unless the commissioner authorizes in writing their destruction or disposal at an earlier date. At any time during usual business hours, the commissioner, executive secretary of the charitable gambling control board, or any of their duly authorized agents or employees, may enter a place of business of a distributor, charitable organization, or any site from which pull-tabs or tipboards are being sold and inspect the premises and the records required to be kept under this section to determine whether or not all the provisions of this section are being fully complied with. If the commissioner, executive secretary, or their duly authorized agents or employees are denied free access to or are hindered or interfered with in making an inspection of the distributor's place of business, the permit of the distributor may be revoked by the commissioner, and the license of the distributor may be revoked by the charitable gambling control board.

Sec. 8. Minnesota Statutes 1986, section 349.2121, is amended by adding a subdivision to read:

Subd. 2a. A distributor who sells pull-tabs and tipboards to persons other than the ultimate consumer shall give with each sale

an itemized invoice showing the distributor's name and address, the purchaser's name and address, the date of the sale, description of the deals including the ideal net amounts, and all prices and discounts, and shall keep legible copies of all the itemized invoices for 3½ years from the date of sale.

Sec. 9. Minnesota Statutes 1987 Supplement, section 349.2121, subdivision 4a, is amended to read:

Subd. 4a. [REFUND.] If any deal of pull-tabs or tipboards registered with the board and upon which the tax imposed by section 349.212, subdivision 4, has been paid is returned unplayed to the distributor, the commissioner of revenue shall allow a refund of the tax paid.

In the case of a defective deal registered with the board and upon which the taxes have been paid is returned to the manufacturer, the distributor shall submit to the commissioner of revenue certification from the manufacturer that the deal was returned and in what respect it was defective. The certification must be in a form prescribed by the commissioner and must contain additional information the commissioner requires.

The commissioner may require that no refund under this subdivision be made unless the returned pull-tabs or tipboards have been set aside for inspection by the commissioner's employee.

Reductions in previously paid taxes authorized by this subdivision shall be made at the time and in the manner prescribed by the commissioner.

Sec. 10. Minnesota Statutes 1986, section 349.2121, subdivision 5, is amended to read:

Subd. 5. [PUBLIC INFORMATION ~~CONFIDENTIAL.~~] ~~Neither the commissioner nor any other public official or employee may divulge or otherwise make known in any manner any particulars disclosed in any report or return required by this section, or any information concerning the affairs of the distributor making the return acquired from its records, officers, or employees while examining or auditing under the authority of this chapter, except in connection with a proceeding involving taxes due under this chapter. Nothing herein prohibits the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and their contents. Any person violating the provisions of this section is guilty of a gross misdemeanor.~~

~~Notwithstanding the provisions of this section, the commissioner may furnish information on a reciprocal basis to the taxing officials~~

~~of another state or the board in order to implement the purposes of this chapter.~~

~~In order to facilitate processing of returns and payments of taxes required by this chapter, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed must be administered by the vendor consistent with this section.~~ All records concerning the administration of the pull-tab and tipboard taxes are classified as public information.

Sec. 11. Minnesota Statutes 1987 Supplement, section 349.2121, subdivision 10, is amended to read:

Subd. 10. [UNTAXED PULL-TABS OR TIPBOARDS.] It is a gross misdemeanor for any person to possess pull-tabs or tipboards for resale in this state that have not been registered with the board, for which a registration stamp has not been affixed to the flare, and upon which the taxes imposed by section 349.212, subdivision 4, or chapter 297A have not been paid. The executive secretary of the charitable gambling control board or the commissioner of revenue or their designated inspectors and employees may seize in the name of the state of Minnesota any unregistered or untaxed pull-tabs or tipboards.

Sec. 12. Minnesota Statutes 1987 Supplement, section 349.2122, is amended to read:

349.2122 [MANUFACTURERS; REPORTS TO THE COMMISSIONER; PENALTY.]

A manufacturer registered with the board who sells pull-tabs and tipboards to a distributor licensed by the board must file with the commissioner of revenue, on a form prescribed by the commissioner, a report of pull-tabs and tipboards sold to licensed distributors. The report must be filed monthly on or before the 25th day of the month succeeding the month in which the sale was made. Any person violating this section shall be guilty of a misdemeanor.

Sec. 13. Minnesota Statutes 1987 Supplement, section 349.2123, is amended to read:

349.2123 [CERTIFIED PHYSICAL INVENTORY.]

The commissioner of revenue may, upon request, require a ~~pull-tab~~ licensed distributor to furnish a certified physical inventory of the pull-tabs and tipboards in stock. The inventory must contain the information required by the commissioner.

Sec. 14. [349.2125] [CONTRABAND.]

Subdivision 1. [CONTRABAND DEFINED.] The following are contraband:

(1) all pull-tab or tipboard deals that do not have stamps affixed to them as provided in section 349.162;

(2) all pull-tab or tipboard deals in the possession of any unlicensed organization whether stamped or unstamped;

(3) any container used for the storage and display of any contraband pull-tab or tipboard deals as defined in clauses (1) and (2);

(4) any cash drawer, cash register, or any other container used for illegal pull-tab or tipboard transactions including its contents; and

(5) any device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used, with the knowledge of the owner or of a person operating with the consent of the owner, for the storage or transportation of more than five pull-tab or tipboard deals that are contraband under this subdivision. When pull-tabs and tipboards are being transported in the course of interstate commerce, or from one distributor to another, the pull-tab and tipboard deals are not contraband, notwithstanding the provisions of clause (1).

Subd. 2. [SEIZURE.] Pull-tabs or tipboards or other property made contraband by subdivision 1 may be seized by the commissioner of revenue or the executive secretary of the charitable gambling control board or their authorized agents or by any sheriff or other police officer, hereinafter referred to as the seizing authority, with or without process, and shall be subject to forfeiture as provided in subdivisions 3 and 4.

Subd. 3. [INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.] Within two days after the seizure of any alleged contraband, the person making the seizure shall deliver an inventory of the property seized to the person from whom the property was seized, if known, and file a copy with the commissioner or the executive secretary of the charitable gambling control board. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an interest in the property may file with the seizing authority a demand for judicial determination of whether the property was lawfully subject to seizure and forfeiture. Within 30 days after the date of filing of the demand, the seizing authority must bring an action in the district court of the county where seizure was made to determine the issue of forfeiture. The action must be brought in the name of the state and be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and determine the issues of fact and laws involved. When a judgment of forfeiture is entered, the seizing authority may,

unless the judgment is stayed pending an appeal, either (1) cause the forfeited property to be destroyed; or (2) cause it to be sold at a public auction as provided by law.

If demand for judicial determination is made and no action is commenced as provided in this subdivision, the property must be released by the seizing authority and delivered to the person entitled to it. If no demand is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the seizing authority as provided where there has been a judgment of forfeiture. When the seizing authority is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by section 349.2121, subdivision 4, the seizing authority shall release the property seized without further legal proceedings.

Subd. 4. [DISPOSAL.] The property described in subdivision 1, clauses (4) and (5), must be confiscated after conviction of the person from whom it was seized, upon compliance with the following procedure: the seizing authority shall file with the court a separate complaint against the property, describing it and charging its use in the specific violation, and specifying substantially the time and place of the unlawful use. A copy of the complaint must be served upon the defendant or person in charge of the property at the time of seizure, if any. If the person arrested is acquitted, the court shall dismiss the complaint against the property and order it returned to the persons legally entitled to it. Upon conviction of the person arrested, the court shall issue an order directed to any person known or believed to have any right, title or interest in, or lien upon, any of the property, and to persons unknown claiming any right, title, interest, or lien in it, describing the property and (1) stating that it was seized and that a complaint against it, charging the specified violation, has been filed with the court, (2) requiring the persons to file with the court administrator their answer to the complaint, setting forth any claim they may have to any right or title to, interest in, or lien upon the property, within 30 days after the service of the order, and (3) notifying them in substance that if they fail to file their answer within the time, the property will be ordered sold by the seizing authority. The court shall cause the order to be served upon any person known or believed to have any right, title, interest, or lien as in the case of a summons in a civil action, and upon unknown persons by publication, as provided for service of summons in a civil action. If no answer is filed within the time prescribed, the court shall, upon affidavit by the court administrator, setting forth the fact, order the property sold by the seizing authority. The proceeds of the sale, after deducting the expense of keeping the property and fees and costs of sale, must be paid into the state treasury and credited to the general fund. If answer is filed within the time provided, the court shall fix a time for a hearing, which shall be not less than ten nor more than 30 days after the time for filing answer expires. At the time fixed for hearing, unless

continued for cause, the matter shall be heard and determined by the court, without a jury, as in other civil actions.

If the court finds that the property, or any part of it, was used in the violation specified in the complaint, it shall order the property unlawfully used, sold as provided by law, unless the owner shows to the satisfaction of the court that the owner had no notice or knowledge or reason to believe that the property was used or intended to be used in the violation. The officer making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established at the hearing as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation specified in the order of the court, and shall pay the balance of the proceeds into the state treasury to be credited to the general fund. A sale under this section shall free the property sold from any and all liens on it. Appeal from the order of the district court will lie as in other civil cases. At any time after seizure of the articles specified in this subdivision, and before the hearing provided for, the property must be returned to the owner or person having a legal right to its possession, upon execution of a good and valid bond to the state, with corporate surety, in the sum of not less than $100 and not more than double the value of the property seized, to be approved by the court in which the case is triable, or a judge of it, conditioned to abide any order and the judgment of the court, and to pay the full value of the property at the time of the seizure. The seizing authority may dismiss the proceedings outlined in this subdivision when the seizing authority considers it to be in the best interests of the state to do so.

Sec. 15. [349.2127] [PROHIBITIONS.]

Subdivision 1. [COUNTERFEITING.] No person shall with intent to defraud the state, make, alter, forge, or counterfeit any license or stamp provided for in this chapter, or have in possession any forged, spurious, or altered stamps, with the intent, or with the result of, depriving the state of the tax imposed by this chapter.

Subd. 2. [PROHIBITION AGAINST POSSESSION.] No person, other than a licensed distributor, shall sell, offer for sale, or have in possession with intent to sell or offer for sale, a pull-tab or tipboard deal not stamped in accordance with the provisions of this chapter.

Subd. 3. [FALSIFICATION OF RECORDS.] No person required by section 349.2121, subdivision 2, to keep records or to make returns shall falsify or fail to keep the records or falsify or fail to make the returns.

Subd. 4. [TRANSPORTING UNSTAMPED DEALS.] No person shall transport into, or receive, carry, or move from place to place in

this state, any deals of pull-tabs or tipboards not stamped in accordance with this chapter except in the course of interstate commerce, unless the deals are moving from one distributor to another.

Sec. 16. Minnesota Statutes 1986, section 349.22, subdivision 1, is amended to read:

Subdivision 1. [GROSS MISDEMEANOR.] ~~Any other violation of~~ A person who in any manner violates sections 349.11 to 349.214 ~~is~~ to evade the tax imposed by this chapter, or who aids and abets evasion of the tax, or hinders or interferes with a seizing authority when a seizure is made as provided by section 349.2125, is guilty of a gross misdemeanor.

Sec. 17. Minnesota Statutes 1986, section 349.22, is amended by adding a subdivision to read:

Subd. 3. [FELONY.] (a) A person violating section 349.2127, subdivision 1 or 3, is guilty of a felony.

(b) A person violating section 349.2127, subdivisions 2 and 4, by possessing, receiving, or transporting more than ten pull-tab or tipboard deals not stamped in accordance with this chapter is guilty of a felony.

Sec. 18. Minnesota Statutes 1986, section 349.22, is amended by adding a subdivision to read:

Subd. 4. [SALES AFTER REVOCATION.] A person selling pull-tabs or tipboards after the person's license or permit has been revoked is guilty of a felony.

Sec. 19. [EFFECTIVE DATE.]

Sections 1 to 4 and 6 to 18 are effective July 1, 1988. Section 5 is effective for deals of tipboards purchased and placed into inventory after June 30, 1988.

ARTICLE 10

SALES TAX

Section 1. Minnesota Statutes 1987 Supplement, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing or processing;

(c) The furnishing, preparing or serving for a consideration of food, meals or drinks, not including meals or drinks served to patients, inmates, or persons residing at hospitals, sanatoriums, nursing homes ~~or~~, senior citizens homes, and correctional, detention, and detoxification facilities, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, except meals furnished at no charge to employees of hospitals, nursing homes, boarding care homes, sanatoriums, group homes, and correctional, detention, and detoxification facilities, who are required to eat with the patients, residents, or inmates residing in them. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

(ii) sandwiches prepared by the retailer;

(iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;

(iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;

(v) soft drinks and other beverages prepared or served by the retailer;

(vi) gum;

(vii) ice;

(viii) all food sold in vending machines;

(ix) party trays prepared by the retailers; and

(x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, massage parlors, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale;

(g) The furnishing for a consideration of cable television services, including charges for basic monthly service, charges for monthly premium service, and charges for any other similar television services;

(h) Notwithstanding subdivision 4, and section 297A.25, subdivision 9, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies to sales and fees with respect to a horse to be used for racing whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association;

(i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not

include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services; and

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub planting, pruning, bracing, spraying, and surgery; and tree trimming for public utility lines.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a ~~corporation,~~ partnership~~,~~ or association for another ~~corporation,~~ partnership~~,~~ or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(l) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, for educational and social activities for young people primarily age 18 and under. ~~The provisions of this paragraph do not apply to an association incorporated under section 315.44.~~

Sec. 2. Minnesota Statutes 1986, section 297A.15, subdivision 1, is amended to read:

Subdivision 1. Liability for the payment of the use tax is not extinguished until the tax has been paid to Minnesota. However, a receipt from a retailer ~~maintaining a place of business in Minnesota, or from a retailer who is authorized by the commissioner under such rules as the commissioner may prescribe, to collect the tax,~~ given to the purchaser pursuant to section 297A.16 relieves the purchaser of further liability for the tax to which the receipt refers, unless the purchaser knows or has reason to know that the retailer did not have a permit to collect the tax.

Sec. 3. Minnesota Statutes 1986, section 297A.15, subdivision 5, is amended to read:

Subd. 5. [REFUND; APPROPRIATION.] Notwithstanding the provisions of sections 297A.02, subdivision 2, and 297A.257 the tax on sales of capital equipment, and construction materials and supplies under section 297A.257, shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the rates under section 297A.02, subdivision 2, or the exemption under section 297A.257 shall be paid to the purchaser. In the case of building materials qualifying under section 297A.257 where the tax was paid by a contractor, application must

be made by the owner for the sales tax paid by all the contractors, subcontractors, and builders for the project. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.02, subdivision 2, or capital equipment or construction materials and supplies under section 297A.257. No more than two applications for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of section 297A.34 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 4. Minnesota Statutes 1986, section 297A.16, is amended to read:

297A.16 [COLLECTION OF TAX AT TIME OF SALE.]

Any ~~corporation authorized to do business in Minnesota, any~~ retailer ~~as defined in~~ who is required under section 297A.21, ~~or any other retailer as the commissioner shall authorize pursuant to section 297A.15,~~ or authorized by the commissioner to collect the use tax upon making retail sales of any items enumerated in this chapter not exempted under sections 297A.01 to 297A.44, to which the use tax applies shall at the time of making such sales collect the use tax from the purchaser and give to the purchaser a receipt therefor in the form of a notation on the sales slip or receipt for the sales price or in such other form as prescribed by the commissioner. Any such ~~corporation or~~ retailer shall not collect the tax from a purchaser who furnishes to such ~~corporation or~~ retailer a copy of a certificate issued by the commissioner authorizing such purchaser to pay any sales or use tax due on purchases made by such purchaser directly to the commissioner. The tax collected by such ~~corporation or~~ retailer pursuant to the provisions of this section shall be remitted to the commissioner as provided in other sections of this chapter.

~~Any corporation or any retailer required to collect the use tax and remit such tax to the commissioner pursuant to this section shall file with the commissioner an application for a permit pursuant to section 297A.04. Every such corporation or retailer shall furnish the commissioner with the name and address of all its agents operating in Minnesota and the location of each of its distribution or sales houses or offices or other places of business in this state.~~

Sec. 5. Minnesota Statutes 1986, section 297A.17, is amended to read:

297A.17 [TAX TO BE COLLECTED; STATUS AS DEBT.]

The use tax required to be collected by the retailer constitutes a debt owed by the retailer to Minnesota and shall be a debt from the purchaser to the retailer recoverable at law in the same manner as other debts. A retailer who does not maintain a place of business within this state shall not be indebted to Minnesota for amounts of use tax which it was required to collect but did not collect unless the retailer knew or had been advised by the commissioner of its obligation to collect the use tax.

Sec. 6. Minnesota Statutes 1986, section 297A.21, is amended to read:

297A.21 [REGISTRATION; ~~INFORMATION RELATING TO BUSINESS LOCATION~~ TO COLLECT USE TAX.]

Subdivision 1. ~~Every retailer making retail sales for storage, use or other consumption in Minnesota shall register with the commissioner and give the name and address of all agents operating in Minnesota, the location of all distribution or sales houses, offices or other places of business in Minnesota, and such other information as the commissioner may require. When, in the opinion of the commissioner, it is necessary for the efficient administration of sections 297A.14 to 297A.25 to regard any salesperson, representative, trucker, peddler, or canvasser as the agent of the dealer, distributor, supervisor, employer, or other person under whom that person operates or from whom the person obtains the tangible personal property sold, whether making sales personally or in behalf of such dealer, distributor, supervisor, employer, or other person, the commissioner may regard the salesperson, representative, trucker, peddler, or canvasser as such agent, and may regard the dealer, distributor, supervisor, employer, or other person as a retailer for the purposes of sections 297A.14 to 297A.25.~~

~~Subd. 2.~~ [RETAILER MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] "Retailer maintaining a place of business in this state", or any like term, shall mean any retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agent operating within this state under the authority of the retailer or its subsidiary, whether such place of business or agent is located in the state permanently or temporarily, or whether or not such retailer or subsidiary is authorized to do business within this state.

Subd. 2. [DESTINATION.] The destination of a sale is the location to which the retailer makes delivery of the property sold, or causes

the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser by any means of delivery, including the United States Postal Service, a common carrier, or a contract carrier.

Subd. 3. [OUT-OF-STATE RETAILER MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] A retailer making retail sales from outside this state to a destination within this state and maintaining a place of business in this state shall file an application for a permit pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16.

Subd. 4. [REQUIRED REGISTRATION BY OUT-OF-STATE RETAILER NOT MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] (a) A retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall file an application for a permit pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16 if the retailer engages in the regular or systematic soliciting of sales from potential customers in this state by:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition in which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telegraphy, telephone, computer data base, cable, optic, microwave, or other communication system.

(b) The location within or without this state of vendors independent of the retailer which provide products or services to the retailer in connection with its solicitation of customers within this state, including such products and services as creation of copy, printing, distribution, and recording, is not to be taken into account in the determination of whether the retailer is required to collect use tax. Paragraph (a) shall be construed without regard to the state from which distribution of the materials originated or in which they were prepared.

(c) A retailer not maintaining a place of business in this state shall be presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it engages in any of the activities in paragraph (a) and makes 100 or more retail sales from outside this state to destinations within this state during a period of 12 consecutive months.

(d) A retailer not maintaining a place of business in this state shall not be required to collect use tax imposed by any local governmental unit or subdivision of this state and this section does not subject such a retailer to any regulation of any local unit of government or subdivision of this state.

Subd. 5. [VOLUNTARY REGISTRATION BY OUT-OF-STATE RETAILER NOT MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] A retailer making retail sales from outside this state to a destination within this state who is not required to collect and remit use tax may nevertheless voluntarily file an application for a permit pursuant to section 297A.04. If the application is granted, the retailer shall collect and remit the use tax as provided in section 297A.16 until the permit is canceled or revoked.

Subd. 6. [COMMISSIONER'S DISCRETION.] (a) The commissioner may decline to issue a permit to any retailer not maintaining a place of business in this state, or may cancel a permit previously issued to the retailer, if the commissioner believes that the use tax can be collected more effectively from the persons using the property in this state. A refusal to issue or cancellation of a permit on such grounds does not affect the retailer's right to make retail sales from outside this state to destinations within this state.

(b) When, in the opinion of the commissioner, it is necessary for the efficient administration of sections 297A.14 to 297A.25 to regard a salesperson, representative, trucker, peddler, or canvasser as the agent of the dealer, distributor, supervisor, employer, or other person under whom that person operates or from whom the person obtains the tangible personal property sold, whether making sales personally or in behalf of that dealer, distributor, supervisor,

employer, or other person the commissioner may regard the salesperson, representative, trucker, peddler, or canvasser as such agent, and may regard the dealer, distributor, supervisor, employer, or other person as a retailer for the purposes of sections 297A.14 to 297A.25.

Sec. 7. Minnesota Statutes 1987 Supplement, section 297A.212, is amended to read:

297A.212 [RAILROAD ROLLING STOCK.]

Railroad rolling stock used by a railroad operating in this state that is licensed as a common carrier by the Interstate Commerce Commission and used to transport persons or property in interstate or foreign commerce is subject to taxation under this chapter only to the extent provided in this section. The tax must be computed using the ratio of ~~intrastate mileage to interstate or foreign mileage traveled by the carrier during the previous fiscal year of the carrier~~ revenue ton miles of passengers, mail, express, and freight carried by the railroad within this state to the total number of revenue ton miles carried by the railroad within and without this state. This ratio must be determined at the close of the carrier's previous fiscal year. This ratio must be applied each month to the ~~purchase price~~ total amount of purchases of ~~total purchases of~~ rolling stock ~~that are~~ used ~~in~~ within and without this state by the railroad to establish that portion of the total used and consumed in intrastate movement and subject to tax under this chapter. "Railroad rolling stock" means all portable or moving apparatus and machinery of a railroad company and includes engines, cars, tenders, coaches, sleeping cars, and parts necessary for the repair and maintenance of the rolling stock.

Sec. 8. Minnesota Statutes 1987 Supplement, section 297A.25, subdivision 3, is amended to read:

Subd. 3. [MEDICINES; MEDICAL DEVICES.] The gross receipts from the sale of prescribed drugs, prescribed medicine and insulin, intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings are exempt, together with prescription glasses, therapeutic, and prosthetic devices. "Prescribed drugs" or "prescribed medicine" includes over-the-counter drugs or medicine prescribed by a licensed physician. Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicylic acid, ibuprofen, or a combination thereof are exempt.

Sec. 9. Minnesota Statutes 1986, section 297A.25, subdivision 5, is amended to read:

Subd. 5. [OUTSTATE TRANSPORT OR DELIVERY.] The gross

receipts from the following sales of tangible personal property are exempt:

(1) property which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use~~, or, if subject to tax in that other state, that state allows a similar exemption for property purchased therein and transported to Minnesota for use in this state; except that sales of tangible personal property that is shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the property is shipped or transported, unless that state has no use tax, in which case the sale shall be taxed at the rate generally imposed by this state~~; and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; or

(2) property which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce.

Sec. 10. Minnesota Statutes 1987 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical institutes, state academies, and political subdivisions of the state are exempt. Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, clause (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing

buildings or facilities which will not be used principally by the tax exempt entities.

Sec. 11. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 37. [YMCA AND YWCA MEMBERSHIPS.] The gross receipts from the sale of memberships, including both one-time initiation fees and periodic membership dues, to an association incorporated under section 315.44 are exempt. However, all separate charges made for the privilege of having access to and the use of the association's sports and athletic facilities are taxable.

Sec. 12. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 38. [USED MOTOR OILS.] The gross receipts from the sale of used motor oils are exempt.

Sec. 13. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 39. [CROSS COUNTRY SKI PASSES.] The gross receipts from the sale of cross country ski passes issued under sections 85.40 to 85.43 are exempt.

Sec. 14. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 40. [STATE FAIR ADMISSIONS.] The gross receipts from the sale of tickets to the premises of or events sponsored by the state agricultural society and conducted on the state fairgrounds during the period of the annual state fair are exempt, provided that:

(1) the tax foregone under this subdivision is used exclusively for the purpose of making capital improvements to state-owned buildings and facilities on the state fairgrounds; and

(2) the tax foregone under this subdivision is matched in equal amount by proceeds from special assessments levied against commercial exhibits, concessions and rentals, and from other special user fees specifically designated for capital improvements.

Sec. 15. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 41. [BULLET-PROOF VESTS.] The gross receipts from the sale of bullet-resistant soft body armor that is flexible, concealable, and custom-fitted to provide the wearer with ballistic and trauma protection are exempt if purchased by a licensed peace officer, as

defined in section 626.84, subdivision 1. The bullet-resistant soft body armor must meet or exceed the requirements of standard 0101.01 of the National Institute of Law Enforcement and Criminal Justice in effect on December 30, 1986, or meet or exceed the requirements of the standard except wet armor conditioning.

Sec. 16. Minnesota Statutes 1986, section 297A.256, is amended to read:

297A.256 [EXEMPTIONS FOR CERTAIN NONPROFIT GROUPS.]

Notwithstanding the provisions of this chapter, the following sales made by a "nonprofit organization" are exempt from the sales and use tax.

(a) (1) All sales made by an organization for fundraising purposes if that organization exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed $10,000.

(2) A club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the $10,000 limit. This paragraph does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123.38, subdivision 2 or be recorded in the same manner as other revenues or expenditures of the school district under section 123.38, subdivision 2b.

(b) All sales made by an organization for fundraising purposes if that organization is a senior citizen group which qualifies for exemption on its purchases pursuant to section 297A.25, subdivision 16. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed $10,000.

(c) The gross receipts from the sales of tangible personal property at, admission charges for, and sales of food, meals, or drinks at fundraising events sponsored by a nonprofit organization when the entire proceeds, except for the necessary expenses therewith, will be used solely and exclusively for charitable, religious, or educational purposes. This exemption does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities. For purposes of this clause, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, senior citizens' or veterans' purposes,

no part of the net earnings of which enures to the benefit of a private individual.

If the profits are not used solely and exclusively for charitable, religious, or educational purposes, the entire gross receipts are subject to tax.

Each nonprofit organization shall keep a separate accounting record, including receipts and disbursements from each fundraising event. All deductions from gross receipts must be documented with receipts and other records. If records are not maintained as required, the entire gross receipts are subject to tax.

The exemption provided by this section does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation.

The exemption for fundraising events under this section is limited to no more than 24 days a year. Fundraising events conducted on premises leased or occupied for more than four days but less than 30 days do not qualify for this exemption.

Sec. 17. Minnesota Statutes 1986, section 297A.35, subdivision 1, is amended to read:

Subdivision 1. A person who has, pursuant to the provisions of this chapter, paid to the commissioner an amount of tax for any period in excess of the amount legally due for that period, may file with the commissioner a claim for a refund of such excess subject to the conditions specified in subdivision 5. Except as provided in subdivision 4 no such claim shall be entertained unless filed within two years after such tax was paid, or within three years from the filing of the return, whichever period is the longer. The commissioner shall examine the claim and make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to such person at the address stated upon the claim. Any allowance shall include interest on the excess determined at a rate specified in section 270.76 from the date such excess was paid or collected until the date it is refunded or credited, unless otherwise specified in this chapter. If such claim is allowed in whole or in part, the commissioner shall credit the amount of the allowance against any taxes under sections 297A.01 to 297A.44 due from the claimant and for the balance of said allowance, if any, the commissioner shall issue a certificate for the refundment of the excess paid, and the commissioner of finance shall cause such refund to be paid out of the proceeds of the taxes imposed by sections 297A.01 to 297A.44, as other state moneys are expended. So much of the proceeds of such taxes as may be necessary are hereby appropriated for that purpose.

Sec. 18. Minnesota Statutes 1987 Supplement, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18.

(2) Purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota.

(3) Purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211.

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota by any corporation or partnership when such transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code of 1954, as amended through December 31, 1974.

(5) Purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales or motor vehicle excise tax on motor vehicles used in interstate commerce.

(6) Purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution.

Sec. 19. Minnesota Statutes 1986, section 329.11, is amended to read:

329.11 [LICENSE; APPLICATION, ISSUANCE, FEE; BOND; AGENT FOR SERVICE OF PROCESS.]

Any transient merchant desiring to engage in, do, or transact business by auction or otherwise, in any county in this state shall file an application for a license for that purpose with the auditor of

the county in which the desired business is to be conducted, which application shall state the name of the applicant, the proposed place of business, the kind of business proposed to be conducted, and the length of time desired to do business. Such transient merchant shall pay to the treasurer of such county a license fee of $150, ~~any personal property taxes payable by the merchant pursuant to Minnesota Statutes 1949, Sections 288.01 to 288.03,~~ and shall give bond to the county in an amount to be determined by the county treasurer, which shall be not less than $1,000 nor more than $3,000 ~~which.~~ The bond shall be approved by the treasurer and be conditioned that the merchant will in all things conform to the laws relating to transient merchants and further conditioned on full compliance with all material oral or written statements and representations made by the seller, the seller's agents, representatives, or auctioneers with reference to merchandise sold or offered for sale and on faithful performance under all warranties made with reference thereto. The treasurer of such county shall issue to such person receipts therefor, and such transient merchant shall thereupon file such receipts with the auditor of such county, who shall thereupon issue to such transient merchant a license to do business as such at the place described in the application; and the kind of business to be done shall be described therein. No license shall be good for more than one person unless such person shall be a member of a copartnership, nor for more than one place, and shall not be good outside of the county in which it was issued. Such license shall be good for a period of one year from the date of its issuance. The auditor shall keep a record of such licenses in a book provided for that purpose, which shall at all times be open for public inspection. No license shall be issued unless the merchant produces evidence that the merchant is the holder of a valid seller's permit issued under section 297A.04, or a written statement from the merchant that the merchant is not offering for sale any item that is taxable under chapter 297A.

The application shall further contain the applicant's residence and business address for the prior two year period; the type of business engaged in during the previous two years; and the name and address of the auctioneer who will conduct the sale. No such sale shall be conducted in the name of any person other than the bona fide owner of the merchandise.

The applicant shall attach to the application an itemized list of merchandise to be offered for sale reciting as to each item a description thereof including serial number if any, the owner's actual cost thereof, and a designation by number corresponding with a number to be affixed to each item by a tag which shall be kept fastened to the item at all times until sold.

Prior to the issuance of the license and approval of bond, the applicant shall in writing appoint the county auditor as the applicant's agent to accept service of process in any action commenced

against the applicant arising out of the sale for which the license is sought. Such action shall be brought in the county where the sale was held.

Sec. 20. [REPEALER.]

Minnesota Statutes 1986, section 297A.15, subdivision 2, is repealed.

Sec. 21. [TODD COUNTY.]

For purposes of the designation of distressed counties under Minnesota Statutes, section 297A.257, the city of Staples is deemed to be located entirely in Todd county.

Sec. 22. [EFFECTIVE DATE.]

Section 1, paragraph (c), is effective for all meals furnished on or after October 15, 1987, except the provisions relating to meals furnished to inmates or residents of correctional, detention, and detoxification facilities are effective for sales made after June 30, 1988. Sections 1, paragraphs (j) and (l), 8, 10 to 13, 15, 16 and 18 are effective for retail sales made after June 30, 1988, except as otherwise provided. Sections 2, and 4 to 6 and 20 are effective June 1, 1988. Section 19 is effective July 1, 1988. Sections 3 and 17 are effective for all refund claims filed after June 30, 1988. Section 7 and the provisions of section 10 exempting utility services purchased by governmental units and all purchases by the University of Minnesota hospitals are effective for all sales made after May 31, 1987, but do not apply to sales of tangible personal property made pursuant to bona fide written contracts that were enforceable before June 1, 1987, and delivery is made on or before December 31, 1987. Section 9 is effective for all sales made after June 30, 1988, but does not apply to sales of tangible personal property made pursuant to bona fide written contracts that were enforceable before July 1, 1988, and delivery is made on or before December 31, 1988. Section 14 is effective for sales made after December 31, 1988. Section 21 is effective beginning with the designation of distressed counties in calendar year 1987.

ARTICLE 11

CIGARETTE AND LIQUOR TAXES

Section 1. Minnesota Statutes 1987 Supplement, section 297.01, subdivision 7, is amended to read:

Subd. 7. "Distributor" means any and each of the following:

(1) any person engaged in the business of selling cigarettes in this state and who manufactures or who brings, or causes to be brought, into this state from without the state any packages of cigarettes for sale to subjobbers or retailers;

(2) ~~any person who makes, manufactures, or fabricates cigarettes in this state for sale in this state;~~

~~(3)~~ any person engaged in the business without this state who ships or transports cigarettes to retailers in this state, to be sold by those retailers;

~~(4)~~ (3) any person who is on direct purchase from a cigarette manufacturer and applies cigarette stamps or indicia on at least 50 percent of cigarettes sold by that person.

A distributor who also sells at retail must maintain a separate inventory, substantiated with invoices for cigarettes that were acquired for retail sale.

A distributor may transfer another state's stamped cigarettes to another distributor for the purpose of resale in the other state.

Sec. 2. Minnesota Statutes 1987 Supplement, section 297.01, subdivision 14, is amended to read:

Subd. 14. "Subjobber" means any person who acquires stamped cigarettes or other state's stamped cigarettes for the primary purpose of resale to retailers, and any licensed distributor who delivers to and sells or distributes stamped cigarettes from a place of business other than that licensed in the distributor's license. The definition of subjobber does not include the occasional sale of stamped cigarettes from one retailer to another. Notwithstanding the foregoing, "subjobber" shall also mean any person who is a vending machine operator. A vending machine operator is any person whose principal business is operating, or owning and leasing to operators, machines for the vending of merchandise or service.

For the purpose of this section, any subjobber that sells at retail must maintain a separate inventory, substantiated with invoices, that reflect the cigarettes were acquired for retail sale.

Sec. 3. Minnesota Statutes 1986, section 297.01, is amended by adding a subdivision to read:

Subd. 15. "Prior continuous compliance taxpayer" means a person who is licensed under section 297.04 and who, having been a licensee for a continuous period of five years, the commissioner determines has not been either delinquent or deficient in the payment of tax liability during that period or otherwise in violation

of this chapter. Any taxpayer who has, as verified by the commissioner, continuously complied with the condition of a bond or other security under provisions of this chapter for a period of five consecutive years is considered a "prior continuous compliance taxpayer." A continuous period of time of qualifying compliance immediately prior to August 1, 1988, is credited to any licensee who became licensed on or before that date.

Sec. 4. Minnesota Statutes 1986, section 297.03, is amended by adding a subdivision to read:

Subd. 5a. [REVOLVING ACCOUNT.] A heat applied cigarette tax stamp revolving account is created. The commissioner shall use the amounts in this fund to purchase heat applied stamps for resale. The commissioner shall charge the purchasers for the costs of the stamps along with the tax value plus shipping costs. The costs recovered along with shipping costs must be deposited into this revolving account and are available to the commissioner for further purchases and shipping costs. The revolving account must be funded by reducing the stamping discounts allowed in subdivision 5 for the first three months of fiscal year 1989. The stamping discounts are 0.75 percent of the face amount of any stamps purchased in the first three months for the first $1,500,000 of the stamps and 0.50 percent on the remainder of the stamps purchased.

At the end of each of the first three months of fiscal year 1989, the commissioner shall notify the commissioner of finance of the amount of reduced stamping discounts that have accrued to the tobacco tax revenue fund. The commissioner of finance shall then transfer the amounts to the heat applied cigarette tax stamp revolving account from the tobacco tax revenue fund.

Sec. 5. Minnesota Statutes 1987 Supplement, section 297.03, subdivision 6, is amended to read:

Subd. 6. [TAX METER MACHINES.] ~~(1)~~ (a) Before January 1, 1990, the commissioner may authorize any person licensed as a distributor to stamp packages with a tax meter machine, approved by the commissioner, which shall be provided by the distributor. The commissioner may provide for the use of such a machine by the distributor, supervise and check its operation, provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5, ~~and in that connection~~. Except as provided in paragraph (d), the commissioner may require the furnishing of a corporate surety bond, check guarantee bond, or certified check in a suitable amount to guarantee the payment of the tax.

~~(2)~~ (b) Before January 1, 1990, the commissioner may authorize, and after December 31, 1989, the commissioner shall require any person licensed as a distributor whose stamp meter machine is no longer operational to stamp packages with a heat-applied tax

stamping machine, approved by the commissioner, which shall be provided by the distributor. The commissioner shall supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5. The commissioner may sell heat-applied stamps on a credit basis under conditions prescribed by the commissioner~~, and in that connection~~. Except as provided in paragraph (d), the commissioner may require the furnishing of a corporate surety bond, check guarantee bond, or certified check in an amount suitable to guarantee payment of the tax stamps so purchased by a distributor. The stamps shall be sold by the commissioner at a price which includes the tax after giving effect to the discount provided in subdivision 5. The commissioner shall recover the actual costs of the stamps from the distributor.

~~(3)~~ (c) If the commissioner finds that a stamping machine is not printing or affixing a legible stamp on the package, the commissioner may order the distributor to immediately cease the stamping process until the machine is functioning properly.

(d) Every prior continuous compliance taxpayer is exempt from all requirements under this chapter concerning the furnishing of a bond. This exemption continues for the taxpayer until the commissioner determines that the taxpayer (1) is delinquent in the filing of any return, or (2) is delinquent or deficient in the payment of any uncontested tax liability under this chapter. At that time that taxpayer is subject to the bond requirements of this chapter and, as a condition of being allowed to continue to engage in the business licensed under this chapter, is required to furnish bond to the commissioner as provided in this chapter. The taxpayer shall furnish the bond for a period of two years, after which, if the taxpayer has not been delinquent in the filing of any returns, or delinquent or deficient in the paying of any tax under this chapter, the commissioner may reinstate the person as a prior continuous compliance taxpayer. A taxpayer who fails to pay an uncontested tax liability under this chapter may be required to post bond or other acceptable security with the commissioner guaranteeing the payment of the uncontested tax liability. The commissioner shall annually establish the maximum amount of heat applied stamps or meter units that may be purchased each month. Notwithstanding any other provisions of this chapter, the tax due on the return will be based upon actual heat applied stamps or meter units purchased during the reporting period.

Sec. 6. Minnesota Statutes 1986, section 297.03, subdivision 12, is amended to read:

Subd. 12. [SETTING OF TAX METERS.] The commissioner may designate the county treasurer of any county or any banking institution as defined by section 48.01, or any banking institution as defined by any states' statutes as the representative of the commis-

sioner in the setting of a tax meter machine of any particular distributor and the collection of the cigarette tax upon such setting. The county treasurer or banking institution so designated shall be required to set tax meter machines following the method prescribed by the commissioner of revenue and to transmit the amount of tax collected and to report the setting of each tax meter to the commissioner on or before the next business day. For purposes of this paragraph, a business day shall not include Saturday. Such duties shall be within the coverage of the official bond of the county treasurer. The commissioner shall prescribe the form and amount of a surety bond which shall be furnished by a banking institution designated pursuant to this subdivision. The commissioner shall have the right to withdraw this designation without cause.

Sec. 7. Minnesota Statutes 1986, section 297.041, subdivision 1, is amended to read:

Subdivision 1. [WHOLESALERS.] Any wholesaler who furnishes a surety bond in a sum satisfactory to the commissioner shall be permitted to set aside, without affixing the stamps required by this chapter, that part of the wholesaler's stock necessary for the conduct of business in making sales to the established governing body of any Indian tribe recognized by the United States Department of Interior. The unstamped stock shall be kept separate and apart from stamped stock. Every wholesaler shall, at the time of shipping or delivering any of the unstamped stock to an Indian tribal organization, make a true duplicate invoice which shall show the complete details of the sale or delivery and shall transmit the duplicate to the commissioner not later than the ~~fifteenth~~ 18th day of the following calendar month. Failure to comply with the requirements of this section shall cause the commissioner to revoke the permission granted to the wholesaler to maintain a stock of goods which may be unstamped. ~~The commissioner may also revoke this permission to maintain a stock of unstamped goods for sale to a specific Indian tribal organization when it appears that sales of unstamped cigarettes to persons who are not enrolled members of a recognized Indian tribe are taking place, or have taken place, within the exterior boundaries of the reservation occupied by that tribe.~~

Sec. 8. Minnesota Statutes 1986, section 297.06, subdivision 1, is amended to read:

Subdivision 1. [DISTRIBUTOR TO KEEP RECORDS.] Every distributor shall keep at each licensed place of business complete and accurate records, for that place of business, including itemized invoices, of cigarettes held, purchased, manufactured, or brought in or caused to be brought in from without the state, and of all sales of cigarettes made, except sales to the ultimate consumer. These records shall show the names and addresses of purchasers, the inventory at the close of each period for which a return is required of all cigarettes on hand, and of all stamps, affixed and unaffixed, and

other pertinent papers and documents relating to the purchase, sale, or disposition of cigarettes. When a licensed distributor sells cigarettes exclusively to the ultimate consumer at the address given in the license, no invoice of those sales shall be required, but itemized invoices shall be made of all cigarettes transferred to other retail outlets owned or controlled by that licensed distributor. All books, records, and other papers and documents required by sections 297.01 to 297.13 to be kept shall be preserved for a period of at least ~~one year~~ three years after the date of the documents, as aforesaid, or the date of the entries thereof appearing in the records, unless the commissioner, in writing, authorizes their destruction or disposal at an earlier date. At any time during usual business hours the commissioner, or duly authorized agents or employees, may enter any place of business of a distributor, without a search warrant, and inspect the premises, the records required to be kept under sections 297.01 to 297.13, and the packages of cigarettes and the vending devices contained therein, to determine whether or not all the provisions of these sections are being fully complied with. If the commissioner, or any such agent or employee, is denied free access or is hindered or interfered with in making such examination, the license of the distributor at such premises shall be subject to revocation by the commissioner.

Sec. 9. Minnesota Statutes 1986, section 297.06, subdivision 2, is amended to read:

Subd. 2. [DISTRIBUTOR TO PRESERVE COPIES OF INVOICES.] Every person who sells cigarettes to persons other than the ultimate consumer shall render with each sale itemized invoices showing the seller's name and address, the purchaser's name and address, the date of sale, and all prices ~~and discounts~~ and shall preserve legible copies of all such invoices for ~~one year~~ three years from the date of sale.

Sec. 10. Minnesota Statutes 1986, section 297.06, subdivision 3, is amended to read:

Subd. 3. [RETAILER AND SUBJOBBER TO PRESERVE PURCHASE INVOICES.] Every retailer and subjobber shall procure itemized invoices of all cigarettes purchased. The invoices shall show the name and address of the seller and the date of purchase. The retailer and subjobber shall preserve a legible copy of each such invoice for one year from the date of purchase. ~~Invoices shall be available for inspection by the commissioner or authorized agents or employees at the retailer's or subjobber's place of business.~~

At any time during normal business hours, the commissioner or the commissioner's agents may enter any place of business of a retailer or subjobber and inspect the premises, the records required to be kept for this subdivision, and the packages of cigarettes, tobacco products, and vending devices contained on the premises to

determine whether all provisions of chapter 297 and sections 325D.30 to 325D.40 are being fully complied with.

Sec. 11. Minnesota Statutes 1986, section 297.06, is amended by adding a subdivision to read:

Subd. 4. [PHYSICAL INVENTORY.] The commissioner of revenue or the commissioner's authorized agents may, upon request but not more than twice annually, require a cigarette or tobacco distributor to furnish a physical inventory of all cigarettes in stock. The inventory must contain the information that the commissioner requests and must be certified by an officer of the corporation.

Sec. 12. Minnesota Statutes 1986, section 297.08, subdivision 1, is amended to read:

Subdivision 1. [CONTRABAND DEFINED.] The following are declared to be contraband:

(1) All packages which do not have stamps affixed to them as provided in sections 297.01 to 297.13 and all devices for the vending of cigarettes in which such unstamped packages are found, including all contents contained within the devices.

(2) Any device for the vending of cigarettes and all packages of cigarettes contained therein, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp or imprint required by sections 297.01 to 297.13, it shall be presumed that all packages contained in the device are unstamped and contraband.

(3) Any device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(4) Any device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(5) Any device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to

another, the cigarettes are not contraband, notwithstanding the provisions of clause (1).

Sec. 13. Minnesota Statutes 1987 Supplement, section 297.11, subdivision 5, is amended to read:

Subd. 5. [TRANSPORTING UNSTAMPED PACKAGES.] No person shall transport into, or receive, carry, or move from place to place in this state, any packages of cigarettes not stamped in accordance with the provisions of this act except in the course of interstate commerce, unless the cigarettes are moving from a public warehouse to a distributor upon orders from the manufacturer or distributor. This subdivision shall not apply to a person carrying for personal use not more than 200 cigarettes when those cigarettes have had the individual packages or seals thereof broken and are intended for personal use by that person and not to be sold or offered for sale.

Common carriers and contract carriers transporting cigarettes into this state shall file with the commissioner reports of all such shipments other than those which are delivered to public warehouses of first destination in this state which are licensed under the provisions of chapter 231. Such reports shall be filed monthly on or before the 10th day of each month and shall show with respect to deliveries made in the preceding month: the date, point of origin, point of delivery, name of consignee, the quantity of cigarettes delivered and such other information as the commissioner may require.

All common carriers and contract carriers transporting cigarettes into Minnesota shall permit examination by the commissioner of their records relating to the shipment of cigarettes.

Any person who fails or refuses to transmit to the commissioner the required reports or whoever refuses to permit the examination of the records by the commissioner shall be guilty of a gross misdemeanor.

Sec. 14. Minnesota Statutes 1986, section 297.12, subdivision 1, is amended to read:

Subdivision 1. [FELONY.] (a) Any person violating section 297.11, subdivision 1, shall be guilty of a felony.

(b) Any person violating section 297.11, subdivisions 2 or 5 by possessing, receiving, or transporting more than 20,000 cigarettes not stamped in accordance with the provisions of sections 297.01 to 297.13 shall be guilty of a felony.

(c) A person selling cigarettes after the person's license has been revoked is guilty of a felony.

Sec. 15. Minnesota Statutes 1986, section 297.35, is amended by adding a subdivision to read:

Subd. 10. A manufacturer of tobacco products as defined by section 297.31, shall report on a form prescribed by the commissioner all sales of tobacco products to Minnesota-licensed distributors, subjobbers, retailers, or to any locations within the state. The report is due on the 18th of the month following the reporting period.

Anyone violating this section is guilty of a gross misdemeanor.

Sec. 16. [297.44] [TIME LIMITATIONS.]

Subdivision 1. [TIME FOR ASSESSMENT; NOTICE.] Except as otherwise provided in this chapter, the amount of taxes assessable with respect to a taxable period must be assessed within three years after the return for the period is filed. The taxes are considered assessed within the meaning of this section when the commissioner has prepared a notice of tax assessment and mailed it to the person required to file a return to the post office address given in the return. The record of the mailing is presumptive evidence of the giving of the notice, and the records must be preserved by the commissioner.

Subd. 2. [OMISSION OVER 25 PERCENT.] If the person required to file the return omits from the return a dollar amount properly includable in it that is in excess of 25 percent of the dollar amount reported in the return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun, at any time within five years after the return was filed.

Subd. 3. [DATE OF FILING.] For purposes of this section and section 297.36, a return filed before the last day prescribed by law for its filing is considered filed on the last day.

Subd. 4. [FRAUD; FAILURE TO FILE.] In the case of a false or fraudulent return with intent to evade tax or failure with the same intent to file a return, the tax may be assessed at any time, and a proceeding in court for the collection of the tax must be begun within five years after the assessment.

Subd. 5. [COLLECTION.] Where the assessment of any tax is made within the period of limitation properly applicable to it, the tax may be collected by a proceeding in court, but only if begun within five years after the date of assessment.

Subd. 6. [SUSPENSION OF TIME; BANKRUPTCY PROCEEDINGS.] The time during which a tax must be assessed or collection proceedings commenced under this chapter is suspended during the

period from the date of a filing of a petition in bankruptcy until 30 days after notice to the commissioner of revenue that the bankruptcy proceedings have been closed or dismissed, or that the automatic stay has been terminated or has expired.

The suspension of the statute of limitations under this subdivision applies to the person against whom the petition in bankruptcy is filed, and to all other persons who may be wholly or partially liable for the tax under this chapter.

Sec. 17. Minnesota Statutes 1986, section 297C.02, subdivision 3, is amended to read:

Subd. 3. [TAX CREDIT.] A qualified brewer producing fermented malt beverages is entitled to a tax credit of ~~$4~~ $4.60 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the ~~15th~~ 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of (a) the liability for tax or (b) ~~$100,000~~ $115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

Sec. 18. Minnesota Statutes 1986, section 297C.02, subdivision 4, is amended to read:

Subd. 4. [BOTTLE TAX.] A tax of one cent is imposed on each bottle or container of distilled spirits and wine. The wholesaler is responsible for the payment of this tax when the bottles of distilled spirits and wine are removed from inventory for sale, delivery, or shipment.

The following are exempt from the tax:

(1) miniatures of distilled spirits and wines;

(2) containers of fermented malt beverage;

(3) containers of intoxicating liquor or wine holding less than 200 milliliters;

(4) containers of wine intended exclusively for sacramental purposes;

(5) containers of alcoholic beverages sold to qualified, approved military clubs;

(6) containers of alcoholic beverages sold to common carriers engaged in interstate commerce;

(7) containers of alcoholic beverages sold to authorized food processors or pharmaceutical firms for use exclusively in the manufacturing of food products or medicines;

(8) containers of alcoholic beverages sold and shipped to dealers, wineries, or distillers in other states; and

(9) containers of alcoholic beverages sold to other Minnesota wholesalers.

Sec. 19. Minnesota Statutes 1986, section 297C.03, is amended by adding a subdivision to read:

Subd. 6. [INFORMATIONAL RETURNS.] Manufacturers, wholesalers, and importers licensed to ship distilled spirits or wine into Minnesota shall file with the commissioner a monthly informational report on a form prescribed by the commissioner. No payment of any tax is required to be remitted with this report. The report must be filed on or before the tenth day following the end of each calendar month, regardless of whether or not any shipments were made into Minnesota during the previous month. A person failing to file this monthly report is subject to the provisions of section 297C.14, subdivision 8.

Sec. 20. Minnesota Statutes 1987 Supplement, section 297C.04, is amended to read:

297C.04 [PAYMENT OF TAX; MALT LIQUOR.]

The commissioner may by rule provide a reporting method for paying and collecting the excise tax on fermented malt beverages. The tax is imposed upon the first sale or importation made in this state by a licensed brewer or importer. The rules must require reports to be filed with and the excise tax to be paid to the commissioner on or before the 18th day of the month following the month in which the importation into or the first sale is made in this state, whichever first occurs. The rules must also require payments in June of 1987 and subsequent years according to the provisions of section 297C.05, subdivision 2.

A distributor who has title to or possession of fermented malt

beverages upon which the excise tax has not been paid and who knows that the tax has not been paid, shall file a return with the commissioner on or before the 18th day of the month following the month in which the distributor obtains title or possession of the fermented malt beverages. The return must be made on a form furnished and prescribed by the commissioner, and must contain all information that the commissioner requires. The return must be accompanied by a remittance for the full unpaid liability shown on it.

Sec. 21. Minnesota Statutes 1986, section 297C.07, is amended to read:

297C.07 [EXCEPTIONS.]

The following are not subject to the excise tax:

(1) Sales by a manufacturer, brewer, or wholesaler for shipment outside the state in interstate commerce.

(2) Sales of wine for sacramental purposes under section 340A.316.

(3) Fruit juices naturally fermented or beer naturally brewed in the home for family use.

(4) Malt beverages served by a brewery for on-premise consumption at no charge, or distributed to brewery employees for on-premise consumption under a labor contract.

(5) Alcoholic beverages sold to authorized manufacturers of food products or pharmaceutical firms. The alcoholic beverage must be used exclusively in the manufacture of food products or medicines. For purposes of this part, "manufacturer" means a manufacturer of food products intended for sale to wholesalers or retailers for ultimate sale to the consumer.

(6) Sales to common carriers engaged in interstate transportation of passengers and qualified approved military clubs, except as provided in section 297C.17.

(7) Alcoholic beverages sold or transferred between Minnesota wholesalers.

(8) Sales to a federal agency, that the state of Minnesota is prohibited from taxing under the constitution or laws of the United States or under the constitution of Minnesota.

Sec. 22. [297C.17] [COMMON CARRIERS.]

Common carriers engaged in interstate transportation of passengers must file monthly reports together with the tax payment on the sale of alcoholic beverages sold within the state of Minnesota. The report and payment must be filed by the 18th day of the month following the month in which the sale took place. A common carrier is permitted to use a formula for the allocation of the total sales of alcoholic beverages among states on the basis of passenger miles in each state or some other method of allocation if written approval is received from the commissioner.

Sec. 23. [REPEALER.]

Minnesota Statutes 1986, section 297C.03, subdivision 5, is repealed.

Sec. 24. [EFFECTIVE DATE.]

This article is effective July 1, 1988, except section 17 is effective for barrels sold after June 1, 1987, and sections 3 and 5 are effective January 1, 1989.

ARTICLE 12

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 2, is amended to read:

Subd. 2. [AUTHORITY.] "Authority" means a rural development financing authority created pursuant to sections 469.142 to 469.150; a housing and redevelopment authority created pursuant to sections 469.001 to 469.047; a port authority created pursuant to sections 469.048 to 469.068; an economic development authority created pursuant to sections 469.090 to 469.108; a redevelopment agency as defined in sections 469.152 to 469.165; a municipality that is administering a development district created pursuant to sections 469.124 to 469.134 or any special law; a municipality that undertakes a project pursuant to sections 469.152 to 469.165, except a town located outside the metropolitan area or with a population of 5,000 persons or less; or a municipality that exercises the powers of a port authority pursuant to any general or special law.

Sec. 2. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 7, is amended to read:

Subd. 7. [ORIGINAL ASSESSED VALUE.] (a) Except as provided in paragraph (b), "original assessed value" means the assessed value of all taxable real property within a tax increment financing district as most recently certified by the commissioner of revenue as of the

date of the request by an authority for certification by the county auditor, together with subsequent adjustments as set forth in section 469.177, subdivisions 1 and 4. In determining the original assessed value the assessed value of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the assessed value of the property shall be the assessed value as most recently determined by the commissioner of revenue.

(b) The original assessed value of any designated hazardous substance site or hazardous substance subdistrict shall be determined on January 2 following the date the agency or municipality certifies to the county auditor that the agency or municipality has entered a redevelopment or other agreement for the removal actions or remedial actions specified in a development response action plan, or otherwise provided funds to finance the development response action plan. The original assessed value equals (i) the assessed value of the parcel, as most recently determined by the commissioner of revenue, less (ii) the estimated reasonable and necessary costs of the removal actions and remedial actions as specified in a development response action plan to be undertaken with respect to the parcel as certified to the county auditor by the municipality or agency, (iii) but not less than zero.

(c) The original assessed value of a hazardous substance site or subdistrict shall be increased by the amount by which it was reduced pursuant to paragraph (b), clause (ii), upon certification by the municipality that the removal and remedial actions specified in the development response action plan, except for long-term monitoring and similar activities, have been completed.

(d) For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over publicly-owned property.

Sec. 3. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists:

(1) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and 20 percent of the buildings are structurally substandard and an additional 30 percent of the buildings are found to require substantial renovation or clearance in order to remove such existing conditions as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; or

~~(3) less than 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements, but due to unusual terrain or soil deficiencies requiring substantial filling, grading, or other physical preparation for use at least 80 percent of the total acreage of such land has a fair market value upon inclusion in the redevelopment district which, when added to the estimated cost of preparing that land for development, excluding costs directly related to roads as defined in section 160.01 and local improvements as described in section 429.021, subdivision 1, clauses 1 to 7, 11 and 12, and 430.01, if any, exceeds its anticipated fair market value after completion of the preparation. No parcel shall be included within a redevelopment district pursuant to this paragraph unless the authority has concluded an agreement or agreements for the development of at least 50 percent of the acreage having the unusual soil or terrain deficiencies, which agreement provides recourse for the authority should the development not be completed; or~~

~~(4)~~ the property consists of underutilized air rights existing over a public street, highway, or right-of-way; or

~~(5)~~ (4) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

~~(6)~~ (5) the district consists of an existing or proposed industrial park no greater in size than 250 acres, which contains a sewage lagoon contaminated with polychlorinated biphenyls.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

Sec. 4. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 11, is amended to read:

Subd. 11. [HOUSING DISTRICT.] "Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts. A project does not qualify under this subdivision if the fair market value of the improvements which are constructed for commercial uses or for uses other than low and moderate income housing consists of more than one-third of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value.

Sec. 5. Minnesota Statutes 1987 Supplement, section 469.174, is amended by adding a subdivision to read:

Subd. 16. [DESIGNATED HAZARDOUS SUBSTANCE SITE.] "Designated hazardous substance site" means any parcel or parcels with respect to which the authority or municipality has certified to the county auditor that the authority or municipality has entered into a redevelopment or other agreement providing for the removal actions or remedial actions specified in a development response action plan or the municipality or authority will use other available money, including without limitation tax increments, to finance the removal or remedial actions.

Sec. 6. Minnesota Statutes 1987 Supplement, section 469.174, is amended by adding a subdivision to read:

Subd. 17. [DEVELOPMENT ACTION RESPONSE PLAN.] "Development action response plan" means a plan or proposal for removal actions or remedial actions if the plan or proposal is submitted to the pollution control agency and the actions contained in the plan or proposal are approved in writing by the commissioner of the agency as reasonable and necessary to protect the public health, welfare, and environment.

Sec. 7. Minnesota Statutes 1987 Supplement, section 469.174, is amended by adding a subdivision to read:

Subd. 18. [TERMS DEFINED IN OTHER CHAPTERS.] The terms "removal," "remedy," "remedial action," "response," "hazardous substance," and "pollutant or contaminant" have the meanings given in section 115B.02. The term "petroleum" has the meaning given in section 115C.02.

Sec. 8. Minnesota Statutes 1987 Supplement, section 469.174, is amended by adding a subdivision to read:

Subd. 19. [SOILS CONDITION DISTRICTS.] (a) "Soils condition district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that the following conditions exist:

(1) less than 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements;

(2) unusual terrain or soil deficiencies for 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use;

(3) the estimated cost of the physical preparation under clause (2), but excluding costs directly related to roads as defined in section 160.01 and local improvements as described in section 429.021, subdivision 1, clauses (1) to (7), (11) and (12), and 430.01, when added to the fair market value of the land upon inclusion in the district exceeds the anticipated fair market value of the land upon completion of the preparation.

(b) An area does not qualify as a soils condition district if it contains a wetland, as defined in section 105.37, unless the development agreement prohibits draining, filling, or other alteration of the wetland or other binding legal assurances for preservation of the wetland are provided.

(c) If the district is located in the metropolitan area, the proposed development of the district in the tax increment financing plan must be consistent with the municipality's land use plan adopted in accordance with sections 473.851 to 473.872 and reviewed by the metropolitan council under section 473.175. If the district is located outside of the metropolitan area, the proposed development of the district must be consistent with the municipality's comprehensive municipal plan.

(d) No parcel shall be included in the district unless the authority has concluded an agreement or agreements for the development of at least 50 percent of the acreage having the unusual soil or terrain deficiencies. The agreement must provide recourse for the authority if the development is not completed.

Sec. 9. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent assessed value of taxable real property within the tax increment financing district;

(v) the estimated captured assessed value of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's existence; ~~and~~

(6) ~~a statement~~ statements of the authority's ~~estimate~~ alternate estimates of the impact of tax increment financing on the assessed values of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured assessed value would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured assessed value would be available to the taxing jurisdictions without creation of the district;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district.

Sec. 10. Minnesota Statutes 1987 Supplement, section 469.175, is amended by adding a subdivision to read:

Subd. 1a. [INCLUSION OF COUNTY ROAD COSTS.] (a) The county board may require the authority to pay all or a portion of the cost of county road improvements out of increment revenues, if the following conditions occur:

(1) the proposed tax increment financing plan or an amendment to the plan contemplates construction of a development that will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs;

(2) the proposed tax increment financing district is a soils condition district; and

(3) the road improvements or other road costs, in the opinion of the county, would not reasonably be expected to be needed within the reasonably foreseeable future if the tax increment financing plan were not implemented.

(b) If the county elects to use increments to finance the road improvements, the county must notify the authority and municipality within 30 days after receipt of the information on the proposed tax increment district under subdivision 2. The notice must include the estimated cost of the road improvements and schedule for construction and payment of the cost. The authority must include the improvements in the tax increment financing plan. The improvements may be financed with the proceeds of tax increment bonds or the authority and the county may agree that the county will finance the improvements with county funds to be repaid in installments, with or without interest, out of increment revenues. If the cost of the road improvements and other project costs exceed the projected amount of the increment revenues, the county and authority shall negotiate an agreement, modifying the development plan or proposed road improvements that will permit financing of the costs before the tax increment financing plan may be approved.

Sec. 11. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 2, is amended to read:

Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax

increment financing district. The information on the fiscal and economic implications of the plan must be provided to the county and school district boards at least 30 days before the public hearing required by subdivision 3. The 30-day requirement is waived if the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information. The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. ~~The county auditor shall not certify the original assessed value of a district pursuant to section 469.177, subdivision 1, until the county board of commissioners has presented its written comment on the proposal to the authority, or 30 days has passed from the date of the transmittal by the authority to the board of the information regarding the fiscal and economic implications, whichever occurs first.~~ Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of ~~energy~~ trade and economic development. The authority must also file with the commissioner a copy of the development plan for the project area.

Sec. 12. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original assessed value of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a mined underground space development district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) to (5), must be retained and made

available to the public by the authority until the district has been terminated.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

Sec. 13. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 4, is amended to read:

Subd. 4. [MODIFICATION OF PLAN.] (a) A tax increment financing plan may be modified by an authority, provided that any reduction or enlargement of geographic area of the project or tax increment financing district, increase in amount of bonded indebtedness to be incurred, including a determination to capitalize interest on the debt if that determination was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized, increase in the portion of the captured assessed value to be retained by the authority, increase in total estimated tax increment expenditures or designation of additional property to be acquired by the authority shall be approved upon the notice and after the discussion, public hearing, and findings required for approval of the original plan; provided that if an authority changes the type of district from housing, redevelopment, or economic development to another type of district, this change shall not

be considered a modification but shall require the authority to follow the procedure set forth in sections 469.174 to 469.179 for adoption of a new plan, including certification of the assessed valuation of the district by the county auditor. If a redevelopment district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) to (5), must be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcels from the project or district and (2)(A) the current assessed value of the parcels eliminated from the district equals or exceeds the assessed value of those parcels in the district's original assessed value or (B) the authority agrees that, notwithstanding section 469.177, subdivision 1, the original assessed value will be reduced by no more than the current assessed value of the parcels eliminated from the district. The authority must notify the county auditor of any modification that reduces or enlarges the geographic area of a district or a project area.

(b) The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original assessed value by the county auditor or after August 1, 1984, for tax increment financing districts authorized prior to August 1, 1979~~, except that development districts created pursuant to Minnesota Statutes 1978, chapter 472A, prior to August 1, 1979, may be reduced but shall not be enlarged after five years following the date of designation of the district~~.

Sec. 14. Minnesota Statutes 1987 Supplement, section 469.175, is amended by adding a subdivision to read:

Subd. 7. [CREATION OF HAZARDOUS SUBSTANCE SUBDISTRICT; RESPONSE ACTIONS.] (a) A municipality or authority which is creating or has created a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing, and findings required for approval of the original plan. The geographic area of the subdistrict is made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan, the municipality must make the findings under paragraphs (b) to (d), and set forth in writing the reasons and supporting facts for each.

(b) Development or redevelopment of the site, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.

(c) Other parcels that are not designated hazardous substance sites are expected to be developed together with a designated hazardous substance site.

(d) The subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the municipality to provide for the additional costs due to the designated hazardous substance site.

(e) Upon request by a municipality or authority that has incurred expenses for removal or remedial actions to implement a development response action plan, the attorney general may:

(1) bring a civil action on behalf of the municipality or authority to recover the expenses, including administrative costs and litigation expenses, under section 115B.04 or other law; or

(2) assist the municipality or agency in bringing an action as described in clause (1), by providing legal and technical advice, intervening in the action, or other appropriate assistance.

The decision to participate in any action to recover expenses is at the discretion of the attorney general.

(f) If the attorney general brings an action as provided in paragraph (e), clause (1), the municipality or authority shall certify its reasonable and necessary expenses incurred to implement the development response action plan and shall cooperate with the attorney general as required to effectively pursue the action. The certification by the municipality or authority is prima facie evidence that the expenses are reasonable and necessary. The attorney general may deduct litigation expenses incurred by the attorney general from any amounts recovered in an action brought under paragraph (e), clause (1). The municipality or authority shall reimburse the attorney general for litigation expenses not recovered in an action under paragraph (e), clause (1), and for litigation expenses incurred to assist in bringing an action under paragraph (e), clause (1). All money recovered or paid to the attorney general for litigation expenses under this paragraph shall be paid to the general fund of the state for deposit to the account of the attorney general. For the purposes of this section, "litigation expenses" means attorney fees and costs of discovery and other preparation for litigation.

(g) The municipality or authority shall reimburse the pollution control agency for its administrative expenses incurred to review and approve a development action response plan and associated activities, and for expenses incurred for any services rendered to the attorney general to support the attorney general in actions brought or assistance provided under paragraph (e). All money paid to the

pollution control agency under this paragraph shall be deposited in the environmental response, compensation and compliance fund.

(h) Actions taken by a municipality or authority consistent with a development response action plan are deemed to be authorized response actions for the purpose of section 115B.17, subdivision 12. A municipality or agency that takes actions consistent with a development response action plan qualifies for the defenses available under sections 115B.04, subdivision 11, and 115B.05, subdivision 9.

(i) All money recovered by a municipality or authority in an action brought under paragraph (e) in excess of the amounts paid to the attorney general and the pollution control agency must be treated as excess increments and be distributed as provided in section 469.176, subdivision 2, clause (4), to the extent the removal and remedial actions were initially financed with increment revenues.

Sec. 15. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 1, is amended to read:

Subdivision 1. [DURATION OF TAX INCREMENT FINANCING DISTRICTS.] (a) Subject to the limitations contained in paragraphs (b) to (f), any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding.

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

(d) No tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original assessed value of the taxable real property in the district by the county auditor or after August 1, 1982, for tax increment financing districts authorized prior to August 1, 1979, unless within the three-year period (1) bonds have been issued pursuant to section 469.178, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to

sections 469.152 to 469.165, prior to August 1, 1979, or (2) the authority has acquired property within the district, or (3) the authority has constructed or caused to be constructed public improvements within the district.

(e) No tax increment shall in any event be paid to the authority from a redevelopment district after 25 years from date of receipt by the authority of the first tax increment, after 25 years from the date of the receipt for a housing district, after 25 years from the date of the receipt for a mined underground space development district, after 12 years from approval of the tax increment financing plan for a soils condition district, and after eight years from the date of the receipt, or ten years from approval of the tax increment financing plan, whichever is less, for an economic development district.

For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after ~~30 years from August 1, 1979~~ April 1, 2001, or the term of a nondefeased bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district. If a district's termination date is extended beyond April 1, 2001, because bonds were outstanding on April 1, 1990, with maturities extending beyond April 1, 2001, the following restrictions apply. No increment collected from the district may be expended after April 1, 2001, except to pay or defease (i) bonds issued before April 1, 1990, or (ii) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded.

(f) Modification of a tax increment financing plan pursuant to section 469.175, subdivision 4, shall not extend the durational limitations of this subdivision.

(g) If a parcel of a district is part of a designated hazardous substance site or a hazardous substance subdistrict, tax increment may be paid to the authority from the parcel for longer than the period otherwise provided by this subdivision. The extended period for collection of tax increment begins on the date of receipt of the first tax increment from the parcel that is more than any tax increment received from the parcel before the date of the certification under section 469.175, subdivision 7, paragraph (b), and received after the date of certification to the county auditor described in section 469.175, subdivision 7, paragraph (b). The extended period for collection of tax increment is the lesser of: (1) 25 years from the date of commencement of the extended period; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

Sec. 16. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 4, is amended to read:

Subd. 4. [LIMITATION ON USE OF TAX INCREMENT; GENERAL RULE.] ~~(a)~~ All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (1) to pay the principal of and interest on bonds issued to finance a project; (2) by a rural development financing authority for the purposes stated in section 469.142, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.048 to 469.068, by an economic development authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.090 to 469.108, by a housing and redevelopment authority or economic development authority to finance or otherwise pay public redevelopment costs pursuant to sections 469.001 to 469.047, by a municipality or economic development authority to finance or otherwise pay the capital and administration costs of a development district pursuant to sections 469.124 to 469.134, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve.

Subd. 4a. [MINED UNDERGROUND SPACE DISTRICTS.] Revenue derived from tax increment from a mined underground space development district may be used only to pay for the costs of excavating and supporting the space, of providing public access to the mined underground space including roadways, and of installing utilities including fire sprinkler systems in the space.

~~(b)~~ Subd. 4b. [SOILS CONDITION DISTRICTS.] Revenue derived from tax increment from a soils condition district under section 469.174, subdivision 19, may be used only to (1) acquire parcels on which the improvements described in clause (2) will occur; (2) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and (3) pay for the administrative expenses of the authority allocable to the district. The sale by the authority of a parcel acquired and improved as described in clauses (1) and (2) must be for a price that is no less than the cost of acquisition.

Subd. 4c. [ECONOMIC DEVELOPMENT DISTRICTS.] Revenue

derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if 25 percent of the buildings and facilities (determined on the basis of square footage) are used for the purposes listed in section 144(a)(8) of the Internal Revenue Code of 1986 (determined without regard to the 25 percent restriction in subparagraph (A)). The restrictions under this paragraph apply only to districts located in development regions, as defined in section 462.384, with populations in excess of 1,000,000. Population must be determined under the provisions of section 477A.011.

Subd. 4d. [HOUSING DISTRICTS.] Revenue derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in section 469.174, subdivision 11. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the authority may be included in the cost of a housing project.

Subd. 4e. [HAZARDOUS SUBSTANCE SUBDISTRICTS.] The additional tax increment received by the municipality from a hazardous substance subdistrict as a result of a reduction in original assessed value pursuant to section 469.174, subdivision 7, paragraph (b), or as a result of the extension of the period for collection of tax increment from a hazardous substance site or subdistrict provided for in section 469.176, subdivision 1, paragraph (g), may be used only to pay or reimburse the costs of: (1) removal actions or remedial actions with respect to hazardous substances or pollutants or contaminants or petroleum releases affecting or which may affect the designated hazardous substance site; (2) pollution testing, demolition, and soil compaction correction necessitated by the development response action plan for the designated hazardous substance site; and (3) related administrative and legal costs, including costs of review and approval of development response action plans by the pollution control agency and litigation expenses of the attorney general.

Subd. 4f. [INTEREST REDUCTION.] Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to section 469.012, subdivisions 7 to 10, or pursuant to other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (1) tax increments may not be collected for a program for a period in excess of 12 years after the date of the first interest rate reduction payment for the program, (2) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 469.178 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (3) tax increments may not be used to finance an

interest reduction program for owner-occupied single-family dwellings.

~~(c)~~ Subd. 4g. [GENERAL GOVERNMENT USE PROHIBITED.] These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment from any district, whether certified before or after August 1, 1979, shall be used for the acquisition, construction ~~or~~, renovation, operation, or maintenance of a ~~municipally owned~~ building to be used primarily and regularly for conducting the business of ~~the~~ a municipality ~~,~~, county, school district, or any other local unit of government or the state or federal government. This provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a commons area used as a public park, or a facility used for social, recreational, or conference purposes and not primarily for conducting the business of the municipality.

Subd. 4h. [COUNTY COSTS.] (a) Tax increments may be used to pay for the county's actual administrative expenses under sections 469.174 to 469.179. The county may require payment of those expenses by February 15 of the year after the year in which the expenses are incurred. The amount of these payments is not required to be set forth in the tax increment financing plan for the project. To obtain payment for actual administrative costs, the county auditor must submit to the authority a record of costs incurred by the county auditor related to administration of the authority's tax increment financing districts.

(b) Tax increments may be used to pay county road costs as provided in section 469.175, subdivision 1a.

Subd. 4i. [MULTI-COUNTY USE PROHIBITED.] If a tax increment district is located in a municipality, parts of which are situated in more than one county, the revenue derived from tax increments from parcels located in one county must be expended for the direct and primary benefit of a project located or conducted within that county, unless the county boards of each of the counties involved agree to waive this requirement.

Sec. 17. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 5, is amended to read:

Subd. 5. [REQUIREMENT FOR AGREEMENTS.] No more than 25 percent, by acreage, of the property to be acquired within a project which contains a redevelopment district, or ten percent, by acreage, of the property to be acquired within a project which contains a housing or economic development district, as set forth in the tax increment financing plan, shall at any time be owned by an authority as a result of acquisition with the proceeds of bonds issued pursuant to section 469.178 unless prior to acquisition in excess of the percentages, the authority has concluded an agreement for the

development or redevelopment of the property acquired and which provides recourse for the authority should the development or redevelopment not be completed. This subdivision does not apply to a parcel of a district that is a designated hazardous substance site established under section 469.174, subdivision 16, or part of a hazardous substance subdistrict established under section 469.175, subdivision 7.

Sec. 18. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 6, is amended to read:

Subd. 6. [ACTION REQUIRED.] If, after four years from the date of certification of the original assessed value of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original assessed value of that parcel shall be excluded from the original assessed value of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the assessed value thereof as most recently certified by the commissioner of revenue and add it to the original assessed value of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district.

Sec. 19. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL ASSESSED VALUE.] Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original assessed value of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original assessed value has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to subdivision 4. In the case of a mined underground space development

district the county auditor shall certify the original assessed value as zero, plus the assessed value, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04. For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original assessed value of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed. The amount to be added to the original assessed value of the district as a result of previously tax exempt real property within the district becoming taxable shall be equal to the assessed value of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the value assessed by the assessor at the time of the transfer. The amount to be added to the original assessed value of the district as a result of enlargements thereof shall be equal to the assessed value of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4. For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the assessed value of a property increases because the property no longer qualifies under the Minnesota agricultural property tax law, section 273.111; the Minnesota open space property tax law, section 273.112; or the metropolitan agricultural preserves act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in assessed value must be added to the original assessed value. Each year the auditor shall also add to the original assessed value of each economic development district an amount equal to the original assessed value for the preceding year multiplied by the average percentage increase in the assessed valuation of all property included in the economic development district during the five years prior to certification of the district. The amount to be subtracted from the original assessed value of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original assessed value initially attributed to the property becoming tax exempt or being removed from the district. If the assessed value of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original assessed value of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured assessed value of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county

auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

Sec. 20. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 1a. [ORIGINAL MILL RATE.] (a) At the time of the initial certification of the original assessed value for a tax increment financing district, the county auditor shall certify the original mill rate that applies to the district. The original mill rate is the sum of all the mill rates that apply to a property in the district for the taxes payable in the calendar year in which the initial certification of original assessed value is requested under subdivision 1. If the total mill rate applicable to properties in the tax increment financing district varies, the mill rate must be computed by determining the average total mill rate in the district, weighted on the basis of assessed value. The resulting mill rate is the original mill rate for the life of the district.

(b) In the case of districts certified during calendar year 1988, the original mill rate equals the amount calculated under paragraph (a) multiplied by 0.45.

Sec. 21. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 3, is amended to read:

Subd. 3. [TAX INCREMENT, RELATIONSHIP TO CHAPTER 473E] (a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply:

(1) The original assessed value and the current assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district mill rates or (B) the original

mill rate to the retained captured assessed value of the authority is the tax increment of the authority.

(b) The governing body may, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, elect the following method of computation:

(1) The original assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. The current assessed value shall exclude any fiscal disparity commercial-industrial assessed value increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 473F.08, subdivision 6. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district mill rates or (B) the original mill rate to the retained captured assessed value of the authority is the tax increment of the authority.

(3) An election by the governing body pursuant to ~~part~~ paragraph (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to ~~clause~~ paragraph (a) or (b) shall remain the same for the duration of the district, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).

Sec. 22. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 4, is amended to read:

Subd. 4. [PRIOR PLANNED IMPROVEMENTS.] The authority shall, after diligent search, accompany its request for certification to the county auditor pursuant to subdivision 1, or its notice of district enlargement pursuant to section 469.175, subdivision 4, with a listing of all properties within the tax increment financing district

or area of enlargement for which building permits have been issued during the 18 months immediately preceding approval of the tax increment financing plan by the municipality pursuant to section 469.175, subdivision 3. The county auditor shall increase the original assessed value of the district by the assessed valuation of ~~the improvements~~ each improvement for which ~~the~~ a building permit was issued~~, excluding the assessed valuation of improvements for which a building permit was issued during the three-month period immediately preceding said approval of the tax increment financing plan, as certified by the assessor~~.

Sec. 23. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 9. [DISTRIBUTIONS OF EXCESS TAXES ON CAPTURED VALUE.] (a) If the amount of tax paid on captured value exceeds the amount of tax increment, the county auditor shall distribute the excess to the municipality, county, and school district as follows: each governmental unit's share of the excess equals

(1) the total amount of the excess for the tax increment financing district, multiplied by

(2) a fraction, the numerator of which is the current mill rate of the governmental unit less the governmental unit's mill rate for the year the original mill rate for the district was certified (in no case may this amount be less than zero) and the denominator of which is the sum of the numerators for the municipality, county, and school district.

If the entire increase in the mill rate is attributable to a taxing district, other than the municipality, county, or school district, then the excess must be distributed to the municipality, county, and school district in proportion to their respective mill rates.

(b) The amounts distributed shall be deducted in computing the levy limits of the taxing district for the succeeding taxable year.

(c) In the case of distributions to a school district, the county auditor shall report amounts distributed to the commissioner of education in the same manner as provided for excess increments under section 469.176, subdivision 2, and the distribution shall be treated as an excess increment for purposes of section 124.214, subdivision 3.

Sec. 24. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 10. [PAYMENT TO SCHOOL FOR REFERENDUM LEVY.] The provisions of this subdivision apply to tax increment financing

districts and projects for which certification was requested before May 1, 1988, that are located in a school district in which the voters have approved new millage or an increase in millage after the tax increment financing district was certified (1) if there are no outstanding bonds on May 1, 1988, to which increment from the district is pledged, or (2) if the referendum is approved after May 1, 1988, and there are no bonds outstanding at the time the referendum is approved, that were issued before May 1, 1988, or (3) if the referendum increasing the mill rate was approved after the most recent issue of bonds to which increment from the district is pledged. If clause (1) or (2) applies, the authority must annually pay to the school district an amount of increment equal to the increment that is attributable to the increase in the mill rate under the referendum. If clause (3) applies, upon approval by a majority vote of the governing body of the municipality and the school board, the authority must pay to the school district an amount of increment equal to the increment that is attributable to the increase in the mill rate under the referendum. The amounts of these increments may be expended and must be treated by the school district in the same manner as provided for the revenues derived from the referendum levy approved by the voters.

Sec. 25. Minnesota Statutes 1987 Supplement, section 469.179, is amended to read:

469.179 [EXISTING PROJECTS.]

Subdivision 1. [EXEMPTION.] The provisions of sections 469.174 to 469.178 shall not affect any project for which tax increment certification was requested pursuant to law prior to August 1, 1979, or any project carried on by an authority pursuant to section 469.033, subdivision 5, with respect to which the governing body has by resolution designated properties for inclusion in the district prior to August 1, 1979, except:

(1) as otherwise expressly provided in sections 469.174 to 469.178; or

(2) as an authority elects to proceed with an existing district, under the provisions of sections 469.174 to 469.178; or

(3) ~~that any enlargements of the geographic area of an existing tax increment financing district subsequent to August 1, 1979, shall be accomplished in accordance with and shall subject the property added as a result of the enlargement to the terms and conditions of sections 469.174 to 469.178~~ as provided in subdivision 2; or

(4) ~~that beginning with taxes payable in 1980,~~ section 469.177, subdivision 3, clause (b), shall apply to all development districts created pursuant to Minnesota Statutes 1978, chapter 472A, or any special law, prior to August 1, 1979.

Subd. 2. [APPLICATION TO EXISTING DISTRICTS.] If the development or redevelopment activity within the project or district of a tax increment financing project certified prior to August 1, 1979, is extended beyond the scope of activity set forth in the district's redevelopment plan under Minnesota Statutes, chapter 462, or Minnesota Statutes, chapter 472A, if applicable, after May 1, 1988, the authority must with regard to the new activity conform to the provisions of sections 469.174 to 469.178 with the following exceptions.

(a) Section 469.175, subdivision 3, paragraphs (1) and (5), shall not apply. Furthermore, the provisions of section 473F.02, subdivision 3, shall continue to apply to the entire district, if applicable.

(b) Section 469.177, subdivision 3, shall not apply.

Sec. 26. [CITY OF VIRGINIA TAX INCREMENT FINANCING DISTRICT; PARCELS INCLUDED.]

Redevelopment tax increment financing district No. 1 in enterprise zone development district No. 3 in the city of Virginia, is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to include the following parcels of real property as of June 12, 1984:

(1) Parcel No. 90-124-245 - Ely 79.2' of Lot 1 and all of Lot 2, Block 3, Olcott Addition;

(2) Parcel No. 90-125-247 - Lot 3, Block 3, Olcott Addition; and

(3) Parcel No. 90-125-270 - Lot 4, Block 3, Olcott Addition.

Sec. 27. [ORIGINAL ASSESSED VALUE.]

The original assessed value of the parcels of real property described in sections 24 to 26 is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to be the original assessed value of those parcels as of June 12, 1984.

Sec. 28. [CAPTURED ASSESSED VALUE.]

The captured assessed value of the parcels of real property described in sections 24 to 26 is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to be the increased assessed value of those parcels computed in the manner prescribed by Minnesota Statutes, section 469.177, and in accordance with sections 26 to 28.

Sec. 29. [TRANSITION RULES.]

(a) The provisions of sections 3, 6, 10, and 14 do not apply to proposed tax increment financing districts for which the authority called for a public hearing in a resolution dated March 23, 1987, and for which a public hearing was held on April 28, 1987. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(b) The provisions of sections 3, 6, 10, and 14 do not apply to candidate sites in the old highway 8 corridor tax increment project area, identified in the old highway 8 corridor plan as approved by an authority on October 14, 1986, if the requests for certification of the districts are filed with the county before January 1, 1998. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(c) The provisions of section 14, subdivision 4c, do not apply to an economic development district located in a development district approved on November 9, 1987, provided the request for certification of the tax increment district is submitted to the county by September 30, 1988.

Sec. 30. [EFFECTIVE DATES.]

Sections 2, 5, 6, 7, 14, 16, subdivision 4e, 17, and the provisions of section 15 relating to the duration of hazardous substance sites and subdistricts are effective for hazardous substance sites and subdistricts designated and created after the day following final enactment. Except as otherwise specifically provided, sections 1, 3, 4, 8 to 12, 16, and 20 to 23, and the provisions of section 15 applying to soils condition districts are effective for districts and amendments adding geographic area to an existing district for which the request for certification was filed with the county auditor after May 1, 1988. Sections 13, 15, 16, subdivision 4g, 18, 24, and 25, and the provisions of section 21 allowing a change in the fiscal disparities election are effective May 1, 1988, except as otherwise specifically provided. Section 16, subdivision 4c, is effective for districts for which the request for certification is filed with the county before May 1, 1988, and to all increment collected after January 1, 1990. Sections 26 to 28 are effective upon approval by the city council of the city of Virginia and compliance with Minnesota Statutes, section 645.021. Section 29 is effective the day following final enactment.

ARTICLE 13

BUDGET RESERVE

Section 1. Minnesota Statutes 1987 Supplement, section 16A.15, subdivision 6, is amended to read:

Subd. 6. [BUDGET AND CASH FLOW RESERVE ACCOUNT.] A budget and cash flow reserve account is created in the general fund in the state treasury. The commissioner of finance shall, as authorized from time to time by law, restrict part or all of the budgetary balance in the general fund for use as the budget and cash flow reserve account. The commissioner of finance ~~on July 1, 1987,~~ shall transfer to the budget and cash flow reserve account ~~the amount necessary~~ such amounts as are available to bring the total amount, including any existing balance in the account on June 30, ~~1987~~ 1988, to ~~$250,000,000~~ $265,000,000. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under section 16A.1541.

Sec. 2. Minnesota Statutes 1987 Supplement, section 16A.1541, is amended to read:

16A.1541 [ADDITIONAL REVENUES; PRIORITY.]

If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money ~~in the following order of priority:~~

~~(1) the amount necessary to reduce the property tax levy recognition percent under section 121.904, subdivision 4c, to 24 percent;~~

~~(2) the remainder (i) one-half to the greater Minnesota fund, but not to exceed $120,000,000 and (ii) one-half~~ to the budget and cash flow reserve account until the total amount in the account equals $550,000,000.

The amounts necessary to meet the requirements of ~~clauses (1) and (2)~~ this section are appropriated from the general fund.

Sec. 3. [TRANSFER RETURNED.]

The Greater Minnesota Corporation shall return to the state treasury $80,500,000 of the money transferred to it under Minnesota Statutes 1987 Supplement, section 16A.1541. The return must be made to the commissioner of finance, who shall credit the receipt to the general fund. The return must be made as soon as is practical,

while minimizing any investment losses that might result from early redemption.

Sec. 4. [APPROPRIATION REDUCTION.]

The appropriation from the general fund under Minnesota Statutes 1987 Supplement, section 16A.1541 to reduce the property tax recognition percent is reduced to zero.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment.

ARTICLE 14

SPECIAL SERVICE DISTRICT PROCEDURES

Section 1. [428A.01] [SPECIAL SERVICE DISTRICT PROCEDURES; DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] As used in sections 1 to 10, the terms defined in this section have the meanings given them.

Subd. 2. [CITY.] "City" means the city in which the special service district is authorized to be established under a special law.

Subd. 3. [SPECIAL SERVICES.] "Special services" has the meaning given in the city's enabling legislation.

Special services do not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

Subd. 4. [SPECIAL SERVICE DISTRICT.] "Special service district" means a defined area within the city where special services are rendered and the costs of the special services are paid from revenues collected from service charges imposed within that area.

Subd. 5. [ASSESSED VALUE.] "Assessed value" means the assessed value most recently certified by the county auditor before the effective date of the ordinance or resolution adopted under section 2 or 3.

Subd. 6. [LAND AREA.] "Land area" means the land area in the district that is subject to property taxes.

Sec. 2. [428A.02] [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a special service district. Only property that is classified under section 273.13 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use and located in the special service district, may be subject to the charges imposed by the city on the special service district. Other types of property may be included within the boundaries of the special service district but are not subject to the levies or charges imposed by the city on the special service district. If 50 percent or more of the market value of a parcel of property is classified under section 273.13 as commercial, industrial, or vacant land zoned or designated on a land use plan for commercial or industrial use, or public utility for the current assessment year, then the entire market value of the property is subject to a service charge based on assessed value for purposes of sections 1 to 10. The ordinance shall describe with particularity the area within the city to be included in the district and the special services to be furnished in the district. The ordinance may not be adopted until after a public hearing has been held on the question. Notice of the hearing shall include the time and place of hearing, a map showing the boundaries of the proposed district, and a statement that all persons owning property in the proposed district that would be subject to a service charge will be given opportunity to be heard at the hearing.

Subd. 2. [NOTICE.] Notice of the hearing must be given by publication in at least two issues of the official newspaper of the city. The two publications must be two weeks apart and the hearing must be held at least three days after the last publication. Not less than ten days before the hearing, notice must also be mailed to the owner of each parcel within the area proposed to be included in the district. For the purpose of giving mailed notice, owners are those shown on the records of the county auditor. Other records may be used to supply the necessary information. For properties that are tax exempt or subject to taxation on a gross earnings basis in lieu of property tax and are not listed on the records of the county auditor, the owners must be ascertained by any practicable means and mailed notice given them. At the public hearing a person affected by the proposed district may testify on any issues relevant to the proposed district. The hearing may be adjourned from time to time and the ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Subd. 3. [CHARGES; RELATIONSHIP TO SERVICES.] The city may impose service charges under sections 1 to 10 that are reasonably related to the special services provided. Charges for service shall be as nearly as possible proportionate to the cost of furnishing

the service, and may be fixed on the basis of the service directly rendered, or by reference to a reasonable classification of the types of premises to which service is furnished, or on any other equitable basis.

Subd. 4. [BENEFIT; OBJECTION.] Before the ordinance is adopted or at the hearing at which it is to be adopted, any affected landowner may file a written objection with the city clerk asserting that the landowner's property should not be included in the district or should not be subjected to a service charge and objecting to:

(1) the inclusion of the landowner's property in the district, for the reason that the property would not receive services that are not provided throughout the city to the same degree;

(2) the levy of a service charge on the landowner's property, for the reason that the property is exempted under this article or the special law under which the district was created; or

(3) the fact that neither the landowner's property nor its use is benefited by the proposed special service.

The governing body shall make a determination on the objection within 30 days of its filing. Pending its determination, the governing body may delay adoption of the ordinance or it may adopt the ordinance with a reservation that the landowner's property may be excluded from the district or district service charges when the determination is made.

Subd. 5. [APPEAL TO DISTRICT COURT.] Within 30 days after the determination of the objection, any person aggrieved, who is not precluded by failure to object before or at the hearing, or whose failure to object is due to a reasonable cause, may appeal to the district court by serving a notice upon the mayor or city clerk. The notice shall be filed with the court administrator of the district court within ten days after its service. The city clerk shall furnish the appellant a certified copy of the findings and determination of the governing body. The court may affirm the action objected to or, if the appellant's objections have merit, modify or cancel it. If the appellant does not prevail upon the appeal, the costs incurred shall be taxed to the appellant by the court and judgment entered for them. All objections shall be deemed waived unless presented on appeal.

Sec. 3. [428A.03] [SERVICE CHARGE AUTHORITY; NOTICE AND HEARING REQUIREMENTS.]

Subdivision 1. [HEARING.] Service charges may be imposed by the city within the special service district at a rate or amount sufficient to produce the revenues required to provide special services in the district. To determine the appropriate rate for a

service charge based on assessed value, taxable property or value must be determined without regard to captured or original assessed value under section 469.177 or to the distribution or contribution value under section 473F.08. Service charges may not be imposed to finance a special service if the service is ordinarily provided by the city from its general fund revenues unless the service is provided in the district at an increased level. In that case, a service charge may be imposed only in the amount needed to pay for the increased level of service. A service charge may not be imposed on the receipts from the sale of intoxicating liquor, food, or lodging. Before the imposition of service charges in a district, for each calendar year, a hearing must be held under section 2 and notice must be given and must be mailed to any individual or business organization subject to a service charge. For purposes of this section, the notice shall also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed service charge;

(2) the estimated cost of improvements to be paid for in whole or in part by service charges imposed under this section, the estimated cost of operating and maintaining the improvements during the first year and upon completion of the improvements, the proposed method and source of financing the improvements, and the annual cost of operating and maintaining the improvements;

(3) the proposed rate or amount of the proposed service charge to be imposed in the district during the calendar year and the nature and character of special services to be rendered in the district during the calendar year in which the service charge is to be collected; and

(4) a statement that the petition requirements of section 8 have either been met or do not apply to the proposed service charge.

Within six months of the public hearing, the city may adopt a resolution imposing a service charge within the district not exceeding the amount or rate expressed in the notice issued under this section.

Subd. 2. [EXEMPTION OF CERTAIN PROPERTIES FROM TAXES AND SERVICE CHARGES.] Property exempt from taxation by section 272.02 is exempt from any service charges based on assessed value imposed under sections 1 to 10.

Subd. 3. [LEVY LIMIT.] Service charges imposed under sections 1 to 10 are not included in the calculation of levies or limits on levies imposed under law or charter.

Sec. 4. [428A.04] [ENLARGEMENT OF SPECIAL SERVICE DISTRICTS.]

Boundaries of a special service district may be enlarged only after hearing and notice as provided in sections 2 and 3. Notice must be served in the original district and in the area proposed to be added to the district. Property added to the district is subject to all service charges imposed within the district after the property becomes a part of the district if it is property of the type that is subject to service charges in the district. On the question of enlargement, the petition requirement in section 8 and the veto power in section 9 apply only to owners, individuals, and business organizations in the area proposed to be added to the district.

Sec. 5. [428A.05] [COLLECTION OF SERVICE CHARGES.]

Service charges may be imposed on the basis of the assessed value of the property on which the service charge is imposed but must be spread only upon the assessed value of the taxable property located in the geographic area described in the ordinance. Service charges based on assessed value may be payable and collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. Other service charges imposed must be collected as provided by ordinance. Service charges based on assessed value collected under sections 1 to 10 are not included in computations under section 469.177, chapter 473F, or any other law that applies to general ad valorem levies.

Sec. 6. [428A.06] [BONDS.]

At any time after a contract for the construction of all or part of an improvement authorized under sections 1 to 10 has been entered into or the work has been ordered done by day labor, the governing body of the city may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing. The obligations are payable primarily out of the proceeds of the service charge based on assessed value imposed under section 3, or from any other special assessments or nontax revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The governing body may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure payment of the principal and interest if the proceeds of the service charge in the district are insufficient to pay the principal and interest. The obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations need not be included in determining the net debt of the city under the provisions of any law or charter limiting debt.

Sec. 7. [428A.07] [ADVISORY BOARD.]

The governing body of the city may create and appoint an advisory board for each special service district in the city to advise the governing body in connection with the construction, maintenance, and operation of improvements, and the furnishing of special services in a district. The advisory board shall make recommendations to the governing body on the requests and complaints of owners, occupants, and users of property within the district and members of the public. Before the adoption of any proposal by the governing body to provide services or impose service charges within the district, the advisory board of the district shall have an opportunity to review and comment upon the proposal.

Sec. 8. [428A.08] [PETITION REQUIRED.]

No action may be taken under section 2 unless owners of 25 percent or more of the land area of property that would be subject to service charges in the proposed special service district and owners of 25 percent or more of the assessed value of property that would be subject to service charges in the proposed special service district file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 3 to impose a service charge based on assessed value unless owners of 25 percent or more of the land area subject to a proposed service charge and owners of 25 percent or more of the assessed value subject to a proposed service charge file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 3 to impose any other type of service charge unless 25 percent or more of the individual or business organizations subject to the proposed service charge file a petition requesting a public hearing on the proposed action with the city clerk. If the boundaries of a proposed district are changed or the land area or assessed value subject to a service charge or the individuals or business organizations subject to a service charge are changed after the public hearing, a petition meeting the requirements of this section must be filed with the city clerk before the ordinance establishing the district or resolution imposing the service charge may become effective.

Sec. 9. [428A.09] [VETO POWER OF OWNERS.]

Subdivision 1. [NOTICE OF RIGHT TO FILE OBJECTIONS.] Except as provided in section 10, the effective date of any ordinance or resolution adopted under sections 2 and 3 must be at least 45 days after it is adopted. Within five days after adoption of the ordinance or resolution, a summary of the ordinance or resolution must be mailed to the owner of each parcel included in the special service district and any individual or business organization subject to a service charge in the same manner that notice is mailed under section 2. The mailing must include a notice that owners subject to

a service charge based on assessed value and individuals and business organizations subject to a service charge imposed on another basis have a right to veto the ordinance or resolution by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution and that a copy of the ordinance or resolution is on file with the city clerk for public inspection.

Subd. 2. [REQUIREMENTS FOR VETO.] If owners of 35 percent or more of the land area in the district subject to the service charge based on assessed value or owners of 35 percent or more of the assessed value in the district subject to the service charge based on assessed value file an objection to the ordinance adopted by the city under section 2 with the city clerk before the effective date of the ordinance, the ordinance does not become effective. If owners of 35 percent or more of the land area subject to the service charge based on assessed value or owners of 35 percent or more of the assessed value subject to the service charge based on assessed value file an objection to the resolution adopted imposing a service charge based on assessed value under section 3 with the city clerk before the effective date of the resolution, the resolution does not become effective. If 35 percent or more of individuals and business organizations subject to a service charge file an objection to the resolution adopted imposing a service charge on a basis other than assessed value under section 3 with the city clerk before the effective date of the resolution, the resolution does not become effective. In the event of a veto, no district shall be established during the current calendar year and until a petition meeting the qualifications set forth in this subdivision for a veto has been filed.

Sec. 10. [428A.10] [EXCLUSION FROM PETITION REQUIREMENTS AND VETO POWER.]

The petition requirements of section 8 and the right of owners and those subject to a service charge to veto a resolution in section 9 do not apply to second or subsequent years' applications of a service charge that is authorized to be in effect for more than one year under a resolution that has met the petition requirements of section 8 and which has not been vetoed under section 9 for the first year's application. A resolution imposing a service charge for more than one year must not be adopted unless the notice of public hearing required by section 3 and the notice mailed with the adopted resolution under section 9 include the following information:

(1) in the case of improvements, the maximum service charge to be imposed in any year and the maximum number of years the service charges imposed to pay for the improvement; and

(2) in the case of operating and maintenance services, the maximum service charge to be imposed in any year and the maximum number of years, or a statement that the service charge will be

imposed for an indefinite number of years, the service charges will be imposed to pay for operation and maintenance services.

The resolution may provide that the maximum service charge to be imposed in any year will increase or decrease from the maximum amount authorized in the preceding year based on an indicator of increased cost or a percentage amount established by the resolution.

ARTICLE 15

ROBBINSDALE SPECIAL SERVICE DISTRICT

Section 1. [CITY OF ROBBINSDALE SPECIAL SERVICE DISTRICT; DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] For purposes of sections 1 and 2, the terms defined in this section have the meanings given them.

Subd. 2. [CITY.] "City" means the city of Robbinsdale.

Subd. 3. [SPECIAL SERVICES.] "Special services" means all services rendered or contracted for by the city, including, but not limited to:

(1) the repair, maintenance, operation, and construction of any improvements authorized by section 429.021;

(2) parking services rendered or contracted for by the city; and

(3) any other service provided to the public by the city that is authorized by law or charter.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a special service district. The provisions of article 14 govern the establishment and operation of special service districts in the city.

Sec. 3. [LOCAL APPROVAL.]

This article takes effect the day after the governing body of the city of Robbinsdale complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 16

MINNEAPOLIS NEIGHBORHOODS
SPECIAL SERVICE DISTRICTS

Section 1. [DEFINITIONS.]

Subdivision 1. [TERMS DEFINED.] For the purposes of sections 1 to 6, the terms defined in this section have the meanings given them.

Subd. 2. [CITY.] "City" means the city of Minneapolis.

Subd. 3. [SPECIAL SERVICES.] "Special services" means the following services rendered or contracted for by the city:

(1) snow and ice removal;

(2) sweeping and cleaning sidewalks, curbs, gutters, streets, and alleys;

(3) litter, poster, and handbill removal;

(4) construction, repair, operation, and maintenance of sidewalks, curbs, gutters, bus shelters, lighting, benches, chairs, tables, telephone booths, traffic signs, fire hydrants, newsstands, kiosks, trash receptacles, utility connections, marquees, awnings, canopies, display cases, information booths, and banners;

(5) landscaping, planting, repair, maintenance, and care of trees, shrubs, bushes, flowers, grass, and other decorative materials;

(6) security personnel, equipment, and systems;

(7) approval and supervision of special activities;

(8) insurance; and

(9) administration, coordination, studies, and preparation of designs.

Special service district funds may be used to pay operating costs of a neighborhood business association composed of a majority of owners or operators of businesses located within the district.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a special service district in any area zoned for commercial, business, or industrial use outside of the area bounded by the centerlines of the main channel of the Mississippi river, 10th Avenue South, Washington Avenue South, Chicago Avenue South, South 3rd Street, 11th Avenue South, South 6th Street, 5th Avenue South, South 12th Street, 4th Avenue South, East 16th Street, 1st Avenue South, Grant Street, Willow Street extended, Harmon Place, Interstate Highway 94, Highway 12, North 12th Street, and 3rd Avenue North; and, south of 28th Street, west of Fremont Avenue South, north of 31st Street, and east of Humboldt Avenue South; and outside any other existing special service district. The provisions of article 14 govern the establishment and operation of special service districts in the city under sections 1 to 6, except to the extent specified otherwise in sections 1 to 6.

Subd. 2. [USE OF CITY EMPLOYEES.] If the city determines that any of the special services to be provided are under the jurisdiction of a city public employee bargaining unit, the city shall negotiate with that unit to determine whether that service shall be provided by the city or contracted for with another service provider.

Sec. 3. [SERVICE CHARGE ABATEMENT.]

An individual or business organization subject to a service charge imposed under sections 1 to 6 may apply to the city for a service charge abatement for that calendar year on the basis of economic hardship. The city may grant the abatement of the service charge for the calendar year if the city determines that an economic hardship exists.

Sec. 4. [BONDS.]

The provisions of article 14, section 6, govern the issuance of bonds for the special service district, except that the obligations shall be payable primarily out of the proceeds of the service charge imposed under article 14, section 3. The governing body may, by resolution adopted before the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure payment of the principal and interest if the proceeds of the service charge based on assessed value in the special service district are insufficient to pay the principal and interest.

Sec. 5. [EXPIRATION.]

A special service district established under this article shall expire four years after the date of its establishment unless renewed by following the procedure for establishing a district provided by article 14, section 2. After the expiration or termination of a district, service charges may continue to be imposed in the district to pay the

costs of an improvement specified in section 1, subdivision 3, clause (4).

Sec. 6. [ADVISORY BOARD.]

Notwithstanding article 14, section 7, the city council must create and appoint an advisory board for the special service district to operate as provided in that section. All members of the advisory board must be property owners, tenants, or residents of the district.

Sec. 7. [LOCAL APPROVAL.]

This article takes effect the day after the governing body of the city of Minneapolis complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 17

MINNEAPOLIS DOWNTOWN SPECIAL SERVICE DISTRICTS

Section 1. [DEFINITIONS.]

Subdivision 1. [TERMS DEFINED.] For purposes of sections 1 to 7, the terms defined in this section have the meanings given them.

Subd. 2. [CITY.] "City" means the city of Minneapolis.

Subd. 3. [PEDESTRIAN MALL.] "Pedestrian mall" means an improvement designed and used primarily for the movement, safety, convenience, and enjoyment of pedestrians, whether or not a part of a street is set apart for a roadway for emergency vehicles, transit vehicles, or private vehicles at some or all times. A pedestrian mall includes related sidewalks, moving sidewalks, curbs, gutters, streets, parks, playgrounds, plazas, recreational facilities, performance areas, bus shelters, transit facilities and vehicles, sound and video systems, overhead and underground radiant heating devices, lighting, benches, chairs, tables, sculpture, telephone booths, traffic signs, fire hydrants, newsstands, kiosks, trash receptacles, utility connections, marquees, awnings, canopies, walls, bollards, chains, paintings, murals, alleys, display cases, fountains, sprinkler systems, restrooms, information booths, aquariums, aviaries, pedestrian tunnels, banners, pedestrian bridges, pedestrian ramps, pedestrian overpasses, pedestrian underpasses, drainage, sewers, and water mains. A pedestrian mall does not include a plaza adjacent to a convention center.

Subd. 4. [SPECIAL SERVICES.] "Special services" means the following services rendered or contracted for by the city:

(a) snow and ice removal;

(b) sweeping and cleaning of sidewalks, curbs, gutters, streets, and alleys;

(c) litter, poster, and handbill removal;

(d) construction, repair, operation, and maintenance of pedestrian malls;

(e) repair and maintenance of capital improvements constructed with funds other than special service district proceeds;

(f) landscaping, planting, repair, maintenance, and care of trees, shrubs, bushes, flowers, grass, and other decorative materials;

(g) security personnel, equipment, and systems and coordination of private security, including lighting;

(h) operation of public transit;

(i) information and signs relating to parking and vehicle and pedestrian movement at street and skyway levels;

(j) approval, supervision, and coordination of special activities; and

(k) administration, coordination, studies, and preparation of designs.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing special service districts in that part of the city bounded by the centerlines of the main channel of the Mississippi river, 10th Avenue South, Washington Avenue South, Chicago Avenue South, South 3rd Street, 11th Avenue South, South 6th Street, 5th Avenue South, South 12th Street, 4th Avenue South, East 16th Street, 1st Avenue South, Grant Street, Willow Street extended, Harmon Place, Interstate Highway 94, Highway 12, North 12th Street and 3rd Avenue North. Only property that is used for commercial, business, or industrial purposes or classified as public utility or vacant land and located in the special service district may be subject to the charges imposed by the city on the special service district. Property used for residential purposes, including condominiums, apartments, and cooperatives, or used by a church or a charitable organization organized under Minnesota Statutes, sections 315.44 and 315.49, or owned or leased in its entirety by a charitable organization described in section 501(c)(3) of the Internal Revenue Code, as amended through December 31,

1987, shall not be subject to any service charges under sections 1 to 6. Property owned by a unit of government and used to raise revenue, except public hospitals, libraries, and Orchestra Hall, shall be subject to service charges other than service charges based on assessed value. In addition, property that is exempt from taxation under Minnesota Statutes, section 272.02, is exempt from service charges based on assessed value imposed under sections 1 to 6, but is subject to other types of service charges under sections 1 to 6 unless otherwise exempted under this subdivision. The owner of any property that is exempted from any or all service charges under this subdivision may notify the governing body of its intent to receive the benefits provided to property within the special service district, and thereby elect to be subject to the service charges imposed for those services. Property may be served within the boundaries of the special service district whether or not the property is subject to the charges imposed by the city on the special service district. The ordinance must specifically describe the area within the city to be included in the district and the special services to be furnished in the district. The ordinance must state the reasons for establishment of a district. The ordinance may not be adopted until after a public hearing has been held on the question. The provisions of article 14 govern the establishment and operation of special service districts in the city under sections 1 to 7, except to the extent specified otherwise under sections 1 to 7.

Subd. 2. [CONTRACTORS.] Notwithstanding any other provision of law or charter to the contrary, the city may provide or contract for services in the district. All hiring by contractors must be done in accordance with the Federal Civil Rights Act of 1964, United States Code, title 21, sections 2000e to 2000e-17; Minnesota Statutes, section 363.03; and the Minneapolis Code of Ordinances, chapters 139 and 141.

Subd. 3. [CITY EMPLOYEES.] Job activities for special services that are under the jurisdiction of any city public employee bargaining unit must be performed by a member of the bargaining unit.

Subd. 4. [LEVEL OF SERVICE.] The governing body of the city shall not transfer the financial burden of citywide services to the district nor discriminate against the district in reductions and increases in citywide services because of the existence of the district. Prior to establishment of a district, the city and the downtown management board, provided in section 6, shall meet to review the level of services in the downtown area in order to assure that downtown is equitably served through the city's normal operating budget. They shall meet each succeeding year prior to the adoption of a budget for the district and prior to imposition of a service charge in the district under article 14, section 3.

Sec. 3. [LIMITATIONS.]

Subdivision 1. [SERVICES EXPENDITURES CAP.] Service charges imposed in the special service district in any year for special services specified in section 1, subdivision 4, with the exception of construction under paragraph (d), must not exceed an amount equal to the funds raised by a levy of three mills on current assessed value of property subject to a service charge in the district under property tax classifications in effect on July 1, 1987.

Subd. 2. [CAPITAL EXPENDITURES CAP.] Service charges imposed in any year in a special service district established under sections 1 to 6 for construction of an improvement specified in section 1, subdivision 4, paragraph (d), must not exceed 50 percent of the total costs of the improvement, including interest, payable in that year; no more than 50 percent of the total costs of the improvement may be specially assessed under Minnesota Statutes, chapter 429 or 430.

Sec. 4. [VETO POWERS.]

Subdivision 1. [GENERALLY.] In addition to the provisions of article 14, section 9, relating to veto of the establishment of a district, the provisions of this section apply to special service districts established under sections 1 to 6.

Subd. 2. [VETO OF PEDESTRIAN MALLS.] The effective date of any imposition of service charge for construction of an improvement specified in section 1, subdivision 4, paragraph (d), under article 14, section 3, must be at least 45 days after it is adopted. Within five days after adoption, a summary of the city council action must be mailed to the owner of each parcel included in the special service district and any individual or business organization subject to a service charge in the same manner that notice is mailed under article 14, section 2. The mailing must include a notice that owners subject to a service charge based on assessed value and individuals and business organizations subject to a service charge have a right to veto the action by filing the required number of objections with the city clerk before the effective date of the imposition and that a copy of the action is on file with the city clerk for public inspection. If owners of at least 35 percent of the land area subject to a service charge based on assessed value or owners of at least 35 percent of the assessed value subject to the service charge based on assessed value file an objection to the service charge with the city clerk before the effective date, the service charge based on assessed value does not become effective. If individuals and business organizations subject to at least 35 percent of a service charge imposed on a basis other than assessed value file an objection to imposition of the service charge with the city clerk before the effective date, the service charge does not become effective. In the event of a veto, no service charge may be imposed in the district for construction of a pedestrian mall during the current calendar year and until a petition meeting the qualifications set forth in this subdivision for a

veto has been filed. Service charges may continue to be levied and imposed in the district, regardless of a veto under this subdivision, to pay the costs of construction of an improvement specified in section 1, subdivision 4, paragraph (d), for which debt has been incurred and a service charge imposed during a prior year.

Subd. 3. [VETO OF SERVICES.] Each year after the fourth year after establishment of a district, the veto provisions of this subdivision apply, except that a veto is not effective until the year following the year of the veto. Four years after establishment of a district, the effective date of any imposition of service charge under article 14, section 3, for services specified in section 1, subdivision 4, with the exception of construction under paragraph (d), must be at least 45 days after it is adopted. Within five days after adoption, a summary of the city council action must be mailed to the owner of each parcel included in the special service district and any individual or business organization subject to a service charge, in the same manner that notice is mailed under article 14, section 2. The mailing must include a notice that owners subject to a service charge based on assessed value and individuals and business organizations subject to a service charge have a right to veto the action by filing the required number of objections with the city clerk before the effective date of the imposition, and that a copy of the action is on file with the city clerk for public inspection. If owners of at least 35 percent of the land area subject to a service charge based on assessed value or the owners of at least 35 percent of the assessed value subject to the service charge based on assessed value file an objection to the service charge for services under section 3 with the city clerk before the effective date, the service charge based on assessed value does not become effective. If individuals and business organizations subject to at least 35 percent of a service charge imposed on a basis other than assessed value file an objection to imposition of the service charge under section 3 with the city clerk before the effective date, the service charge does not become effective. In the event of a veto, no service charge may be imposed in the district for services during the current calendar year and until a petition meeting the qualifications set forth in this subdivision for a veto has been filed, and no service charge may be collected during a year for which a service charge has been vetoed. Service charges may continue to be imposed in the district, regardless of a veto under this subdivision, to pay the costs of services specified in section 1, subdivision 4, with the exception of construction under clause (d), for which debt has been incurred prior to the filing of a veto.

Sec. 5. [DEBT OBLIGATIONS.]

Subdivision 1. [GENERALLY.] The provisions of this section apply to service districts created under sections 1 to 6 in lieu of the provisions of article 14, section 6.

Subd. 2. [CERTIFICATES OF INDEBTEDNESS.] Certificates of indebtedness may be issued for purposes of any work or service authorized under sections 1 to 6. The certificates shall be payable in not more than five years and shall be issued on the terms and in the manner determined by the issuer. The obligations are payable out of the proceeds of the tax or charge levied under article 14, section 3, in the same manner as bonds.

Subd. 3. [BONDS.] Obligations may be issued in the amount deemed necessary to defray in whole or in part the expense incurred and estimated to be incurred in making a pedestrian mall improvement authorized under sections 1 to 6, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing. The obligations are payable primarily out of the proceeds of the charge levied under article 14, section 3, or from any other special assessments or nontax revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The full faith, credit, and taxing power of the city may, by resolution adopted prior to the sale of obligations, be pledged to assure payment of the principal and interest if the proceeds of the service charge in the district and other pledged special assessments or revenues are insufficient to pay the principal and interest.

Subd. 4. [PROCEDURES.] Debt obligations must be issued in accordance with Minnesota Statutes, chapter 475, and the city charter, except that an election is not required under any circumstances, and the amount of the obligations need not be included in determining the net debt of the city.

Sec. 6. [DOWNTOWN MANAGEMENT BOARD.]

In lieu of the advisory board authorized under article 14, section 7, the city council shall create and provide for appointment of a downtown management board for the special service district to advise the governing body in connection with the furnishing of special services in a district. The downtown management board shall make recommendations to the governing body on the requests and complaints of owners, occupants, and users of property within the district and members of the public. Before the adoption of any proposal by the governing body to provide services or impose service charges within the district, the downtown management board of the district shall review and comment upon the proposal. The board may incorporate as a nonprofit corporation under Minnesota Statutes, chapter 317. The board shall have the power to enter into contracts. A majority of members of the board must be property owners or tenants in the district and subject to a service charge. At least one member must be an owner of commercial property.

Sec. 7. [CITY OPTION.]

The city may elect to exercise the powers provided by sections 1 to 6 or the powers provided by general or special law relating to the same subject.

Sec. 8. [EFFECTIVE DATE.]

Sections 1 to 7 are effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Minneapolis.

ARTICLE 18

WHITE BEAR LAKE SPECIAL SERVICE DISTRICTS

Section 1. [DEFINITIONS.]

Subdivision 1. For the purposes of sections 1 and 2, the terms defined in this section have the meanings given them.

Subd. 2. "City" means the city of White Bear Lake.

Subd. 3. "Special services" mean:

(1) the promotion and management of a special service district as a trade or shopping area;

(2) parking services rendered or contracted for by the city; and

(3) the repair, maintenance, operation and replacement of improvements, within the boundaries of a special service district established under section 2.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt ordinances establishing special service districts in the following areas:

All that land zoned as "General Business (B-4)" or "Central Business (B-5)" within the following described area: Beginning at the northeast corner of the intersection of Minnesota State Highway 96E and U.S. Highway 61, thence easterly along the north right-of-way line of Minnesota State Highway 96E and Stewart Avenue, thence southerly along the east right-of-way line of Stewart Avenue a distance of 3,600 feet to the northeast intersection of Stewart Avenue with Lake Avenue, thence southwesterly along Lake Avenue a distance of 3,400 feet to the northwest corner of the intersection of Lake Avenue with U.S. Highway 61, thence northerly a distance of 2,600 feet along the east right-of-way line of Bald Eagle Avenue to a point of intersection with the north right-of-way line of 5th Street, thence easterly along the north right-of-way line of 5th Street a distance of 1,280 feet to a point of intersection with the west

right-of-way line of Division Street, thence northerly along the west right-of-way line of Division Street a distance of 2,700 feet to a point of intersection with the north right-of-way line of 12th Street, thence easterly 1,200 feet along a line extended on the north right-of-way line of 12th Street to the intersection with the west right-of-way line of U.S. Highway 61, thence southeasterly 160 feet along the west right-of-way line of U.S. Highway 61 to the point of beginning.

The provisions of article 14 govern the establishment and operation of special service districts in the city, except to the extent otherwise specified in sections 1 and 2.

Sec. 3. [LOCAL APPROVAL.]

This article is effective the day after the governing body of the city of White Bear Lake complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 19

MISCELLANEOUS

Section 1. Minnesota Statutes 1987 Supplement, section 69.54, is amended to read:

69.54 [SURCHARGE ON PREMIUMS TO RESTORE DEFICIENCY IN SPECIAL FUND.]

The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in this city of the first class, or by its agents for it, in cash or otherwise. This surcharge shall be due and payable from these companies to the state treasurer on March ~~15~~ 31, May ~~15~~ 31, and November ~~15~~ 30 of each calendar year, and if not paid within 30 days after these dates, a penalty of ten percent shall accrue thereon and thereafter this sum and penalty shall draw interest at the rate of one percent per month until paid.

Sec. 2. Minnesota Statutes 1986, section 183.411, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] For the purpose of this section "stationary show boiler" means a boiler that is used only for display and demonstration purposes. In recognition of the historical significance of show boilers in maintaining a working reminder of Minnesota's agricultural and lumber industries, show boilers and engines are considered to be historical artifacts.

Sec. 3. Minnesota Statutes 1986, section 183.411, subdivision 3, is amended to read:

Subd. 3. [LICENSES.] A license to operate steam farm traction engines, portable and stationary show engines and portable and stationary show boilers shall be issued to an applicant who:

(a) is 18 years of age or older;

(b) has two licensed second class, grade A engineers or steam traction engineers, or any combination thereof, cosign the application; attesting to the applicant's competence in operating said devices;

(c) passes a written test for competence in operating said devices; ~~and~~

(d) has at least 25 hours of actual operating experience on said devices; and

(e) pays the required fee.

A license shall be valid for the lifetime of the licensee. A one time fee set by the commissioner pursuant to section 16A.128, shall be charged for the license.

Sec. 4. Minnesota Statutes 1986, section 183.411, is amended by adding a subdivision to read:

Subd. 5. [LICENSED OPERATOR; PRESENCE REQUIRED.] An operator licensed under this section must be present when a traction engine, portable or stationary show engine, or portable or stationary show boiler is in operation and a member of the public is present.

Sec. 5. Minnesota Statutes 1986, section 183.466, is amended to read:

183.466 [STANDARDS OF REPAIRS.]

The ~~recommended~~ rules for repair of boilers and pressure vessels for use in this state shall be those established by the national board of boiler and pressure vessel inspectors inspection code and the rules of the division of boiler inspection adopted by the department of labor and industry.

Sec. 6. Minnesota Statutes 1986, section 183.51, subdivision 4, is amended to read:

Subd. 4. [CHIEF ENGINEER, GRADE A.] A person seeking licensure as a chief engineer, Grade A, shall be at least 18 years of

age and have ~~habits and~~ experience which ~~justify the belief~~ verifies that the person is competent to take charge of and be responsible for the safe operation and maintenance of all classes of boilers, steam engines, ~~or~~ and turbines and their appurtenances; and, before receiving a license, the applicant shall take and subscribe an oath attesting to at least five years actual experience in operating such boilers, including at least two years experience in operating such engines or turbines.

Sec. 7. Minnesota Statutes 1986, section 183.51, subdivision 7, is amended to read:

Subd. 7. [FIRST-CLASS ENGINEER, GRADE A.] A person seeking licensure as a first-class engineer, Grade A, shall be at least 18 years of age and have ~~habits and~~ experience which ~~justify the belief~~ verifies that the person is competent to take charge of and be responsible for the safe operation and maintenance of all classes of boilers, engines, ~~or~~ and turbines and their appurtenances of not more than 300 horsepower or to operate as a shift engineer in a plant of unlimited horsepower. Before receiving a license, the applicant shall take and subscribe an oath attesting to at least three years actual experience in operating such boilers, including at least two years experience in operating such engines~~,~~ or turbines.

Sec. 8. Minnesota Statutes 1986, section 183.51, subdivision 10, is amended to read:

Subd. 10. [SECOND-CLASS ENGINEER, GRADE A.] A person seeking licensure as a second-class engineer, Grade A, shall be at least 18 years of age and have ~~habits and~~ experience which ~~justify the belief~~ verifies that the person is competent to take charge of and be responsible for the safe operation and maintenance of all classes of boilers, engines, ~~or~~ and turbines and their appurtenances of not more than 100 horsepower or to operate as a shift engineer in a plant of not more than 300 horsepower, or to assist the shift engineer, under direct supervision, in a plant of unlimited horsepower. Before receiving a license the applicant shall take and subscribe an oath attesting to at least one year of actual experience in operating such boilers, including at least one year of experience in operating such engines~~,~~ or turbines.

Sec. 9. Minnesota Statutes 1987 Supplement, section 256B.431, subdivision 2b, as amended by H.F. No. 2126, if enacted, is amended to read:

Subd. 2b. [OPERATING COSTS, AFTER JULY 1, 1985.] (a) For rate years beginning on or after July 1, 1985, the commissioner shall establish procedures for determining per diem reimbursement for operating costs.

(b) The commissioner shall contract with an econometric firm

with recognized expertise in and access to national economic change indices that can be applied to the appropriate cost categories when determining the operating cost payment rate.

(c) The commissioner shall analyze and evaluate each nursing home's cost report of allowable operating costs incurred by the nursing home during the reporting year immediately preceding the rate year for which the payment rate becomes effective.

(d) The commissioner shall establish limits on actual allowable historical operating cost per diems based on cost reports of allowable operating costs for the reporting year that begins October 1, 1983, taking into consideration relevant factors including resident needs, geographic location, size of the nursing home, and the costs that must be incurred for the care of residents in an efficiently and economically operated nursing home. In developing the geographic groups for purposes of reimbursement under this section, the commissioner shall ensure that nursing homes in any county contiguous to the Minneapolis-St. Paul seven-county metropolitan area are included in the same geographic group. The limits established by the commissioner shall not be less, in the aggregate, than the 60th percentile of total actual allowable historical operating cost per diems for each group of nursing homes established under subdivision 1 based on cost reports of allowable operating costs in the previous reporting year. For rate years beginning on or after July 1, 1987, or until the new base period is established, facilities located in geographic group I as described in Minnesota Rules, part 9549.0052 (Emergency), on January 1, 1987, may choose to have the commissioner apply either the care related limits or the other operating cost limits calculated for facilities located in geographic group II, or both, if either of the limits calculated for the group II facilities is higher. The efficiency incentive for geographic group I nursing homes must be calculated based on geographic group I limits. The phase-in must be established utilizing the chosen limits. For purposes of these exceptions to the geographic grouping requirements, the definitions in Minnesota Rules, parts 9549.0050 to 9549.0059 (Emergency), and 9549.0010 to 9549.0080, apply. The limits established under this paragraph remain in effect until the commissioner establishes a new base period. Until the new base period is established, the commissioner shall adjust the limits annually using the appropriate economic change indices established in paragraph (e). In determining allowable historical operating cost per diems for purposes of setting limits and nursing home payment rates, the commissioner shall divide the allowable historical operating costs by the actual number of resident days, except that where a nursing home is occupied at less than 90 percent of licensed capacity days, the commissioner may establish procedures to adjust the computation of the per diem to an imputed occupancy level at or below 90 percent. The commissioner shall establish efficiency incentives as appropriate. The commissioner may establish efficiency incentives for different operating cost categories. The commissioner shall consider establishing efficiency

incentives in care related cost categories. The commissioner may combine one or more operating cost categories and may use different methods for calculating payment rates for each operating cost category or combination of operating cost categories. For the rate year beginning on July 1, 1985, the commissioner shall:

(1) allow nursing homes that have an average length of stay of 180 days or less in their skilled nursing level of care, 125 percent of the care related limit and 105 percent of the other operating cost limit established by rule; and

(2) exempt nursing homes licensed on July 1, 1983, by the commissioner to provide residential services for the physically handicapped under Minnesota Rules, parts 9570.2000 to 9570.3600, from the care related limits and allow 105 percent of the other operating cost limit established by rule.

For the purpose of calculating the other operating cost efficiency incentive for nursing homes referred to in clause (1) or (2), the commissioner shall use the other operating cost limit established by rule before application of the 105 percent.

(e) The commissioner shall establish a composite index or indices by determining the appropriate economic change indicators to be applied to specific operating cost categories or combination of operating cost categories.

(f) Each nursing home shall receive an operating cost payment rate equal to the sum of the nursing home's operating cost payment rates for each operating cost category. The operating cost payment rate for an operating cost category shall be the lesser of the nursing home's historical operating cost in the category increased by the appropriate index established in paragraph (e) for the operating cost category plus an efficiency incentive established pursuant to paragraph (d) or the limit for the operating cost category increased by the same index. If a nursing home's actual historic operating costs are greater than the prospective payment rate for that rate year, there shall be no retroactive cost settle-up. In establishing payment rates for one or more operating cost categories, the commissioner may establish separate rates for different classes of residents based on their relative care needs.

(g) The commissioner shall include the reported actual real estate tax liability or payments in lieu of real estate tax of each nursing home as an operating cost of that nursing home. ~~Except as provided in Minnesota Rules, parts 9549.0010 to 9549.0080, the commissioner shall allow an amount for payments in lieu of real estate tax assessed by a municipality, city, township, or county that does not exceed an amount equivalent to a similar assessment for fire, police, or sanitation services assessed to all other nonprofit or governmental entities located in the municipality, city, township, or county in~~

~~which~~ a ~~nursing~~ ~~home~~ ~~to~~ ~~be~~ ~~assessed~~ is ~~located.~~ Allowable costs under this subdivision for payments made by a nonprofit nursing home that are in lieu of real estate taxes shall not exceed the amount which the nursing home would have paid to a city or township and county for fire, police, sanitation services, and road maintenance costs had real estate taxes been levied on that property for those purposes. For rate years beginning on or after July 1, 1987, the reported actual real estate tax liability or payments in lieu of real estate tax of nursing homes shall be adjusted to include an amount equal to one-half of the dollar change in real estate taxes from the prior year. The commissioner shall include a reported actual special assessment, and reported actual license fees required by the Minnesota department of health, for each nursing home as an operating cost of that nursing home. Total adjusted real estate tax liability, payments in lieu of real estate tax, actual special assessments paid, and license fees paid as required by the Minnesota department of health, for each nursing home (1) shall be divided by actual resident days in order to compute the operating cost payment rate for this operating cost category, (2) shall not be used to compute the 60th percentile or other operating cost limits established by the commissioner, and (3) shall not be increased by the composite index or indices established pursuant to paragraph (e).

(h) For rate years beginning on or after July 1, 1987, the commissioner shall adjust the rates of a nursing home that meets the criteria for the special dietary needs of its residents as specified in section 144A.071, subdivision 3, clause (c), and the requirements in section 31.651. The adjustment for raw food cost shall be the difference between the nursing home's allowable historical raw food cost per diem and 115 percent of the median historical allowable raw food cost per diem of the corresponding geographic group.

The rate adjustment shall be reduced by the applicable phase-in percentage as provided under subdivision 2h.

Sec. 10. [270.068] [TAX INFORMATION SAMPLE DATA.]

Subdivision 1. [PREPARATION OF SAMPLES.] The commissioner of revenue shall prepare microdata samples of income tax returns and other information useful for purposes of (1) estimating state revenues, (2) simulating the effect of changes or proposed changes in state and federal tax law on the amount of state revenues, and (3) analyzing the incidence of present or proposed taxes.

Subd. 2. [COORDINATING COMMITTEE.] A coordinating committee is established to oversee and coordinate preparation of the microdata samples. The committee consists of (1) the director of the research division of the department of revenue who shall serve as chair of the committee, (2) the state economist, (3) the chair of the committee on taxes of the house of representatives or the chair's

designee, and (4) the chair of the committee on taxes and tax laws of the senate or the chair's designee. The committee shall consider the analysis needs and use of the microdata samples by the finance and revenue departments and the legislature in designing and preparing the samples, including the type of data to be included, the structure of the samples, size of the samples, and other relevant factors.

Subd. 3. [CONTENTS OF SAMPLES.] The samples must consist of information derived from a random sample of federal and Minnesota individual income tax returns. The samples prepared in odd numbered years must be augmented by additional information from other sources as the coordinating committee determines is feasible and appropriate. The coordinating committee shall consider inclusion of (1) information derived from property tax refund returns, (2) the estimated market value of the taxpayer's home from the homestead declaration, and (3) information from other sources, such as the surveys conducted by the United States departments of commerce and labor.

Subd. 4. [CONSULTATION ON ANALYSIS MODELS.] The coordinating committee shall facilitate regular consultation among the department of revenue, the department of finance, and house and senate staffs in development and maintenance of their respective computer models used to analyze the microdata samples. The committee shall encourage efforts to attain more commonality in the models, greater sharing of program development efforts and programming tasks, and more consistency in the resulting analyses.

Sec. 11. Minnesota Statutes 1986, section 270.70, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY OF COMMISSIONER.] If any tax payable to the commissioner of revenue or to the department of revenue is not paid when due, such tax may be collected by the commissioner of revenue within five years after the date of assessment of the tax, or if the tax judgment has been filed, within the statutory period of enforcement of a valid tax judgment, by a levy upon all property and rights to property, including any property in the possession of law enforcement officials, of the person liable for the payment or collection of such tax (except that which is exempt from execution pursuant to section 550.37) or property on which there is a lien provided in section 270.69. For this purpose, the term "tax" shall include any penalty, interest and costs properly payable. The term "levy" includes the power of distraint and seizure by any means.

Sec. 12. Minnesota Statutes 1986, section 271.01, subdivision 5, is amended to read:

Subd. 5. [JURISDICTION.] The tax court shall have statewide

jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the jurisdiction of the probate court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the town or city board of equalization and to the county board of equalization, except for those taxpayers whose original assessments are determined by the commissioner of revenue. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Only the taxes, aids and related matters contained in chapters 60A, 69, 124, 270, 272, 273, 274, 275, 276, 277, 278, 279, 285, 287, 288, 290, 290A, 291, 292, 293, 294, 295, 296, 297, 297A, 297B, 297C, 297D, 298, 299, 299F, 473, 473F, and 477A shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

Sec. 13. Minnesota Statutes 1986, section 287.21, is amended by adding a subdivision to read:

Subd. 4. [TAX-FORFEITED LAND.] Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by purchasers of tax-forfeited land, persons who redeem tax-forfeited land, or local units of government that apply for use or purchase of tax-forfeited land.

Sec. 14. Minnesota Statutes 1987 Supplement, section 295.32, is amended to read:

295.32 [GROSS EARNINGS TAX; ANNUAL RETURN.]

Every telegraph company as defined in section 295.01, subdivision 9, shall file a return with the commissioner of revenue, in such form as the commissioner shall prescribe, containing a true and just report of its gross earnings derived from business within the state during the preceding calendar year, and make payment of the tax based upon the following percentages of such gross earnings:

for calendar years beginning before December 31, 1989, 6 percent,

for calendar year 1990, ~~4.5~~ 4 percent,

for calendar year 1991, ~~3~~ 2 percent,

~~for calendar year 1992, 1.5 percent,~~ and

for calendar years beginning after December 31, ~~1992~~ 1991, exempt.

Such return and payment of the tax due therewith shall be submitted on or before March first of each year, and shall be in lieu of all ad valorem taxes upon the property of such company within the state for the year during which such gross earnings accrued. The provisions of chapter 294 and acts amendatory thereto, shall be applicable to such telegraph companies and to the returns and to the taxes submitted therewith by them.

Sec. 15. Minnesota Statutes 1986, section 297D.08, is amended to read:

297D.08 [TAX RATE.]

A tax is imposed on marijuana and controlled substances as defined in section 297D.01 at the following rates:

(1) on each gram of marijuana, or each portion of a gram, $3.50; and

(2) on each gram of controlled substance, or portion of a gram, $200; or

(3) on each ~~50~~ ten dosage units of a controlled substance that is not sold by weight, or portion thereof, ~~$2,000~~ $400.

Sec. 16. Minnesota Statutes 1987 Supplement, section 298.22, subdivision 1, is amended to read:

Subdivision 1. (1) The office of commissioner of iron range resources and rehabilitation is created. The commissioner shall be appointed by the governor under the provisions of section 15.06.

(2) The commissioner may hold such other positions or appointments as are not incompatible with duties as commissioner of iron range resources and rehabilitation. The commissioner may appoint a deputy commissioner. All expenses of the commissioner, including the payment of such assistance as may be necessary, shall be paid out of the amounts appropriated by section 298.28. The compensation of the commissioner shall be set by the legislative coordinating commission and may not exceed the maximum salary set for the

commissioner of administration under section 15A.081, subdivision 1.

(3) When the commissioner shall determine that distress and unemployment exists or may exist in the future in any county by reason of the removal of natural resources or a possibly limited use thereof in the future and the decrease in employment resulting therefrom, now or hereafter, the commissioner may use such amounts of the appropriation made to the commissioner of revenue in section 298.28 as are determined to be necessary and proper in the development of the remaining resources of said county and in the vocational training and rehabilitation of its residents, except that the amount needed to cover cost overruns awarded to a contractor by an arbitrator in relation to a contract awarded by the commissioner or in effect after July 1, 1985, is appropriated from the general fund. For the purposes of this section, "development of remaining resources" includes, but is not limited to, the promotion of tourism.

Sec. 17. Minnesota Statutes 1987 Supplement, section 298.2213, subdivision 3, is amended to read:

Subd. 3. [USE OF MONEY.] The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan must be no less than the lesser of eight percent or the rate of interest ~~set by the Minnesota development board for comparable small business development loans at that time~~ that is three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved.

Money appropriated in this section must be expended only in or for the benefit of the tax relief area defined in section 273.134, and as otherwise provided in this section.

Sec. 18. Minnesota Statutes 1986, section 298.223, is amended to read:

298.223 [TACONITE AREA ENVIRONMENTAL PROTECTION FUND.]

Subdivision 1. [CREATION; PURPOSES.] A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within a tax relief area defined in section 273.134 that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic

development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the iron range resources and rehabilitation board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration or reforestation of minelands not otherwise provided for by state law;

(c) local economic development projects including construction of sewer and water systems, and other public works located within a tax relief area defined in section 273.134;

(d) monitoring of mineral industry related health problems among mining employees.

Subd. 2. [ADMINISTRATION.] The taconite environmental protection fund shall be administered by the commissioner of the iron range resources and rehabilitation board. The commissioner shall by September 1 of each year prepare a list of projects to be funded from the taconite environmental protection fund, with such supporting information including description of the projects, plans, and cost estimates as may be necessary. Upon recommendation of the iron range resources and rehabilitation board, this list shall be submitted to the legislative advisory commission for its review. This list with the recommendation of the legislative advisory commission shall then be transmitted to the governor by November 1 of each year. By December 1 of each year, the governor shall approve or disapprove, or return for further consideration, each ~~individual~~ project. Funds for a project may be expended only upon approval of the project by the governor.

The commissioner may submit supplemental projects for approval at any time. Supplemental projects approved by the board must be submitted to the members of the legislative advisory commission for their review and recommendations of further review. If a recommendation is not provided within ten days, no further review by the legislative advisory commission is required, and the governor shall approve or disapprove each project or return it for further consideration. If the recommendation by any member is for further review the governor shall submit the request to the legislative advisory commission for its review and recommendation. Failure or refusal of the commission to make a recommendation promptly is a negative recommendation.

Subd. 3. [APPROPRIATION.] There is hereby annually appropriated to the commissioner of iron range resources and rehabilitation such funds as are necessary to carry out the projects approved and such funds as are necessary for administration of this section.

Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the amount annually expended from the fund.

Funds for the purposes of this section are provided by section 298.28, subdivision 11 relating to the taconite environmental protection fund.

Sec. 19. Minnesota Statutes 1986, section 298.28, subdivision 3, is amended to read:

Subd. 3. [CITIES; TOWNS.] (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b) of this subdivision, must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed $55 per capita in the case of a township or $75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. The county auditor shall extend the township's or city's levy against the sum of the township's or city's current assessed value plus the difference between 50 percent of its January 2, 1982, assessed value and its current assessed value in the case of a township and between 50 percent of its January 2, 1980, assessed value and its current assessed value in the case of a city. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply.

Sec. 20. Minnesota Statutes 1986, section 373.40, subdivision 4, as added by H.F. No. 1796, if enacted, is amended to read:

Subd. 4. [LIMITATIONS ON AMOUNT.] A county, other than Hennepin or Ramsey, may not issue bonds under this section if the

maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed one mill multiplied by the taxable assessed value of property in the county. Ramsey county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed 1.2 mills multiplied by the taxable assessed value of property in the county. Hennepin county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section together with the bonds proposed to be issued, will equal or exceed one-half mill multiplied by the taxable assessed value of the property in the county. Calculation of the limit must be made using the taxable assessed value for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

Sec. 21. Minnesota Statutes 1986, section 387.212, is amended to read:

387.212 [CONTINGENT FUND.]

The board of county commissioners in any county may create a sheriff's contingent fund and may credit thereto not more than ~~$3,000~~ $10,000. The money in such fund may be used for the advancement and reimbursement of expenses of the sheriff and the sheriff's office. Such moneys shall be disbursed by the county treasurer in accordance with rules and regulations prescribed by the board. Any balance remaining at the end of the year shall be transferred to the revenue fund.

Sec. 22. [424A.10] [STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.]

Subdivision 1. [DEFINITION.] For purposes of this section, "qualified recipient" means an individual who receives an involuntary lump sum distribution of pension or retirement benefits from a firefighters' relief association for service performed as a volunteer firefighter.

Subd. 2. [PAYMENT OF SUPPLEMENTAL BENEFIT.] Upon the payment by a firefighters' relief association of an involuntary lump sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association may pay the supplemental benefit out of its special fund. The amount of this benefit equals ten percent of the regular involuntary lump sum distribution that is paid on the basis of service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed $1,000.

Subd. 3. [STATE REIMBURSEMENT.] By February 15 of each year, the relief association shall apply to the commissioner of revenue for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year. By March 15 the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid to qualified recipients. The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The reimbursement payment must be deposited in the special fund of the relief association.

Subd. 4. [IN LIEU OF INCOME TAX EXCLUSION.] The supplemental benefit provided by this section is in lieu of the state income tax exclusion for involuntary lump sum distributions of retirement benefits paid to volunteer firefighters. If the law is modified to exclude or exempt volunteer firefighters' lump sum distributions from state income taxation, the supplemental benefits under this section may no longer be paid beginning with the first calendar year in which the exclusion or exemption is effective. This subdivision does not apply to exemption of all or part of a lump sum distribution under section 290.032 or 290.0802.

Sec. 23. Minnesota Statutes 1987 Supplement, section 469.170, is amended by adding a subdivision to read:

Subd. 5d. [AMENDMENT OF PLANS.] A written multiyear enterprise zone tax credit distribution plan submitted under subdivision 5a, 5b, or 5c, may be amended, provided that an initial amendment may be made no sooner than two years from the date of submission of the original plan, and subsequent amendments may be made no sooner than two years after the most recent prior amendment.

Sec. 24. Minnesota Statutes 1986, section 473.843, subdivision 2, is amended to read:

Subd. 2. [DISPOSITION OF PROCEEDS.] After reimbursement to the department of revenue for costs incurred in administering this section, the proceeds of the fees imposed under this section, including interest and penalties, must be deposited as follows:

(a) one-half of the proceeds must be deposited in the landfill abatement fund established in section 473.844; and

(b) one-half of the proceeds must be deposited in the metropolitan landfill contingency action fund established in section 473.845.

Sec. 25. Minnesota Statutes 1986, section 507.235, subdivision 1, is amended to read:

Subdivision 1. [FILING REQUIRED.] All contracts for deed executed on or after January 1, 1984, shall be recorded within six months in the office of the county recorder or registrar of titles in the county in which the land is situated. This filing period may be extended if failure to pay the property tax due in the current year on a parcel as required in section 272.121 has prevented filing and recording of the contract. In the case of a parcel that was divided and classified under section 273.13 as class 1a or 1b, the period may be extended to October 31 of the year in which the sale occurred, and in the case of a parcel that was divided and classified under section 273.13 as class 2a, the period may be extended to November 30 of the year in which the sale occurred.

Sec. 26. Minnesota Statutes 1987 Supplement, section 508.25, is amended to read:

508.25 [RIGHTS OF PERSON HOLDING CERTIFICATE OF TITLE.]

Every person receiving a certificate of title pursuant to a decree of registration and every subsequent purchaser of registered land who receives a certificate of title in good faith and for a valuable consideration shall hold it free from all encumbrances and adverse claims, excepting only the estates, mortgages, liens, charges, and interests as may be noted in the last certificate of title in the office of the registrar, and also excepting any of the following rights or encumbrances subsisting against it, if any:

(1) Liens, claims, or rights arising or existing under the laws or the constitution of the United States, which this state cannot require to appear of record;

(2) The lien of any real property tax or special assessment for which the land has not been sold at the date of the certificate of title;

(3) Any lease for a period not exceeding three years when there is actual occupation of the premises thereunder;

(4) All rights in public highways upon the land;

(5) The right of appeal, or right to appear and contest the application, as is allowed by this chapter;

(6) The rights of any person in possession under deed or contract for deed from the owner of the certificate of title;

(7) Any outstanding mechanics lien rights which may exist under sections 514.01 to 514.17.

~~(8)~~ No existing or future liens or judgments~~, notwithstanding~~

~~section 508.63,~~ arising under the laws of this state for the nonpayment of any amounts due under chapter 268 or any tax administered by the commissioner of revenue may encumber title to lands registered under chapter 508 unless filed under the terms of chapter 508.

Sec. 27. Laws 1988, chapter 516, section 3, is amended to read:

Sec. 3. [AREA OF OPERATION.]

The area of operation of the joint authority and the project for purposes of Minnesota Statutes, section 469.174, subdivision 8 shall include all of Cook county. The Grand Marais city council must approve any project ~~as defined in Minnesota Statutes, section 469.174, subdivision 8,~~ and any economic development district as defined in Minnesota Statutes, section 469.101, if the project or economic development district includes real property within the boundaries of Grand Marais or includes real property owned by Grand Marais.

Sec. 28. H.F. No. 1796, section 6, if enacted, is amended to read:

Sec. 6. [EFFECTIVE DATE.]

Section 5 is effective upon compliance by the Hennepin county board with Minnesota Statutes, section 645.021. The rest of this act is effective June 1, 1988.

Sec. 29. [REFUNDING BONDS.]

The city of Little Falls in Morrison county, by resolution of its city council, may issue and sell general obligation refunding bonds of the city in a principal amount not exceeding $3,300,000, the proceeds of which are to be used to refund the city's general obligation tax increment bonds of 1985. The refunding bonds shall be issued and sold in accordance with Minnesota Statutes, chapter 475, except that:

(1) the refunding bonds shall be treated as obligations described in Minnesota Statutes, section 475.58, subdivision 1, paragraph (3);

(2) Minnesota Statutes, section 475.67, subdivision 12, shall not apply;

(3) the amount of bonds issued shall not be included in computing any debt limitation applicable to the city; and

(4) the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds shall not be

subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Sec. 30. [APPLICATION OF PROCEEDS OF REFUNDED BONDS.]

The city of Little Falls in Morrison county, by resolution of its city council, may appropriate any of the unexpended proceeds of its general obligation tax increment bonds of 1985, except proceeds held in the debt service fund for the bonds, to any other municipal purpose for which the city could issue its bonds, including the purposes set forth in Minnesota Statutes, section 475.52, subdivision 1 or 2, 429.021, or 444.075. To the extent that the proceeds are appropriated for an improvement for which special assessments are levied or tax increments are collectible, the city shall appropriate the receipts from the special assessments or tax increments, subject to any prior pledge of them to secure other obligations of the city, to the payment of the general obligation tax increment bonds of 1985, or to the payment of any refunding bonds issued pursuant to section 29.

Sec. 31. [CITY OF HERMANTOWN; PROPERTY TAXES ON LAND HELD FOR ECONOMIC DEVELOPMENT.]

Notwithstanding the time limitation contained in Minnesota Statutes 1986, section 272.02, subdivision 5, the holding of property that has been held for seven years as of August 1, 1987, by the city of Hermantown for later resale for economic development purposes is a public purpose under Minnesota Statutes, section 272.02, subdivision 1, clause (7), for a period not to exceed 10 years. This section does not apply if buildings or other improvements are constructed after acquisition of the property, and if more than one-half of the floor space of the buildings or improvements that is available for lease to or use by a private individual, corporation, or other entity is leased to or otherwise used by a private individual, corporation, or other entity. This section does not create an exemption from Minnesota Statutes, section 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

Sec. 32. [RAMSEY COUNTY; AUTHORIZATION FOR BONDS.]

Ramsey county may issue general obligation bonds in one or more series in an amount not to exceed $2,000,000, in the aggregate, to finance the restoration of the concourse of the St. Paul union depot as a facility for the exhibition of works of art, the proceeds of which may not be used for that purpose until $500,000 in operational funding has been committed by nonpublic sources. The bonds shall be issued pursuant to Minnesota Statutes, chapter 475, except that

the bonds shall not be subject to its election requirements or debt limits. They shall not be subject to any other debt or tax levy limitations applicable to the county and shall not be considered in calculating amounts subject to any other debt or tax levy limitations. Levies by the county for debt servicing payment for the retirement of the bonds shall be exempt from and disregarded in the calculation of all tax levy limitations applicable to the county.

Sec. 33. [CITY OF SHAFER BOND ISSUE.]

The city of Shafer may issue general obligation bonds of the city in an aggregate principal amount not to exceed $40,000 to finance the acquisition and betterment of a municipal building. The bonds shall be issued and sold in accordance with the provisions of Minnesota Statutes, chapter 475, including the provision requiring the approval of a majority of the electors voting on the question of issuing the bonds. Notwithstanding any other statutory or charter provision, the principal amount of bonds issued shall not be included in computing any debt limit applicable to the city, nor shall the taxes required to be levied to pay the principal of and interest on the bonds be subject to any levy limitation or be included in computing any levy limitation applicable to the city.

Sec. 34. [STEARNS COUNTY; PROPERTY TAX REFUND.]

Stearns county shall refund to Lake Koronis Assembly Grounds the property taxes assessed in 1985, paid in 1986, for the parcels identified as 26-16447-03, 26-15788-00, 26-15790-00, 26-15788-04, 26-16447-02, 26-16447-04, 26-16447-16, 26-16447-06, and 26-16447-07.

Stearns county shall refund to Lake Koronis Assembly Grounds the amount of $4,786 according to the following schedule:

one-third by August 1, 1988;

one-third by July 1, 1989; and

one-third by July 1, 1990.

The refund shall be paid from the property taxes and charged against the receipts held by the county for the taxing jurisdictions in the same proportion as the taxes paid on this property in 1986. No interest shall be paid on the amounts refunded.

Sec. 35. [HARDSHIP LOANS.]

Notwithstanding the limitations on the metropolitan council's authority to make hardship loans in Minnesota Statutes, section 473.167, subdivision 2a, paragraph (b), the council may make

hardship loans until December 31, 1988, to Washington county to purchase homestead property from and provide relocation assistance to property owners affected by hardship acquisitions incurred because of adoption of the Washington county Big Marine Park master plan. Except as provided in this section, the hardship loans must be made in accordance with Minnesota Statutes, section 473.167, subdivisions 2 and 2a.

Sec. 36. [APPROPRIATION.]

(a) $49,000 is appropriated for fiscal year 1989 from the general fund to the commissioner of revenue for purposes of preparing income tax samples under section 10.

(b) $263,000 is appropriated for fiscal year 1988 from the general fund to the commissioner of revenue for purposes of administering restoration of property tax refunds under article 4, section 12. Amounts not expended in fiscal year 1988 are available in fiscal year 1989.

(c) $45,000 is appropriated for fiscal year 1989 from the general fund to the commissioner of revenue for purposes of administering property tax refund targeting under article 4, section 7.

(d) $165,000 is appropriated for fiscal year 1989 from the general fund to the commissioner of revenue for purposes of administering the property tax reform provisions of article 5.

(e) $600,000 is appropriated for fiscal year 1989 from the general fund to the commissioner of revenue to make reimbursement payments to firefighters' relief associations under section 22.

Sec. 37. [REPEALER.]

(a) Minnesota Statutes 1987 Supplement, sections 296.02, subdivisions 2a and 2b, as amended by H.F. No. 1749, if enacted, and 296.025, subdivisions 2a and 2b, as amended by H.F. No. 1749, if enacted, are repealed.

(b) Laws 1987, chapter 268, article 3, section 11 is repealed.

Sec. 38. [EFFECTIVE DATE.]

Sections 1, 15, and 19 are effective July 1, 1988. Section 13 is effective for all instruments recorded after May 31, 1987. Sections 11, 12, 14, 16, 17, 18, 21, 23, 24, 25, 36, and 37, paragraph (b), are effective the day following final enactment. Sections 20 and 28 are effective June 1, 1988. Section 26 is effective retroactive to August 1, 1987. Section 22 is effective for lump sums paid after December

31, 1986. Section 27 is effective at the same time Laws 1988, chapter 516, is effective.

Pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), sections 29, 30, and 33 are effective without local approval on the day following final enactment.

Section 31 is effective the day after compliance with Minnesota Statutes, section 645.021 by the city council of Hermantown and terminates effective with taxes levied in 1989, payable 1990. Section 32 is effective the day after filing of certificates of local approval by the governing body of the city of St. Paul and the Ramsey county board in compliance with Minnesota Statutes, section 645.021, subdivision 3. Section 37, paragraph (a) is effective retroactive to July 1, 1987.

Section 27 is effective the day after compliance by the governing bodies of Cook county and the city of Grand Marais with Minnesota Statutes, section 645.021, subdivision 3.

Section 35 is effective in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington."

Delete the title and insert:

"A bill for an act relating to the financing of government in Minnesota; changing tax rates and bases; modifying the administration, collection, and enforcement of taxes; imposing taxes; changing the computation, administration, and payment of aids, credits, and refunds; limiting taxing powers; transferring and imposing governmental powers and duties; making technical corrections and clarifications; providing bonding authority to Hennepin county, Ramsey county, the city of Little Falls, and the city of Shafer; authorizing establishment of special service districts in the cities of Robbinsdale, Minneapolis, and White Bear Lake; imposing penalties; appropriating money and reducing appropriations; amending Minnesota Statutes 1986, sections 62E.13, by adding a subdivision; 69.031, subdivision 3; 183.411, subdivisions 1, 3, and by adding a subdivision; 183.466; 183.51, subdivisions 4, 7, and 10; 237.075, subdivision 8; 256.72; 256.81; 256.82, subdivision 1; 256.863; 256.871, subdivision 6; 256.935, subdivision 1; 256.991; 256B.041, subdivisions 5 and 7; 256B.05, subdivision 1; 256B.19, subdivision 2; 256D.03, subdivision 6; 256D.04; 256D.36, subdivision 1; 270.075, subdivision 2; 270.41; 270.70, subdivision 1; 271.01, subdivision 5; 273.01; 273.05, subdivision 1; 273.061, subdivision 2; 273.112, subdivisions 3 and 6; 273.121; 273.124, subdivisions 1 and 6; 273.13, by adding a subdivision; 273.1315; 273.40; 275.07, by adding a subdivision; 275.08, by adding subdivisions; 275.51, subdivision 3f, and by adding a subdivision; 277.05; 277.06; 279.01, subdivision 3; 287.21, by adding a subdivision; 290.01, by adding subdivisions; 290.06, by adding a subdivision; 290.067, subdivision 1; 290.39, by

adding a subdivision; 290.50, subdivision 3; 290.92, subdivision 21; 290.931, subdivision 1; 290.934, subdivisions 1, 3, and by adding a subdivision; 290A.03, subdivision 7; 290A.04, by adding a subdivision; 297.01, by adding a subdivision; 297.03, subdivision 12, and by adding a subdivision; 297.041, subdivision 1; 297.06, subdivisions 1, 2, 3, and by adding a subdivision; 297.08, subdivision 1; 297.12, subdivision 1; 297.35, by adding a subdivision; 297A.15, subdivisions 1 and 5; 297A.16; 297A.17; 297A.21; 297A.25, subdivision 5, and by adding subdivisions; 297A.256; 297A.35, subdivision 1; 297C.02, subdivisions 3 and 4; 297C.03, by adding a subdivision; 297C.07; 297D.08; 298.223; 298.28, subdivisions 3 and 6; 299.01, subdivision 1; 303.03; 329.11; 349.12, subdivision 18, and by adding subdivisions; 349.2121, subdivisions 1, 2, 5, and by adding a subdivision; 349.22, subdivision 1, and by adding subdivisions; 373.40, subdivision 4; 375.192, subdivision 1; 387.212; 393.07, subdivision 2; 473.843, subdivision 2; 473F.02, by adding a subdivision; 473F.07, subdivisions 4 and 5; 473F.08, subdivisions 1, 3, 3a, 5, and 10; 473F.10; 477A.011, by adding subdivisions; 477A.015; and 507.235, subdivision 1; Minnesota Statutes 1987 Supplement, sections 16A.15, subdivision 6; 16A.1541; 60A.15, subdivision 1; 60E.04, subdivision 4; 69.021, subdivision 5; 69.54; 124.155, subdivision 2; 124.2131, subdivision 3; 124.2139; 124A.02, subdivisions 3a and 11; 256.01, subdivision 2; 256B.091, subdivision 8; 256B.15; 256B.19, subdivision 1; 256B.431, subdivision 2b; 256D.03, subdivision 2; 256G.01, subdivision 3; 256G.02, subdivision 4; 256G.04, subdivision 1; 256G.05; 256G.07; 256G.10; 256G.11; 270.485; 272.01, subdivision 2; 272.02, subdivision 1; 272.115, subdivision 4; 272.121; 273.061, subdivision 1; 273.1102, by adding a subdivision; 273.1195; 273.123, subdivisions 4 and 5; 273.124, subdivisions 8, 11, and 13; 273.13, subdivisions 15a, 22, 23, 24, 25, and 31; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1392; 273.1393; 273.165, subdivision 2; 273.37, subdivision 2; 274.01, subdivision 1; 275.07, subdivision 1; 275.50, subdivisions 2 and 5; 275.51, subdivisions 3h and 3i; 276.04; 276.06; 279.01, subdivision 1; 290.01, subdivisions 3a, 4, 5, 7, 19, 19a, 19b, 19c, 19d, 19e, 20, and 29; 290.015, subdivisions 1, 2, 3, and 4; 290.032, subdivision 2; 290.06, subdivisions 1, 2c, and 21; 290.081; 290.092, subdivisions 3, 4, 5, and by adding a subdivision; 290.095, subdivisions 1, 2, 3, and by adding a subdivision; 290.10; 290.17, subdivisions 2 and 4; 290.191, subdivisions 1, 4, 5, 6, and 11; 290.21, subdivisions 3 and 4; 290.34, subdivision 2; 290.35, subdivision 2; 290.37, subdivision 1; 290.371, subdivisions 1, 3, 4, and 5; 290.38; 290.41, subdivision 2; 290.491; 290.92, subdivisions 7 and 15; 290.934, subdivision 2; 290.9725; 290A.03, subdivisions 3, 13, 14, and 15; 290A.04, subdivisions 2 and 2b; 290A.06; 295.32; 295.34, subdivision 1; 297.01, subdivisions 7 and 14; 297.03, subdivision 6; 297.11, subdivision 5; 297A.01, subdivision 3; 297A.212; 297A.25, subdivisions 3 and 11; 297B.03; 297C.04; 298.01, subdivisions 3 and 4; 298.22, subdivision 1; 298.2213, subdivision 3; 349.212, subdivisions 1 and 4; 349.2121, subdivisions 4a and 10; 349.2122; 349.2123; 393.07, subdivision 10; 469.170, by adding a subdivision; 469.174, subdivisions 2, 7, 10, 11, and by adding subdivisions; 469.175, subdivisions 1, 2, 3, 4, and by adding subdivisions; 469.176, subdi-

visions 1, 4, 5, and 6; 469.177, subdivisions 1, 3, 4, and by adding subdivisions; 469.179; 473.446, subdivision 1; 473F.02, subdivision 4; 473F.05; 473F.06; 473F.07, subdivision 1; 473F.08, subdivisions 2, 4, and 6; 475.53, subdivision 4; 475.61, subdivision 3; 477A.013, subdivisions 1, 2, and by adding subdivisions; and 508.25; Laws 1987, chapter 268, articles 3, section 12; 6, sections 53 and 54; Laws 1988, chapter 516, section 3; proposing coding for new law in Minnesota Statutes, chapters 256, 270, 273, 275, 290, 290A, 297, 297C, 298, 349, 375, and 424A; proposing coding for new law as Minnesota Statutes, chapter 428A; repealing Minnesota Statutes 1986, sections 13.58; 124.2131, subdivision 4; 124.2137; 124.2139; 124A.031, subdivision 4; 256.965; 272.64; 273.112, subdivision 9; 273.115; 273.116; 273.13, subdivisions 7a, 26, 27, 28, 29, and 30; 273.1311; 273.1315; 273.135, subdivision 5; 273.1391, subdivision 4; 275.035; 275.49; 275.50, subdivisions 3, 7, and 8; 290.07, subdivisions 3 and 6; 290.11; 290.12, as amended; 290.131, as amended; 290.132, as amended; 290.133, as amended; 290.134, as amended; 290.135, as amended; 290.136, as amended; 290.138, as amended; 290.934, subdivision 4; 297A.15, subdivision 2; 297C.03, subdivision 5; 298.401; 299.013; 477A.011, subdivisions 4, 5, 6, 7a, 10, 11, 12, 13, and 14; Minnesota Statutes 1987 Supplement, sections 256D.22; 273.1102, subdivision 2; 273.1195; 273.13, subdivisions 9 and 15a; 273.1394; 273.1395; 273.1396; 273.1397; 275.081; 275.082; 275.125, subdivision 22; 290.06, subdivision 20; 290.077, subdivision 1; 290.14; 290.21, subdivision 8; 290.371, subdivision 2; 290A.04, subdivision 2a; 296.02, subdivisions 2a and 2b; 296.025, subdivisions 2a and 2b; and 477A.011, subdivision 7; Laws 1987, chapter 268, articles 3, section 11; and 6, section 19."

We request adoption of this report and repassage of the bill.

House Conferees: GORDON O. VOSS, ANN WYNIA, DEE LONG, ROBERT VANASEK AND PAUL ANDERS OGREN.

Senate Conferees: DOUGLAS J. JOHNSON, STEVEN G. NOVAK, JOHN BERNHAGEN, JOHN E. BRANDL AND LAWRENCE J. POGEMILLER.

Voss moved that the report of the Conference Committee on H. F. No. 2590 be adopted and that the bill be repassed as amended by the Conference Committee. The motion prevailed.

H. F. No. 2590, A bill for an act relating to the financing of government in Minnesota; changing tax rates and bases; modifying the administration, collection, and enforcement of taxes; imposing taxes; changing the computation, administration, and payment of aids, credits, and refunds; limiting taxing powers; transferring and imposing governmental powers and duties; making technical correc-

tions and clarifications; providing bonding authority to Hennepin County; imposing penalties; appropriating money and reducing appropriations; amending Minnesota Statutes 1986, sections 69.031, subdivision 3; 168.011, subdivision 8; 168.012, subdivision 9; 237.075, subdivision 8; 240.01, by adding a subdivision; 240.13, subdivisions 4 and 6; 240.15, subdivisions 1, 3, and 6; 240.18; 270.075, subdivision 2; 270.41; 270.70, subdivision 1; 271.01, subdivision 5; 273.05, subdivision 1; 273.061, subdivision 2; 273.112, subdivisions 3 and 6; 273.121; 273.124, subdivisions 1 and 6; 273.13, by adding a subdivision; 273.40; 279.01, subdivision 3; 287.21, by adding a subdivision; 290.01, by adding a subdivision; 290.06, by adding subdivisions; 290.39, by adding a subdivision; 290.50, subdivision 3; 290.92, subdivisions 2a and 21; 290.931, subdivision 1; 290.934, subdivisions 1, 3, and by adding a subdivision; 290A.03, subdivision 7; 297.01, by adding a subdivision; 297.03, subdivision 12, and by adding a subdivision; 297.041, subdivision 1; 297.06, subdivisions 1, 2, 3, and by adding a subdivision; 297.08, subdivision 1; 297.12, subdivision 1; 297.35, by adding a subdivision; 297A.02, subdivision 4; 297A.15, subdivisions 1 and 5; 297A.16; 297A.17; 297A.21; 297A.25, subdivisions 5, 8, 27, and by adding subdivisions; 297A.256; 297C.02, subdivisions 3 and 4; 297C.03, by adding a subdivision; 297C.07; 297D.08; 298.223; 303.03; 329.11; 349.12, subdivision 18, and by adding subdivisions; 349.2121, subdivisions 1, 2, 5, and by adding a subdivision; 349.22, subdivision 1, and by adding subdivisions; 375.192, subdivision 1; 375.83; 473.167, subdivisions 2, 3, and by adding subdivisions; 473.249, subdivision 1, and by adding a subdivision; 473.446, subdivision 3, and by adding a subdivision; 473.711, subdivision 2, and by adding a subdivision; 473.843, subdivision 2; 477A.011, subdivision 11, and by adding a subdivision; and 477A.015; Minnesota Statutes 1987 Supplement, sections 16A.1541; 60A.15, subdivision 1; 60E.04, subdivision 4; 69.021, subdivision 5; 69.54; 124.155, subdivision 2; 124A.02, subdivisions 3a and 11; 240.13, subdivision 5; 270.485; 272.02, subdivision 1; 272.115, subdivision 4; 272.121; 273.061, subdivision 1; 273.1195; 273.123, subdivisions 4 and 5; 273.124, subdivisions 11 and 13; 273.13, subdivisions 23, 24, and 25; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1392; 273.1393; 273.1397, subdivision 2; 273.165, subdivision 2; 273.42, subdivision 2; 274.01, subdivision 1; 274.19, subdivisions 1, 2, 3, 4, 6, 7, and 8; 275.07, subdivision 1; 275.50, subdivision 2; 275.51, subdivision 3h; 276.04; 279.01, subdivision 1; 290.01, subdivisions 3a, 4, 7, 19, 19a, 19b, 19c, 19d, 19e, and 20; 290.015, subdivisions 1, 2, 3, and 4; 290.06, subdivisions 1, 2c, and 21; 290.081; 290.092, subdivisions 3, 4, 5, and by adding a subdivision; 290.095, subdivisions 1, 3, and by adding a subdivision; 290.10; 290.17, subdivision 2; 290.191, subdivisions 6 and 11; 290.21, subdivisions 3 and 4; 290.35, subdivision 2; 290.371, subdivisions 1, 3, 4, and 5; 290.38; 290.41, subdivision 2; 290.92, subdivisions 7 and 15; 290.934, subdivision 2; 290.9725; 290A.03, subdivisions 3, 13, 14, and 15; 290A.04, subdivision 2; 290A.06; 295.32; 295.34, subdivision 1; 297.01, subdivisions 7 and 14; 297.03, subdivision 6; 297.11, subdivision 5; 297A.01, subdivision 3; 297A.212; 297A.25, subdivisions 3 and 11; 297B.03; 297C.04;

298.2213, subdivision 3; 299.01, subdivision 1; 349.212, subdivisions 1 and 4; 349.2121, subdivisions 4a and 10; 349.2122; 349.2123; 469.174, subdivision 10; 469.175, subdivisions 1, 2, 3, 4, and by adding a subdivision; 469.176, subdivisions 1, 4, and 6; 469.177, subdivisions 1, 3, 4, and by adding subdivisions; 473.446, subdivision 1; 475.53, subdivision 4; 475.61, subdivision 3; 477A.012, subdivision 1; and 508.25; Laws 1987, chapter 268, article 6, sections 19, 53, and 54; and article 8, section 9; proposing coding for new law in Minnesota Statutes, chapters 270; 273; 275; 290; 290A; 297; 297C; 298; 349; and 424A; repealing Minnesota Statutes 1986, sections 272.64; 273.13, subdivisions 7a and 30; 275.035; 275.49; 290.07, subdivisions 3 and 6; 290.11; 290.12, as amended; 290.131, as amended; 290.132, as amended; 290.133, as amended; 290.134, as amended; 290.135, as amended; 290.136, as amended; 290.138, as amended; 290.934, subdivision 4; 297A.15; subdivision 2; 297C.03, subdivision 5; 298.401; and 299.013; Minnesota Statutes 1987 Supplement, sections 273.1195; 273.13, subdivision 15a; 273.1394; 273.1395; 273.1396; 273.1397; 275.081; 275.082; 275.125, subdivision 22; 290.06, subdivision 20; 290.077, subdivision 1; 290.14; 290.371, subdivision 2; 290A.04, subdivisions 2a and 2b; 296.02, subdivisions 2a and 2b; and 296.025, subdivisions 2a and 2b; Laws 1987, chapter 268, article 3, section 11; and article 5, section 4.

The bill was read for the third time, as amended by Conference, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 107 yeas and 24 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Dille	Kinkel	Nelson, D.	Redalen
Anderson, R.	Dorn	Kludt	Nelson, K.	Reding
Battaglia	Frederick	Knuth	Neuenschwander	Rest
Bauerly	Greenfield	Kostohryz	O'Connor	Rice
Beard	Gruenes	Krueger	Ogren	Richter
Begich	Hartle	Larsen	Olson, E.	Riveness
Bertram	Hugoson	Lasley	Olson, K.	Rodosovich
Boo	Jacobs	Lieder	Omann	Rukavina
Brown	Jaros	Long	Onnen	Sarna
Carlson, D.	Jefferson	Marsh	Orenstein	Schafer
Carlson, L.	Jennings	McEachern	Otis	Scheid
Carruthers	Jensen	McKasy	Ozment	Segal
Clark	Johnson, A.	McLaughlin	Pappas	Skoglund
Cooper	Johnson, R.	Milbert	Pelowski	Solberg
Dauner	Johnson, V.	Miller	Peterson	Sparby
Dawkins	Kahn	Minne	Poppenhagen	Steensma
DeBlieck	Kalis	Munger	Price	Sviggum
Dempsey	Kelly	Murphy	Quinn	Swenson
DeRaad	Kelso	Nelson, C.	Quist	Tompkins

Trimble	Vellenga	Waltman	Winter
Tunheim	Voss	Welle	Wynia
Uphus	Wagenius	Wenzel	Spk. Vanasek

Those who voted in the negative were:

Bennett	Gutknecht	McDonald	Pauly	Stanius
Burger	Haukoos	McPherson	Rose	Thiede
Clausnitzer	Heap	Morrison	Schreiber	Tjornhom
Forsythe	Himle	Olsen, S.	Seaberg	Valento
Frerichs	Knickerbocker	Osthoff	Shaver	

The bill was repassed, as amended by Conference, and its title agreed to.

MESSAGES FROM THE SENATE, Continued

Mr. Speaker:

I hereby announce that the Senate has concurred in and adopted the report of the Conference Committee on:

H. F. No. 2008, A bill for an act relating to elections; clarifying certain public campaign financing limits; amending Minnesota Statutes 1986, sections 10A.15, by adding a subdivision; and 10A.25, subdivision 10; Minnesota Statutes 1987 Supplement, sections 10A.255, subdivision 1; and 10A.32, subdivision 3; repealing Minnesota Statutes 1986, section 10A.32, subdivision 3b.

The Senate has repassed said bill in accordance with the recommendation and report of the Conference Committee. Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate refuses to concur in the House amendments to Senate File No. 2292:

S. F. No. 2292, A bill for an act relating to state lands; authorizing sale of certain tax-forfeited lands that border public water in Pine county.

The Senate respectfully requests that a Conference Committee be appointed thereon. The Senate has appointed as such committee:

Messrs. Chmielewski, Pehler and Peterson, R. W.

Said Senate File is herewith transmitted to the House with the

request that the House appoint a like committee.

PATRICK E. FLAHAVEN, Secretary of the Senate

Carlson, D., moved that the House accede to the request of the Senate and that the Speaker appoint a Conference Committee of 3 members of the House to meet with a like committee appointed by the Senate on the disagreeing votes of the two houses on S. F. No. 2292. The motion prevailed.

ANNOUNCEMENT BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 2292:

Carlson, D.; Jennings and Solberg.

REPORTS FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Wynia, for the Committee on Rules and Legislative Administration, offered the following report and moved its adoption:

Be It Resolved, that during the period of time between adjournment sine die in 1988 and the convening of the House of Representatives in 1989, the House Chamber, House Retiring Room, House Hearing and Conference Rooms, House Offices, and the Chief Clerk's Offices shall be reserved for use by the House of Representatives as the Speaker of the House may authorize. The House Chamber and House Retiring Room may be made available for the annual meeting of the YMCA Youth in Government program and Girls' State, provided these organizations confirm dates with the Speaker of the House at least 30 days in advance.

The motion prevailed and the report was adopted.

Wynia, for the Committee on Rules and Legislative Administration, offered the following report and moved its adoption:

Be It Resolved, that the House of Representatives retain parts of parking lots B, C, D, E, and Q during the period of time between adjournment sine die in 1988 and convening of the House of Representatives in 1989 which are necessary for use of members and employees of the House of Representatives.

The question was taken on the report and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 127 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Greenfield	Lasley	Orenstein	Shaver
Anderson, R.	Gruenes	Lieder	Osthoff	Skoglund
Battaglia	Gutknecht	Long	Otis	Solberg
Bauerly	Hartle	Marsh	Ozment	Sparby
Beard	Haukoos	McDonald	Pappas	Steensma
Begich	Heap	McEachern	Pauly	Sviggum
Bertram	Himle	McKasy	Pelowski	Swenson
Boo	Hugoson	McLaughlin	Peterson	Thiede
Brown	Jacobs	McPherson	Poppenhagen	Tjornhom
Burger	Jaros	Milbert	Price	Tompkins
Carlson, D.	Jefferson	Miller	Quinn	Trimble
Carlson, L.	Jennings	Minne	Quist	Tunheim
Carruthers	Jensen	Morrison	Redalen	Uphus
Clark	Johnson, A.	Munger	Reding	Valento
Clausnitzer	Johnson, R.	Murphy	Rest	Vellenga
Cooper	Johnson, V.	Nelson, C.	Rice	Voss
Dauner	Kalis	Nelson, D.	Riveness	Wagenius
Dawkins	Kelly	Nelson, K.	Rodosovich	Waltman
DeBlieck	Kelso	Neuenschwander	Rose	Welle
Dempsey	Kinkel	O'Connor	Rukavina	Wenzel
DeRaad	Kludt	Ogren	Sarna	Winter
Dille	Knickerbocker	Olsen, S.	Schafer	Wynia
Dorn	Knuth	Olson, E.	Scheid	Spk. Vanasek
Forsythe	Kostohryz	Olson, K.	Schreiber	
Frederick	Krueger	Omann	Seaberg	
Frerichs	Larsen	Onnen	Segal	

The motion prevailed and the report was adopted.

Wynia, for the Committee on Rules and Legislative Administration, offered the following report and moved its adoption:

Be It Resolved, that the Chief Clerk of the House of Representatives be authorized and is hereby directed to correct and approve the Journal of the House for the last day of the 75th Regular Session.

Be It Further Resolved, that the Chief Clerk of the House of Representatives be and is hereby authorized to include in the Journal of the House for the last day of the 75th Regular Session any subsequent proceedings and any appointments to legislative interim committees or commissions.

The motion prevailed and the report was adopted.

Wynia, for the Committee on Rules and Legislative Administration, offered the following report and moved its adoption:

Be It Resolved, that the Committee on Rules and Legislative Administration be and is hereby assigned all functions within its usual jurisdiction during the interim following adjournment sine die in 1988.

Be It Further Resolved, that the Committee on Rules and Legislative Administration or a duly appointed subcommittee thereof, shall contract for necessary printing of the House of Representatives for the 76th Regular Session and any special sessions held prior to the 77th Regular Session.

The question was taken on the report and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 130 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Greenfield	Larsen	Onnen	Seaberg
Battaglia	Gruenes	Lasley	Orenstein	Segal
Bauerly	Gutknecht	Lieder	Osthoff	Shaver
Beard	Hartle	Long	Otis	Skoglund
Begich	Haukoos	Marsh	Ozment	Solberg
Bennett	Heap	McDonald	Pappas	Sparby
Bertram	Himle	McEachern	Pauly	Stanius
Boo	Hugoson	McKasy	Pelowski	Steensma
Brown	Jacobs	McLaughlin	Peterson	Sviggum
Burger	Jaros	McPherson	Poppenhagen	Swenson
Carlson, D.	Jefferson	Milbert	Price	Thiede
Carlson, L.	Jennings	Miller	Quinn	Tjornhom
Carruthers	Jensen	Minne	Quist	Tompkins
Clark	Johnson, A.	Morrison	Redalen	Trimble
Clausnitzer	Johnson, R.	Munger	Reding	Tunheim
Cooper	Johnson, V.	Murphy	Rest	Uphus
Dauner	Kahn	Nelson, C.	Rice	Valento
Dawkins	Kalis	Nelson, D.	Richter	Vellenga
DeBlieck	Kelly	Nelson, K.	Riveness	Voss
Dempsey	Kelso	Neuenschwander	Rodosovich	Wagenius
DeRaad	Kinkel	O'Connor	Rose	Waltman
Dille	Kludt	Ogren	Rukavina	Welle
Dorn	Knickerbocker	Olsen, S.	Sarna	Wenzel
Forsythe	Knuth	Olson, E.	Schafer	Winter
Frederick	Kostohryz	Olson, K.	Scheid	Wynia
Frerichs	Krueger	Omann	Schreiber	Spk. Vanasek

The motion prevailed and the report was adopted.

Wynia, for the Committee on Rules and Legislative Administration, offered the following report and moved its adoption:

Be It Resolved, that the Chief Clerk of the House of Representa-

tives is directed to give a service recognition award to House members and House employees who have served at least one complete legislative session, who do not return to the 1989 Session. This award shall recognize and thank them for their service to the State of Minnesota and may not be in the form of compensation or a monetary gift. The award shall be given to the appropriate family member if the legislator or staff member is deceased. It will be presented the first week in January, 1989.

The question was taken on the report and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 127 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frerichs	Krueger	Orenstein	Shaver
Anderson, R.	Greenfield	Larsen	Osthoff	Skoglund
Battaglia	Gruenes	Lasley	Otis	Solberg
Bauerly	Gutknecht	Lieder	Ozment	Sparby
Beard	Hartle	Long	Pappas	Stanius
Begich	Haukoos	Marsh	Pauly	Steensma
Bennett	Heap	McDonald	Pelowski	Sviggum
Bertram	Himle	McEachern	Peterson	Swenson
Boo	Hugoson	McKasy	Poppenhagen	Thiede
Brown	Jacobs	McLaughlin	Price	Tjornhom
Burger	Jaros	McPherson	Quinn	Tompkins
Carlson, D.	Jefferson	Milbert	Quist	Tunheim
Carlson, L.	Jennings	Miller	Redalen	Uphus
Carruthers	Jensen	Minne	Reding	Valento
Clark	Johnson, A.	Morrison	Rest	Vellenga
Clausnitzer	Johnson, R.	Munger	Rice	Voss
Cooper	Johnson, V.	Murphy	Richter	Wagenius
Dauner	Kahn	Nelson, D.	Riveness	Waltman
Dawkins	Kalis	Nelson, K.	Rodosovich	Welle
DeBlieck	Kelly	Neuenschwander	Rose	Wenzel
Dempsey	Kelso	Ogren	Rukavina	Winter
DeRaad	Kinkel	Olsen, S.	Schafer	Wynia
Dille	Kludt	Olson, E.	Scheid	Spk. Vanasek
Dorn	Knickerbocker	Olson, K.	Schreiber	
Forsythe	Knuth	Omann	Seaberg	
Frederick	Kostohryz	Onnen	Segal	

The motion prevailed and the report was adopted.

SPECIAL ORDERS, Continued

S. F. No. 1645 which was temporarily laid over earlier today was again reported to the House.

Rest moved to amend S. F. No. 1645, as follows:

Page 40, line 17, strike "local boards of health" and insert "community health boards"

Page 40, line 20, strike "board of health" and insert "community health board"

Page 40, lines 26 and 27, strike "board of health" and insert "community health board"

Page 40, line 28, strike "board of health" and insert "community health board"

Page 40, line 30, strike "board of health" and insert "community health board"

Page 40, line 34, strike "board of health" and insert "community health board"

Page 41, line 11, strike "board of health" and insert "community health board"

Page 41, line 15, strike "board of health" and insert "community health board"

Page 44, lines 23 and 24, reinstate the stricken "Fees for administrative conferences under section"

Page 44, line 25, after the stricken "176.244" insert "176.239" and reinstate the stricken "shall be determined on an hourly basis,"

Page 44, line 26, reinstate the stricken language

Page 47, line 1, strike "subdivision 3v," and reinstate the stricken "section" and after the stricken "176.242," insert "176.239"

Page 47, line 28, strike "176.102" and delete "or" and strike "176.103"

Page 47, line 28, after the stricken "176.243" insert "176.106 or 176.239"

Page 50, delete section 21

Page 63, after line 31, insert:

"ARTICLE 3

MISCELLANEOUS CORRECTIONS

Section 1. [CORRECTION; OMITTED REPEALER.]

Minnesota Statutes 1986, sections 15.38; and 214.07, subdivision 2; and Minnesota Statutes 1987 Supplement, section 16B.29, are repealed July 1, 1988.

Sec. 2. Minnesota Statutes 1987 Supplement, section 18B.25, subdivision 4, is amended to read:

Subd. 4. [DISPOSAL THAT BECOMES HAZARDOUS WASTE.] A person who knowingly, or with reason to know, disposes of a pesticide so that the product becomes hazardous waste is subject to the penalties in section ~~115.071~~ 609.671, subdivision 4.

Sec. 3. Minnesota Statutes 1987 Supplement, section 115C.08, subdivision 3, is amended to read:

Subd. 3. [PETROLEUM TANK RELEASE CLEANUP FEE.] A petroleum tank release cleanup fee is imposed on the use of tanks that contain petroleum products subject to the inspection fee charged in section ~~296.13~~ 239.78. The fee must be collected in the manner provided in sections ~~296.13~~ 239.78 and 296.14. The fee must be imposed as required under subdivision 3, at a rate of $10 per 1,000 gallons of petroleum products as defined in section 296.01, subdivision 2, rounded to the nearest 1,000 gallons. A distributor who fails to pay the fee imposed under this section is subject to the penalties provided in section 296.15.

Sec. 4. Minnesota Statutes 1986, section 121.88, as added by 1988 H. F. No. 2245, article 4, section 2, if enacted, is amended to read:

Subd. 10. [EXTENDED DAY PROGRAMS.] A school board may offer, as part of a community education program, an extended day program for children from kindergarten through grade six for the purpose of expanding students' learning opportunities. A program must include the following:

(1) adult supervised programs while school is not in session;

(2) parental involvement in program design and direction;

(3) partnerships with the K-12 system, and other public, private, or nonprofit entities; and

(4) opportunities for trained secondary school pupils to work with younger children in a supervised setting as part of a community service program.

The district may charge a sliding fee based upon family income for extended day programs. The district may receive money from other public or private sources for the extended day program. The state board of education shall develop standards for school age child care programs.

Sec. 5. Minnesota Statutes 1987 Supplement, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. [LEVY RECOGNITION.] (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to section 275.125, subdivision 9a, and Laws 1976, chapter 20, section 4.

(b) In June of each year, the school district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the June and July school district tax settlement revenue received in that calendar year; or

(2) the sum of the state aids and credits enumerated in section 124.155, subdivision 2, which are for the fiscal year payable in that fiscal year plus 27 percent of the amount of the levy certified in the prior calendar year according to section 124A.03, subdivision 2, plus or minus auditor's adjustments, not including levy portions that are assumed by the state; or

(3) 27 percent of the amount of the levy certified in the prior calendar year, plus or minus auditor's adjustments, not including levy portions that are assumed by the state, which remains after subtracting, by fund, the amounts levied for the following purposes:

(i) reducing or eliminating projected deficits in the appropriated fund balance accounts for unemployment insurance and bus purchases;

(ii) statutory operating debt pursuant to section 275.125, subdivision 9a, and Laws 1976, chapter 20, section 4; and

(iii) retirement and severance pay pursuant to section 275.125, subdivision 6a, and Laws 1975, chapter 261, section 4; and

(iv) amounts levied for bonds issued and interest thereon, amounts

levied for debt service loans and capital loans, amounts levied for down payments under article 8, section 20, of 1988 H. F. No. 2245, and amounts levied pursuant to section 275.125, subdivision 14a.

(c) In July of each year, the school district shall recognize as revenue that portion of the school district tax settlement revenue received in that calendar year and not recognized as revenue for the previous fiscal year pursuant to clause (b).

(d) All other school district tax settlement revenue shall be recognized as revenue in the fiscal year of the settlement. Portions of the school district levy assumed by the state, including prior year adjustments and the amount to fund the school portion of the reimbursement made pursuant to section 273.425, shall be recognized as revenue in the fiscal year beginning in the calendar year for which the levy is payable.

Sec. 6. [CORRECTION.]

The amendments to Minnesota Statutes, section 126.22, subdivision 3, by 1988 H. F. No. 2245, article 7, section 38, if enacted, are repealed and shall be disregarded in subsequent editions of Minnesota Statutes.

Sec. 7. Minnesota Statutes 1986, section 136A.121, subdivision 10, is amended to read:

Subd. 10. [RENEWALS.] Each scholarship or grant-in-aid shall be awarded for one academic year, is renewable for a maximum of six semesters or nine quarters or their equivalent, but may not continue after the recipient has obtained a baccalaureate degree or has been enrolled full time, or the equivalent, for eight semesters or 12 quarters, whichever occurs first.

Sec. 8. Minnesota Statutes 1986, section 148.73, as amended by Laws 1988, chapter 549, section 2, is amended to read:

148.73 [RENEWALS.]

Every registered physical therapist shall, during each January, apply to the board for an extension of registration and pay a fee in the amount set by the board. The extension of registration is contingent upon demonstration that the continuing education requirements set by the board under section ~~148.709~~ 148.70 have been satisfied.

Sec. 9. [MOTOR VEHICLE DEALERS.] Subdivision 1. Minnesota Statutes 1986, section 168.27, subdivision 2, as amended by Laws 1988, chapter 496, section 2, and 1988 H. F. No. 85, if enacted, is amended to read:

Subd. 2. [NEW MOTOR VEHICLE DEALER.] (a) No person shall engage in the business of selling or arranging the sale of new motor vehicles or shall offer to sell, solicit, arrange, or advertise the sale of new motor vehicles without first acquiring a new motor vehicle dealer license. A new motor vehicle dealer licensee shall be entitled thereunder to sell, broker, wholesale, or auction and to solicit and advertise the sale, broker, wholesale, or auction of new motor vehicles covered by the franchise and any used motor vehicles or to lease and to solicit and advertise the lease of new motor vehicles and any used motor vehicles and such sales or leases may be either for consumer use at retail or for resale to a dealer. A new motor vehicle dealer may engage in the business of buying or otherwise acquiring vehicles for dismantling the vehicles and selling used parts and remaining scrap materials under chapter 168A, except that a new motor vehicle dealer may not purchase a junked vehicle from a salvage pool, insurance company, or its agent unless the dealer is also licensed as a used vehicle parts dealer. Nothing herein shall be construed to require an applicant for a dealer license who proposes to deal in: (1) new and unused motor vehicle bodies; or (2) type A, B, or C motor homes as defined in section 168.011, subdivision 25, to have a bona fide contract or franchise in effect with either the first-stage manufacturer of the motor home or the manufacturer or distributor of any motor vehicle chassis upon which the new and unused motor vehicle body is mounted. The modification or conversion of a new van-type vehicle into a multipurpose passenger vehicle which is not a motor home does not constitute dealing in new or unused motor vehicle bodies, and a person engaged in the business of selling these van-type vehicles must have a bona fide contract or franchise with the appropriate manufacturer under subdivision 10. A van converter or modifier who owns these modified or converted van-type vehicles may sell them at wholesale to new motor vehicle dealers having a bona fide contract or franchise with the first-stage manufacturer of the vehicles.

(b) The requirements pertaining to franchises do not apply to persons who remodel or convert motor vehicles for medical purposes. For purposes of this subdivision, "medical purpose" means certification by a licensed physician that remodeling or conversion of a motor vehicle is necessary to enable a handicapped person to use the vehicle.

Subd. 2. [EFFECTIVE DATE.] 1988 H. F. No. 85 and the amendment by this section take effect October 1, 1988.

Sec. 10. Minnesota Statutes 1987 Supplement, section 169.345, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For the purpose of this section, "physically handicapped person" means a person who:

(1) because of disability cannot walk without significant risk of falling;

(2) because of disability cannot walk 200 feet without stopping to rest;

(3) because of disability cannot walk without the aid of another person, a walker, a cane, crutches, braces, a prosthetic device, or a wheelchair;

(4) is restricted by a respiratory disease to such an extent that the person's forced (respiratory) expiratory volume for one second, when measured by spirometry, is less than one ~~meter~~ liter;

(5) has an arterial oxygen tension (PAO_2) of less than 60 ~~mm/hg~~ mm/Hg on room air at rest;

(6) uses portable oxygen; or

(7) has a cardiac condition to the extent that the person's functional limitations are classified in severity as class III or class IV according to standards set by the American Heart Association.

Sec. 11. Minnesota Statutes 1986, section 240.13, subdivision 6, as amended by 1988 H. F. No. 2537, section 4, if enacted, is amended to read:

Subd. 6. [TELEVISED RACES.] The commission may by rule permit a class B or class D licensee to conduct on the premises of the licensed racetrack pari-mutuel betting on horse races run in other states and broadcast by television on the premises. All provisions of law governing pari-mutuel betting apply to pari-mutuel betting on televised races except as otherwise provided in this subdivision or in the commission's rules. Pari-mutuel pools conducted on such televised races may consist only of money bet on the premises and may not be commingled with any other pool off the premises, except that:

(a) the licensee may pay a fee to the person or entity conducting the race for the privileges of conducting pari-mutuel betting on the race, and

(b) the licensee may pay the costs of transmitting the broadcast of the race.

Pari-mutuel betting on a televised race may be conducted only on a racing day assigned by the commission. The takeout and taxes on pari-mutuel pools on televised races are as provided for other pari-mutuel pools. All televised races under this subdivision must comply with the Interstate Horse Racing Act of 1978 as found in United States Code, title 15, section 3001 and the following relevant

sections. In lieu of the purse requirement established by section 240.13, subdivision 5, the licensee shall set aside for purses one-half of the take-out from the amount bet on televised races after the payment of fees and taxes. For the purposes of purse distribution under section 240.13, subdivision 5, the average daily handle shall not include amounts bet in pari-mutuel pools on televised races.

A licensee may transmit telecasts of races the licensee conducts to a location outside the state of Minnesota where pari-mutuel betting is authorized by law for wagering purposes. Approval of the commission is not required for such transmittals.

Sec. 12. Minnesota Statutes 1986, section 256B.431, subdivision 3f, as added by 1988 H. F. No. 2126, if enacted, is amended to read:

Subd. 3f. [PROPERTY COSTS AFTER JULY 1, 1988.] (a) [INVESTMENT PER BED LIMIT.] For the rate year beginning July 1, 1988, the replacement-cost-new per bed limit must be $32,571 per licensed bed in multiple bedrooms and ~~$48,857~~ $49,907 per licensed bed in a single bedroom. Beginning January 1, 1989, the replacement-cost-new per bed limits must be adjusted annually as specified in Minnesota Rules, part 9549.0060, subpart 4, item A, subitem (1).

(b) [RENTAL FACTOR.] For the rate year beginning July 1, 1988, the commissioner shall increase the rental factor as established in Minnesota Rules, part 9549.0060, subpart 8, item A, by 6.2 percent rounded to the nearest 100th percent for the purpose of reimbursing nursing homes for soft costs and entrepreneurial profits not included in the cost valuation services used by the state's contracted appraisers. For rate years beginning on or after July 1, 1989, the rental factor is the amount determined under this paragraph for the rate year beginning July 1, 1988.

(c) [OCCUPANCY FACTOR.] For rate years beginning on or after July 1, 1988, in order to determine property-related payment rates under Minnesota Rules, part 9549.0060, for all nursing homes except those whose average length of stay in a skilled level of care within a nursing home is 180 days or less, the commissioner shall use 95 percent of capacity days. For a nursing home whose average length of stay in a skilled level of care within a nursing home is 180 days or less, the commissioner shall use the greater of resident days or 80 percent of capacity days but in no event shall the divisor exceed 95 percent of capacity days.

(d) [EQUIPMENT ALLOWANCE.] For rate years beginning on July 1, 1988, and July 1, 1989, the commissioner shall add ten cents per resident per day to each nursing home's property-related payment rate. The ten-cent property-related payment rate increase is not cumulative from rate year to rate year. For the rate year beginning July 1, 1990, the commissioner shall increase each nursing home's equipment allowance as established in Minnesota

Rules, part 9549.0060, subpart 10, by ten cents per resident per day. For rate years beginning on or after July 1, 1991, the adjusted equipment allowance must be adjusted annually for inflation as in Minnesota Rules, part 9549.0060, subpart 10, item E.

(e) [REFINANCING.] If a nursing home is refinanced, the commissioner shall adjust the nursing home's property-related payment rate for the savings that result from refinancing. The adjustment to the property-related payment rate must be as follows:

(1) The commissioner shall recalculate the nursing home's rental per diem by substituting the new allowable annual principle and interest payments for those of the refinanced debt.

(2) The nursing home's property-related payment rate must be decreased by the difference between the nursing home's current rental per diem and the rental per diem determined under clause (1).

If a nursing home payment rate is adjusted according to this paragraph, the adjusted payment rate is effective the first of the month following the date of the refinancing for both medical assistance and private paying residents. The nursing home's adjusted property-related payment rate is effective until June 30, 1990.

Sec. 13. Minnesota Statutes 1987 Supplement, section 518.613, subdivision 1, as amended by 1988 H. F. No. 2341, section 1, if enacted, is amended to read:

Subdivision 1. [GENERAL.] Notwithstanding any provision of section 518.611, subdivision 2 or 3, to the contrary, whenever an obligation for child support or maintenance is initially determined and ordered or modified by the court in a county in which this section applies, the amount of child support or maintenance ordered by the court must be withheld from the income, regardless of source, of the person obligated to pay the support. For purposes of this section, "modified" does not mean a cost-of-living adjustment without any other modification of the support order.

Sec. 14. Minnesota Statutes 1987 Supplement, section 518.613, subdivision 5, as added by 1988 H. F. No. 2341, if enacted, is amended to read:

Subd. 5. ~~[MOTION.] If a court in a county in which this section applies modifies an obligation for child support or maintenance that was determined prior to the effective date of this section in that county, the obligee or the public authority may move the court for an order requiring automatic withholding under this section. The court shall grant the order if it finds that the obligor has failed to pay the support or maintenance within ten days of the due date at~~

~~least two times in the three months immediately preceding the date of the motion without good cause.~~ [WAIVER.] Unless the court finds that it is not in the best interests of the parties and children, if any, when a court in a county in which this section applies modifies an obligation for child support or maintenance that was determined prior to the effective date of this section in that county, the court shall waive automatic income withholding if:

(1) all parties to the proceeding agree to the waiver; or

(2) the court finds that the obligor's past support or maintenance payments have been made in a regular and timely manner.

The waiver of automatic withholding may be revoked by a party at any time that the payment is not received within ten days of the due date. Notice of revocation must be served by mail on the other party and on the public authority. The public authority must also be served with a copy of the order establishing the child support or maintenance obligation and an application for child support and maintenance collection services. Upon receipt of the notice of revocation, the public authority shall serve the court order and the provisions of section 518.611 and this section on the obligor's employer or other payor of funds.

Sec. 15. 1988 H. F. No. 2341, section 3, subdivision 1, if enacted, is amended to read:

Subdivision 1. [STAY OF SERVICE.] If the court finds there is no arrearage in child support or maintenance as of the date of the court hearing, the court shall stay service of the order under section 518.613, subdivision 2, in a county in which that section applies if the obligor establishes a savings account for a sum equal to two months of the monthly child support or maintenance obligation and provides proof of the establishment to the court and the public authority on or before the ~~day~~ date of the court ~~hearing~~ order determining the obligation. This sum must be held in a financial institution in an interest-bearing account with only the public authority authorized as drawer of funds. Proof of the establishment must include the financial institution name and address, account number, and the amount of deposit.

Sec. 16. 1988 H. F. No. 2341, section 4, if enacted, is amended to read:

Sec. 4. [REPORT.]

The report of the commissioner pursuant to Laws 1987, chapter 403, article 3, section 94, shall include data on the costs associated with administering the automatic income withholding program and

shall separately identify case statistics and costs associated with implementation of the waiver and escrow ~~option~~ options.

Sec. 17. 1988 H. F. No. 2341, section 5, if enacted, is amended to read:

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment. Child support and maintenance obligors subject to automatic income withholding on or before the effective date may elect, at any time prior to January 1, 1989, to place money in escrow under section 3 and have the public authority direct the employer or payor of funds to terminate the automatic income withholding process. Parties who are subject to automatic income withholding because support or maintenance was modified on or before the effective date may ~~authorize the public authority to direct the employer or payor of funds to terminate automatic income withholding prior to January 1, 1989, by submitting to the public authority a written request for termination of automatic income withholding signed by all parties~~ move the court for a waiver of automatic income withholding under section 2 at any time prior to January 1, 1989.

Sec. 18. [EFFECTIVE DATE.] Subdivision 1. Laws 1987, chapter 396, article 12, section 10, is amended by adding a subdivision to read:

Subd. 3. The appropriations by section 10 expire June 30, 1989.

Subd. 2. This section takes effect the day after final enactment.

Sec. 19. Laws 1988, chapter 430, section 9, is amended to read:

Sec. 9. [EFFECTIVE DATE.]

Sections 1 to 8 are effective January 1, 1989. The provisions of Sections 1, 2, and 4 requiring the recording of the month, day, and year of immunizations received, apply only to records submitted after the effective date.

Sec. 20. Laws 1988, chapter 497, section 2, subdivision 5, is amended to read:

Subd. 5. [ORGANIZATION.] "Organization" means a watershed management organization as defined in section 473.876 that has more than ~~25~~ 20 percent of its area within Ramsey county.

Sec. 21. [AMENDMENT.] Subdivision 1. Laws 1988, chapter 541, section 14, is amended to read:

Sec. 14. [REPEALER.]

Minnesota Statutes 1987 Supplement, section 60C.06, subdivision 5, is repealed after collection of the 1987 assessment and surcharge.

Subd. 2. Laws 1988, chapter 541, section 15, is amended to read:

Sec. 15. [EFFECTIVE DATE.]

(a) Sections 1 ~~to 5 and 8~~ to 10 are effective the day following final enactment and apply to all unsettled current or existing and future claims paid after that date arising out of any past or future member insolvency.

(b) Sections 11, 13, and 14 are effective the day following final enactment.

Subd. 3. This section takes effect April 19, 1988.

Sec. 22. Laws 1988, chapter 562, is amended by adding a section to read:

Sec. 4. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment.

Sec. 23. 1988 H. F. No. 1943, section 4, if enacted, is amended to read:

Sec. 4. [LOCAL APPROVAL.]

Section 3 of this act is effective January 1, 1989 separately for each of the counties of Chisago, Kanabec, Pine, and Carlton if its county board has complied with the requirements of Minnesota Statutes, section 645.021, subdivision 3, and section 3 has not been disapproved in a referendum under this section.

Before ~~January~~ August 1, 1988, the county board shall publish this act for two successive weeks in the official newspaper of the county or, if there is no official newspaper, in a newspaper of general circulation in the county, together with a notice fixing a date for a public hearing to obtain public comment on the matter. The hearing shall be held not less than two weeks nor more than four weeks after the first publication of the resolution.

If within 30 days after the hearing, a petition requesting a vote on section 3, signed by voters equal in number to ten percent of the votes cast in the county in the last general election, is filed with the county auditor, section 3 shall not be effective until a majority of the voters at a general or special election cast affirmative votes on the

question of approving it. The question of whether section 3 shall go into effect shall then be submitted to the voters at a general or special election before January 1, 1989. The question submitted shall be:

"Shall the law that permits a tax not greater than .75 mills on property for the . . . . . county historical society be approved?

Yes . . . . .
No . . . . . "

If a majority of those voting on the question vote yes, section 3 shall be effective for the county on January 1, 1989, and the county board shall report the fact in accordance with section 645.021.

Sec. 24. 1988 H. F. No. 1943, section 5, if enacted, is amended to read:

Sec. 5. [TAX-FORFEITED LAND SALE; MCLEOD COUNTY.]

Notwithstanding Minnesota Statutes, section 282.018, McLeod county may sell in accordance with the other provisions of Minnesota Statutes, chapter 282, the three tax-forfeited parcels described as follows:

(1) Beginning at the Northwest corner of Lot "A" in Schillings Addition to Lake Addie Townsite, running thence North 65' thence East 206.09', thence South 20', thence East by South 119', thence South 40', thence West 118', thence North 10', thence West 206.09' to the point of beginning, and beginning at a point 65' North of the Northwest corner of Lot "A" in Schillings Addition to Lake Addie Townsite according to the plat thereof thence running North to the right-of-way of the Chicago, Milwaukee and St. Paul Railroad Company, thence Northeasterly along said railway right-of-way 341.6', thence South to a point 40' North of the Northeast corner of Lot "M" in Schillings Addition to Lake Addie Townsite, thence Northwesterly 119', thence North 20', thence West to the point of beginning; and, beginning at a point in the center of Buffalo Creek 50' North of the Northeast corner of Lot "M" in Schillings Addition to Lake Addie Townsite, according to the plat thereof on file and of record in the office of the county recorder of McLeod county, thence North 254' to the South line of right-of-way of the Chicago, Milwaukee and St. Paul Railroad Company, thence South ~~34~~ 84 degrees 32 minutes East along said right-of-way a distance of ~~35'~~ 85', thence South 261' to the center of Buffalo Creek, thence Northwesterly 85.1' to the place of beginning, all of the above being and lying in the Southeast Quarter of Southwest Quarter of Section 29, Township 115 North, Range 29 West.

(2) Beginning at a point in the center of Buffalo Creek 442.09'

East and 50' North of the Northeast Corner of Block 1 in Lake Addie Townsite, according to the plat thereof on file and of record in the office of the county recorder of the county of McLeod, Minnesota thence North to the South Line of the right-of-way of the Chicago, Milwaukee and St. Paul Railroad Company thence Southeasterly along said right-of-way to a point 360' due East of the West line of this tract, thence South to the center of Buffalo Creek, thence Westerly along the center of Buffalo Creek, to the point of beginning, being and lying in the Southeast Quarter of the Southwest Quarter and the Southwest Quarter of the Southeast Quarter of Section 29, Township 115 North, Range 29 West.

(3) United States Government Lot 1 (0.90 ac.) in Section 14, Township 117 North, Range 27 West.

The parcels are all inaccessible and are not necessary for public access to the adjacent public waters.

Sec. 25. 1988 H. F. No. 2031, section 26, if enacted, is amended to read:

Sec. 26. [325E.042] [PROHIBITING SALE OF CERTAIN PLASTICS.]

Subdivision 1. [PLASTIC CAN.] (a) A person may not sell, offer for sale, or give to consumers in this state a beverage packaged in a plastic can.

(b) A plastic can subject to this subdivision is a single serving beverage container composed of plastic and metal excluding the closure mechanism.

Subd. 2. ~~[NONDEGRADABLE PLASTIC.] A person may not sell, offer for sale, or give to consumers beverages or motor oil containers held together by nondegradable plastic material.~~

~~Subd. 3.~~ [PENALTY.] A person who violates subdivision 1 ~~or 2~~ is guilty of a misdemeanor.

Sec. 26. 1988 H. F. No. 1000, article 17, section 1, if enacted, is amended to read:

Section 1. [325E.045] [PURCHASE, SALE, AND USE OF CERTAIN POLYETHYLENE MATERIAL PROHIBITED.]

Subdivision 1. [DEFINITIONS.] The definitions in this subdivision apply to section 1.

(a) "Degradable" means capable of being decomposed by natural

biological processes, including exposure to ultraviolet rays of the sun, within five years after the date of disposal.

(b) "Person" means an individual, partnership, corporation, sole proprietorship, association, or other for-profit or nonprofit organization, including the state and its political subdivisions.

(c) "Polyethylene disposal bag" means a bag made of polyethylene that is used or intended to be used for disposal of mixed municipal solid waste as defined in section 115A.03.

(d) "Polyethylene ~~beverage~~ container ring" means a device made of polyethylene that is used or intended to be used to hold beverage bottles ~~or~~, other beverage containers or motor oil containers together.

(e) "Public agency" means the state, an office, agency, or institution of the state, a county, a statutory or home rule charter city, a town, a school district, or another special taxing district.

Subd. 2. [BEVERAGE RING USE AND SALE PROHIBITED.] A person may not use, sell, or offer for sale a polyethylene beverage container ring that is not degradable.

Subd. 2a. [MOTOR OIL CONTAINER RINGS.] A person may not use, sell, or offer for sale a polyethylene motor oil container ring that is not degradable.

Subd. 3. [GOVERNMENTAL PURCHASE PROHIBITED.] A public agency may not purchase polyethylene disposal bags that are not degradable.

Subd. 4. [GOVERNMENTAL USE PROHIBITED.] A public agency may not use polyethylene disposal bags that are not degradable.

Sec. 27. [EFFECTIVE DATE.]

1988 H. F. No. 1000, article 17, section 1, subdivision 2, if enacted, is effective on January 1, 1989, and subdivision 2a on July 1, 1989.

Sec. 28. 1988 H. F. No. 2126, section 269, if enacted, is amended by adding a subdivision to read:

Subd. 6. That portion of section 141, subdivision 8b, that authorizes medical assistance payments for nursing care provided to a patient in a swing bed is repealed effective July 1, 1990.

Sec. 29. 1988 H. F. No. 2126, section 270, if enacted, is amended by adding a subdivision to read:

Subd. 10. That portion of section 153 that requires the commissioner of human services to increase the personal needs allowance when federal social security or supplemental security income benefits are increased is effective January 1, 1990.

Sec. 30. 1988 H. F. No. 2126, section 269, subdivision 4, if enacted, is repealed and section 141, subdivision 8b remains in effect subject to section 269, subdivision 6.

Sec. 31. [RAINY RIVER FISHING.] Subdivision 1. 1988 H. F. No. 2265, section 10, subdivision 3, if enacted, is amended to read:

Subd. 3. [OPEN SEASON.] The open season for walleye in the Rainy River is from ~~the third Saturday in~~ May ~~until~~ 15 to April 14.

Subd. 2. 1988 H. F. No. 2265, section 10, if enacted, takes effect the day after its final enactment.

Sec. 32. [INITIAL SMOKING POLICIES.] Subdivision 1. [CORRECTION.] 1988 H. F. No. 2291, section 29, if enacted, is amended to read:

Sec. 29. [INITIAL SMOKING POLICIES.]

A state agency required to adopt a smoking policy under section 9 shall submit its initial policy and plan for implementation to the ~~commissioners~~ commissioner of ~~administration, employee relations, and health~~ by January 1, 1989.

Subd. 2. [EFFECTIVE DATE.] Subdivision 1 is effective the day following final enactment.

Sec. 33. 1988 H. F. No. 2344, article 1, section 21, if enacted, is amended to read:

Sec. 21. MILITARY AFFAIRS

(a) State Cash Bonus Payments	1,160,000

The adjutant general shall pay a state cash bonus of $100 no later than June 30, 1989, to any member of the Minnesota national guard who has served satisfactorily, as defined by the adjutant general, as an active member of the Minnesota national guard during the 1988 federal fiscal year. Any unencumbered balance remaining in the first year does not cancel and is available for the second year.

The amount available for the bonus payments is limited to the amount appropriated for such payments in this section.

Any member of the Minnesota national guard who elects to take a credit for compensation for personal services in the Minnesota national guard against the tax due under chapter 290 is not eligible for the bonus payment.

(b) Tuition Reimbursement 1,040,000

The adjutant general shall establish a program providing tuition reimbursement for members of the Minnesota national guard in accordance with this section.

An active member of the Minnesota national guard serving satisfactorily, as defined by the adjutant general, at any time during state fiscal year 1989, shall be reimbursed for tuition paid during state fiscal year 1989 to a post-secondary education institution as defined by Minnesota Statutes, section 136A.15, subdivision 5, upon proof of satisfactory completion of course work.

In the case of tuition paid to a public institution located in Minnesota, tuition is limited to an amount equal to 50 percent of the cost of tuition at that public institution for the 1988-1989 academic year, except as provided in this section.

In the case of tuition paid to a Minnesota private institution or a public or private institution not located in Minnesota, reimbursement is limited to 50 percent of the cost of tuition for lower division programs in the college of liberal arts at the twin cities campus of the university of Minnesota in the 1988-1989 academic year, except as provided in this section.

In the case of tuition paid to a public or private technical or vocational school or community college located in Minnesota or outside of Minnesota for a single course or limited number of courses, the completion of which do not result in a degree, the full amount of tuition up to $250 must be reimbursed.

If a member of the Minnesota national guard is killed in the line of state active duty, the state shall reimburse 100 percent of the cost of tuition for post-secondary courses satisfactorily completed by any surviving spouse and any surviving dependents who are 21 years old or younger. Reimbursement for surviving spouses and dependents is limited in amount and duration as is reimbursement for the national guard member.

The amount of tuition reimbursement for each eligible individual shall be determined by the adjutant general according to rules formulated within 30 days of the effective date of this section.

Tuition reimbursement received under this section shall not be considered by the Minnesota higher education coordinating board or by any other state board, commission, or entity in determining a person's eligibility for a scholarship or grant-in-aid under sections 136A.09 to 136A.132.

Tuition reimbursement to be paid to a member of the national guard who has received a cash bonus under paragraph (a) must be reduced by the amount of the bonus.

The amount available for the tuition assistance is limited to the amount appropriated for tuition assistance in this section.

The amount appropriated for tuition reimbursement is available until expended.

Any member of the Minnesota national guard who elects to take a credit for compensation for personal services in the Minnesota national guard against the tax due under chapter 290 is not eligible for the tuition reimbursement.

The department of military affairs shall keep an accurate record of the recipients of the bonus awards and tuition grants. The department shall make an interim report to the legislature by March 1, 1989, on the effectiveness of the bonus payments and tuition assistance program in retaining and recruiting members for the Minnesota national guard. The final report to the legislature shall be made by January 1, 1990. These reports shall include, but are not limited to, a review of the effect that the bonus payments, and tuition assistance programs have on the reenlistment rate of new members. The report shall include an accurate record of the effect that both the tuition reimbursement program and the bonus payments have on the recruitment and retention of members by rank, operational unit, unit location, individual income level, race, and sex.

The department of military affairs shall make a specific effort to recruit and retain women and members of minority groups into the guard through the use of the tuition reimbursement and bonus payments program.

Sec. 34. [EMPLOYING UNIT REFERENCE.] Subdivision 1. [CORRECTION.] 1988 H. F. No. 2477, article 3, section 1, subdivision 1, if enacted, is amended to read:

Subdivision 1. [ELIGIBILITY.] The following persons are eligible to purchase credit for the specified period or periods of prior service from the indicated retirement fund:

(1) from the public employees retirement association, a person whose employment with the city of Hibbing began in June 1971, but for whom no salary deductions were taken until June 1973, for the period for which the deductions were omitted;

(2) from the public employees retirement association, a person who is currently a state employee and who has prior service as an employee of the Fond du Lac Indian reservation from July 2, 1973, to December 29, 1980, for that period of employment by the Fond du Lac Indian reservation for which the person has not previously received service credit;

(3) from the general state employees retirement fund of the Minnesota state retirement system, a permanent employee of the metropolitan sports facilities commission who was an employee of the metropolitan sports facilities commission on May 17, 1977, and who was born on January 10, 1930, and began employment by the metropolitan sports area commission in 1956 or who was born on November 14, 1937, and began employment by the metropolitan sports area commission in 1961, and who did not exercise an option to purchase the prior service under Minnesota Statutes, section 473.565, subdivision 3 or 4, for that period of direct or indirect employment by the metropolitan sports area commission for which the person has not previously received service credit;

(4) from the teachers retirement association, a member who rendered teaching service, as defined in Minnesota Statutes, section 354.05, before July 1, 1957, and who did not make contributions for the service because of the limited or permanent exempt status of the person and optional membership, for that period of teaching service for which the person has not previously received service credit;

(5) from the public employees retirement association, a person employed by a public hospital as defined in Minnesota Statutes, section 355.71, subdivision 3, who exercised an option under Laws 1963, chapter 793, section 3, subdivision 5, between July 1, 1963, and June 30, 1967, to terminate membership in the coordinated program of the public employees retirement association and who elects to resume public employees retirement association coordinated program membership under article 5, section 40, for all or a portion of the period between the person's termination of membership and the election to resume membership;

(6) from the teachers retirement association, notwithstanding any other law, a person who is currently a member of the teachers retirement association and who taught at the University of Minnesota - southern school of agriculture as a certified science teacher from October 1, 1957, through March 31, 1959, for the period taught at that school, provided the purchase is initiated before January 1, 1989; and

(7) from the public employees retirement association, a person who was elected clerk of court for Fillmore county from 1969 to 1976, who was appointed court administrator for Fillmore county in January 1977, who was discovered in 1985 to have not had appropriate member and employer contributions made on behalf of the

person, and who retired March 1, 1988, for the period during calendar years 1979, 1980, and 1981 for which contributions were omitted, subject to approval by the board of commissioners of Fillmore county and compliance with section 645.021.

Subd. 2. [EFFECTIVE DATE.] Subdivision 1 is effective the day following final enactment.

Sec. 35. 1988 S. F. No. 449, section 2, subdivision 2, is amended to read:

Subd. 2. [EXCEPTIONS.] (a) A defective freight car that cannot be entrained except behind the caboose may be the rear car from the point at which it is entrained, unless that point is a terminal where repairs can be made, to the first repair terminal.

(b) This section does not apply to:

(1) a train used in terminal service two miles or less from the limits of the terminal;

(2) a train operated ~~on~~ by a short line railroad classified by the Interstate Commerce Commission as a class III line haul railroad;

(3) a railroad company that operates a railway in this state and in two adjoining states, if the total trackage of the railroad company, including trackage rights, is more than 950 miles and less than 1,000 miles;

(4) a unit grain train while it is transporting only grain as defined in section 17.41; or

(5) a unit taconite train while it is transporting only taconite ore, tailings, or other mined mineral ore.

Sec. 36. [EFFECTIVE DATE.] Subdivision 1. 1988 S. F. No. 1582, if enacted, is amended by adding a section to read:

Sec. 18. [EFFECTIVE DATE.]

Section 11 is effective the day following final enactment and applies to all support payments due on or after the effective date and to all unpaid payments that have not been reduced to judgment by the effective date.

Subd. 2. This section takes effect the day following final enactment of 1988 S. F. No. 1582.

Sec. 37. [ATHLETE REPRESENTATION.] Subdivision 1. 1988

S. F. No. 1830, section 1, subdivision 3, if enacted, is amended to read:

Subd. 3. [REPRESENTATION OF CERTAIN ATHLETES PROHIBITED.] A person may not, before the effective date of a student athlete's waiver of intercollegiate athletic eligibility,:

(1) enter into a contract, written or oral, ~~with a student athlete to:~~

~~(1)~~ serve as the agent of the student athlete in obtaining a professional sports contract; or

(2) enter into a contract, written or oral, to represent ~~the student athlete or~~ a professional sports organization in obtaining a professional sports contract ~~for or~~ with ~~a~~ the student athlete.

A person who violates this subdivision is subject to the remedies under section 8.31, except that a civil penalty imposed under that section may ~~be~~ not be more than $100,000, or three times the amount given, offered, or promised as an inducement for the student athlete to enter the agency contract or professional sports contract, exclusive of the compensation provided by the professional sports contract, whichever is greater.

Subd. 2. This section takes effect on the effective date of 1988 S. F. No. 1830, section 1.

Sec. 38. [CORRECTION.] Subdivision 1. 1988 S. F. No. 2131, section 8, if enacted, is amended to read:

Sec. 8. [EFFECTIVE DATE.]

Sections 4 ~~and~~, 6, and 7 are effective the day following final enactment. Section 2 is effective January 1, 1989. Section 3 is effective January 1, 1990.

Subd. 2. This section takes effect the day after final enactment.

Sec. 39. 1988 S. F. No. 2289, section 1, if enacted, is amended to read:

Section 1. [115A.195] [PUBLIC PARTICIPATION IN OWNERSHIP AND MANAGEMENT OF FACILITY.]

The stabilization and containment facility developed under sections 115A.18 to 115A.30 may be wholly owned by the state or jointly owned by the state and a developer selected by the board under section ~~115A.191~~ 115A.192. The board chair may negotiate and the board may enter agreements with a selected developer providing terms and conditions for the development and operation of

the facility. If the agreements provide for capital improvements or equipment, or for payment of state money, the agreements may be implemented only if funds are appropriated and available to the board for those purposes.

Sec. 40. [WORKERS' COMPENSATION SELF-INSURANCE.] Subdivision 1. 1988 S. F. No. 2473, section 4, subdivision 14, if enacted, is amended to read:

Subd. 14. [NOTICE TO SECURITY FUND.] The commissioner shall advise the self-insurers' security fund promptly after the receipt of public information indicating that a private self-insurer may be unable to meet its compensation obligations. The commissioner shall advise the self-insurers' security fund of all public determinations and public directives and orders made or issued pursuant to this section.

Subd. 2. [EFFECTIVE DATE.] Subdivision 1 is effective July 1, 1988.

Sec. 41. [WORKERS' COMPENSATION SELF-INSURANCE.] Subdivision 1. 1988 S. F. No. 2473, section 22, if enacted, is amended to read:

Sec. 22. [REPEALER.]

Minnesota Statutes 1987 Supplement, sections 60A.101, subdivisions 1 and 2; and 176.183, subdivision 1a, are repealed.

Subd. 2. [EFFECTIVE DATE.] Subdivision 1 is effective July 1, 1988.

Sec. 42. [CORRECTION.] Subdivision 1. 1988 H. F. No. 2590, article 1, section 10, if enacted, is amended to read:

Sec. 10. [290.0802] [SUBTRACTION FOR THE ELDERLY AND DISABLED.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Adjusted gross income" means federal adjusted gross income as used in section 22(d) of the Internal Revenue Code for the taxable year plus the ordinary income portion of a lump sum distribution as defined in section ~~407(e)~~ 402(e) of the Internal Revenue code.

(b) "Disability income" means disability income as defined in section 22(c)(2)(B)(iii) of the Internal Revenue Code.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1987.

(d) "Nontaxable retirement and disability benefits" means the amount of pension, annuity, or disability benefits that would be included in the reduction under section 22(c)(3) of the Internal Revenue Code, but excluding tier one railroad retirement benefits.

(e) "Qualified individual" means a qualified individual as defined in section 22(b) of the Internal Revenue Code.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 43. Minnesota Statutes 1987 Supplement, section 183.42, is amended to read:

183.42 [INSPECTION EACH YEAR.]

Every owner, lessee, or other person having charge of boilers, pressure vessels or any boat subject to inspection under this chapter shall cause ~~the same~~ them to be inspected by the division of boiler inspection. Boilers and boats subject to inspection under this chapter ~~shall~~ must be inspected at least annually and pressure vessels inspected at least every two years except as provided under section 183.45. A person who fails to have the inspection required by this section shall pay to the commissioner a penalty in the amount of the cost of inspection up to a maximum of $1,000.

Sec. 44. Minnesota Statutes 1986, section 183.45, is amended to read:

183.45 [INSPECTION.]

Subdivision 1. All boilers and steam generators ~~shall~~ must be inspected by the division of boiler inspection before ~~same~~ they are used, and all boilers ~~shall~~ must be inspected at least once each year thereafter except as provided under subdivision 2. Inspectors may subject all boilers to hydrostatic pressure or hammer test, and shall ascertain by a thorough internal and external examination that they are well made and of good and suitable material; that the openings for the passage of water and steam, respectively, and all pipes and tubes exposed to heat, are of proper dimensions and free from obstructions; that the flues are circular in form; that the arrangements for delivering the feed water are such that the boilers cannot be injured thereby; and that such boilers and their connections may be safely used without danger to life or property. Inspectors shall ascertain that the safety valves are of suitable dimensions, sufficient in number, and properly arranged, and that the safety valves are so adjusted as to allow no greater pressure in the boilers

than the amount prescribed by the inspector's certificate; that there is a sufficient number of gauge cocks, properly inserted, to indicate the amount of water, and suitable gauges that will correctly record the pressure; and that the fusible metals are properly inserted where required so as to fuse by the heat of the furnace whenever the water in the boiler falls below its prescribed limit; and that provisions are made for an ample supply of water to feed the boilers at all times; and that means for blowing out are provided, so as to thoroughly remove the mud and sediment from all parts when under pressure.

Subd. 2. [QUALIFYING BOILER.] (a) "Qualifying boiler" means a boiler of 200,000 pounds per hour or more capacity which has an internal continuous water treatment program approved by the department and which the chief boiler inspector has determined to be in compliance with paragraph (c).

(b) A qualifying boiler must be inspected at least once every 24 months internally and externally while not under pressure, and at least once every 18 months externally while under pressure. If the inspector considers it necessary to conduct a hydrostatic test to determine the safety of a boiler, the test must be conducted by the owner or user of the equipment under the supervision of an inspector.

(c) The owner of a qualifying boiler must keep accurate records showing the date and actual time the boiler is out of service, the reason or reasons therefore, and the chemical physical laboratory analysis of samples of the boiler water taken at regular intervals of not more than 48 hours of operation which adequately show the condition of the water, and any elements or characteristics thereof, capable of producing corrosion or other deterioration of the boiler or its parts.

(d) If an inspector determines there are substantial deficiencies in equipment or in operating procedures, inspections of a qualifying boiler may be required once every 12 months until such time as the chief boiler inspector finds that the substantial deficiencies have been corrected.

Sec. 45. [CORRECTION.] Subdivision 1. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19, as amended by 1988 H. F. No. 2590, article 3, section 2, if enacted, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to ~~19f~~ 19g.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19f mean the code in effect for purposes of determining net income for the applicable year.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 46. [CORRECTION.] Subdivision 1. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 1a, as added by 1988 H. F. No. 2590, article 12, section 20, if enacted, is amended to read:

Subd. 1a. [ORIGINAL MILL RATE.] ~~(a)~~ At the time of the initial certification of the original assessed value for a tax increment financing district, the county auditor shall certify the original mill rate that applies to the district. The original mill rate is the sum of all the mill rates that apply to a property in the district for the taxes payable in the calendar year in which the initial certification of original assessed value is requested under subdivision 1. If the total mill rate applicable to properties in the tax increment financing district varies, the mill rate must be computed by determining the average total mill rate in the district, weighted on the basis of assessed value. The resulting mill rate is the original mill rate for the life of the district.

~~(b) In the case of districts certified during calendar year 1988, the original mill rate equals the amount calculated under paragraph (a) multiplied by 0.45.~~

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 47. [CORRECTION.] Subdivision 1. Minnesota Statutes 1986, section 290.06, subdivision 22, as added by 1988 H. F. No. 2590, article 1, section 8, if enacted, is amended to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A taxpayer who is liable for taxes on or measured by net income to another state or province or territory of Canada, as provided in

paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7a, clause (b) and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, paragraph ~~(a)~~ (c), the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state or province or territory of Canada by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state or province or territory of Canada on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state or province or territory of Canada. The taxpayer must submit sufficient proof to show entitlement to a credit.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 48. [CORRECTION.] Subdivision 1. Minnesota Statutes 1986, section 121.11, subdivision 12, is amended to read:

Subd. 12. [ADMINISTRATIVE RULES.] The state board shall adopt and enforce rules, consistent with this code, appropriate for the administration and enforcement thereof. After February 1, 1988, the board may propose rules under chapter 14 only upon specific direction contained in law other than under this subdivision. Notwithstanding the provisions of section 14.05, subdivision 4, the state board may grant a variance to its rules upon application by a school district for purposes of implementing experimental programs in learning or school management which attempt to make better use of community resources or available technology.

Subd. 2. [EFFECTIVE DATE.] Subdivision 1 is effective the day following final enactment.

Sec. 49. [CORRECTION.] Subdivision 1. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 4, as amended by 1988 H. F. No. 2590, article 2, section 32, if enacted, is amended to read:

Subd. 4. [APPORTIONMENT FORMULA FOR CERTAIN MAIL ORDER BUSINESSES.] If the business consists exclusively of the selling of tangible personal property and services in response to orders received by United States mail or telephone, and at least 99 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota based solely upon the percentage that the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period. Property and payroll factors are disregarded. In determining eligibility for this subdivision, the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities must be disregarded.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 50. [CORRECTION.] Subdivision 1. 1988 H. F. No. 2590, article 2, section 57, if enacted, is amended to read:

Sec. 57. [EFFECTIVE DATE.]

Sections 1, 4, and 5 are effective January 1, 1988. Sections 7, 8, 9, 11, clause (13), 31, and 40 are effective for taxable years beginning after December 31, 1990, except that sections 9, 11, clause (13), and 40 are effective for taxable years beginning after December 31, 1989,

insofar as they apply to 936 corporations. In this section, "936 corporations" are corporations referred to in section 9, clause (2)(ii). Sections 12, clause (11), 14, 26, 33, and 56, paragraph (c), are effective for taxable years beginning after December 31, 1988. Sections 2, 3, 32, 36, 37, and 38 are effective for taxable years beginning after December 31, 1987. Section 30, paragraphs (f), (g), (h), and (j) are effective for taxable years beginning after December 31, 1990, except that insofar as they apply to 936 corporations, they are effective for taxable years beginning after December 31, 1989. Sections 29, in its reference to section 290.17, subdivision 4, paragraph (i), and 30, paragraph (i), are effective for taxable years beginning after December 31, 1988, in its application to income described in section 290.01, subdivision 19d, clause (11), for taxable years beginning after December 31, 1989, in its application to other income of 936 corporations, and for taxable years beginning after December 31, 1990, in its application to other income of foreign operating corporations. Section 30, paragraph (k) is effective for taxable years beginning after December 31, 1987.

Sections 10, 11, clauses (2) and (3), 12, except for clause (11), 13, 15 to 18, 20, 21, 23, 25, 29 insofar as it refers to companies subject to the occupation tax, 34, 35, 39, 41 to 49, and 56, paragraph (d), are effective for taxable years beginning after December 31, 1986. Section 22 is effective for taxable years beginning after December 31, 1986, except that the part relating to the apportionment of the exemption amount among members of a unitary group is effective for taxable years beginning after December 31, 1987. Section 27 is effective for taxable years beginning after December 31, 1986, except that the part relating to the allowance of a net operating loss incurred in any taxable year to the extent of the apportionment ratio of the loss year is effective for taxable years beginning after December 31, 1987. Section 28 is effective for losses incurred in taxable years beginning after December 31, ~~1986~~ 1987, and is repealed effective for taxable years beginning after December 31, 1993. Sections 6, 50, and 55 are effective the day following final enactment. Sections 51 and 52 are effective for ores mined after December 31, 1989. Section 53 is effective for ores mined after December 31, 1986, and before January 1, 1990. Section 54 is effective for ore mined after December 31, 1986. Section 56, paragraph (a), is effective for ores mined after December 31, 1989. Section 56, paragraph (b), is effective for ores mined after December 31, 1986, and supersedes the repealer in Laws 1987, chapter 268, article 9, section 43.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 51. [CORRECTION.] Subdivision 1. 1988 H. F. No. 2590, article 8, section 3, if enacted, is amended to read:

256.017 [COUNTY PUBLIC ASSISTANCE INCENTIVE FUND.]

Beginning in ~~1990~~ fiscal year 1991, $1,000,000 is appropriated from the general fund to the department in each fiscal year for awards to counties: (1) that have not been assessed an administrative penalty under section 256.016 in the corresponding fiscal year; and (2) that perform satisfactorily according to indicators established by the commissioner.

After consultation with local agencies, the commissioner shall inform local agencies in writing of the performance indicators that govern the awarding of the incentive fund for each fiscal year by April of the preceding fiscal year.

The commissioner may set performance indicators to govern the awarding of the total fund, may allocate portions of the fund to be awarded by unique indicators, or may set a sole indicator to govern the awarding of funds.

The funds shall be awarded to qualifying local agencies according to their share of benefits for the programs related to the performance indicators governing the distribution of the fund or part of it as compared to the total benefits of all qualifying local agencies for the programs related to the performance indicators governing the distribution of the fund or part of it.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 52. [CORRECTION.] Subdivision 1. Minnesota Statutes 1986, section 256.82, subdivision 1, as amended by 1988 H. F. No. 2590, article 8, section 6, if enacted, is amended to read:

Subdivision 1. [MONTHLY PAYMENTS.] For the period from January 1 to June 30, based upon estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency payment shall be made monthly in advance by the state to the counties of all federal funds available for that purpose for such succeeding month, together with an amount of state funds equal to 85 percent of the difference between the total estimated cost and the federal funds so available for payments made except as provided for in section 256.016. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.016. For the period from July 1 to December 31 based upon the estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency, payment shall be made monthly in advance by the state to the counties of all state and federal funds available for that

purpose for the succeeding month except as provided for in section 256.016. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Effective January 1, ~~1989~~ 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 53. [CORRECTION.] Subdivision 1. Minnesota Statutes 1986, section 256.871, subdivision 6, as amended by 1988 H. F. No. 2590, article 8, section 8, if enacted, is amended to read:

Subd. 6. [ESTIMATED EXPENDITURES; PAYMENTS.] The county agency shall submit to the state agency an estimate of expenditures for each succeeding month in such form as required by the state agency. For the period from January 1 to June 30, payment shall be made monthly in advance by the state agency to the counties, of federal funds available for that purpose for each succeeding month, together with an amount of state funds equal to ten percent of the difference between the total estimated cost and the federal funds so available, except as provided for in section 256.016. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, payment shall be made monthly in advance by the state agency to the counties, of all state and federal funds available for that purpose for the succeeding month, except as provided for in section 256.016. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Effective January 1, ~~1989~~ 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 54. Minnesota Statutes 1986, section 256B.041, subdivision 5, as amended by 1988 H. F. No. 2590, article 8, section 11, if enacted, is amended to read:

Subd. 5. [PAYMENT BY COUNTY TO STATE TREASURER.] If required by federal law or rules promulgated thereunder, or by authorized rule of the state agency, each county shall pay to the state

treasurer the portion of medical assistance paid by the state for which it is responsible. Effective January 1, ~~1989~~ 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

For the period from January 1 to June 30, the county shall advance ten percent of that portion of medical assistance costs not met by federal funds, based upon estimates submitted by the state agency to the county agency, stating the estimated expenditures for the succeeding month. Upon the direction of the county agency, payment shall be made monthly by the county to the state for the estimated expenditures for each month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, payments will be made by the state agency, except as provided for in section 256.016, and the county agency will be advised of the amounts paid monthly.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 55. [CORRECTION.] Subdivision 1. 1988 H. F. No. 2590, article 8, section 35, if enacted, is repealed.

Subd. 2. This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 56. [CORRECTION.] Subdivision 1. 1988 H. F. No. 2590, article 8, section 37, if enacted, is amended to read:

Sec. 37. [EFFECTIVE DATE.]

The part of section 31 that strikes a part of paragraph (c) is effective June 1, 1990. Section 32 ~~is~~, and the part of section 36 that provides approval of 25 additional positions in the department of human services for food stamp quality control, are effective June 1, 1989. Except as provided in section 34, the rest of this article is effective January 1, 1990.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 57. [CORRECTION.] Subdivision 1. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 4c, as added by 1988 H. F. No. 2590, article 12, section 16, if enacted, is amended to read:

Subd. 4c. [ECONOMIC DEVELOPMENT DISTRICTS.] Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if at least 25 percent of the buildings and facilities (determined on the basis of square footage) are used for the purposes listed in section 144(a)(8) of the Internal Revenue Code of 1986 (determined without regard to the 25 percent restriction in subparagraph (A)). The restrictions under this paragraph apply only to districts located in development regions, as defined in section 462.384, with populations in excess of 1,000,000. Population must be determined under the provisions of section 477A.011.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 58. [CORRECTION.] Subdivision 1. 1988 H. F. No. 2590, article 12, section 29, if enacted, is amended to read:

Sec. 29. [TRANSITION RULES.]

(a) The provisions of sections 3, 6, 10, and ~~14~~ 16 do not apply to proposed tax increment financing districts for which the authority called for a public hearing in a resolution dated March 23, 1987, and for which a public hearing was held on April 28, 1987. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(b) The provisions of sections 3, 6, 10, and ~~14~~ 16 do not apply to candidate sites ~~in the old highway 8 corridor tax increment project area,~~ identified in the old highway 8 corridor plan as approved by an authority on October 14, 1986, if the requests for certification of the districts are filed with the county before January 1, 1998. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(c) The provisions of section ~~14~~ 16, subdivision 4c, do not apply to an economic development district located in a development district approved on November 9, 1987, provided the request for certification of the tax increment district is submitted to the county by September 30, 1988.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 59. [CORRECTION.] Subdivision 1. 1988 H. F. No. 2590, article 12, section 30, if enacted, is amended to read:

Sec. 30. [EFFECTIVE DATES.]

Sections 2, 5, 6, 7, 14, 16, subdivision 4e, 17, and the provisions of section 15 relating to the duration of hazardous substance sites and subdistricts are effective for hazardous substance sites and subdistricts designated and created after the day following final enactment. Except as otherwise specifically provided, sections 1, 3, 4, 8 to 12, 16, and 20 to 23, and the provisions of section 15 applying to soils condition districts are effective for districts and amendments adding geographic area to an existing district for which the request for certification was filed with the county auditor after May 1, 1988. Sections 13, 15, 16, subdivision 4g, 18, 24, and 25, and the provisions of section 21 allowing a change in the fiscal disparities election are effective May 1, 1988, except as otherwise specifically provided. Section 16, subdivision ~~4e~~ 4i, is effective for districts for which the request for certification is filed with the county ~~before~~ after May 1, 1988, and to all increment collected after January 1, 1990. Sections 26 to 28 are effective upon approval by the city council of the city of Virginia and compliance with Minnesota Statutes, section 645.021. Section 29 is effective the day following final enactment.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon the effective date of the section cited in subdivision 1.

Sec. 60. 1988 S. F. No. 2017, section 6, if enacted, is amended to read:

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to ~~3~~ 4 are effective the day following final enactment. Section 5 is effective upon the filing of the articles of incorporation with the secretary of state effecting an incorporation under section 2, subdivision 1.

Sec. 61. Minnesota Statutes 1987 Supplement, section 126.22, subdivision 2, as amended by 1988 H. F. No. 2245, article 6, section 12, if enacted, is amended to read:

Subd. 2. [ELIGIBLE PUPILS.] The following pupils are eligible to participate in the high school graduation incentives program:

(a) any pupil who is between the ages of 12 and 16 and who:

(1) is at least two grade levels below the performance level for pupils of the same age in a locally determined achievement test; or

(2) is at least one year behind in obtaining credits for graduation; or

(3) is pregnant or is a parent; or

(4) has been assessed as chemically dependent; or

(5) has been absent from attendance at school without lawful excuse for more than 15 consecutive school days in the preceding or current school year;

(b) any pupil who is between the ages of 16 and 19 who is attending school, and who is at least two grade levels below the performance level for pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or is pregnant or is a parent, or has been assessed as chemically dependent; or

(c) any person between 16 and 21 years of age who has not attended a high school program for at least 15 consecutive school days, excluding those days when school is not in session, and who is at least two grade levels below the performance level for pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or has been assessed as chemically dependent; or

(d) any person who is at least 21 years of age and who:

(1) has received less than 14 years of public or nonpublic education, beginning at age 5;

(2) has already completed the studies ordinarily required in the 10th grade but has not completed the requirements for a high school diploma or the equivalent; and

(3) at the time of application, (i) is eligible for unemployment compensation benefits or has exhausted the benefits, (ii) is eligible for or is receiving income maintenance and support services, as defined in section 268.0111, subdivision 5, or (iii) is eligible for services under the displaced homemaker program, state wage-subsidy program, or any programs under the federal Jobs Training Partnership Act or its successor.

Notwithstanding section 127.27, subdivision 7, the provisions of section 127.29, subdivision 1, do not apply to ~~pupils~~ a pupil under age ~~17 and older~~ 21 who ~~participate~~ participates in the high school graduation incentives program."

Renumber the sections in order

Correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

S. F. No. 1645, A bill for an act relating to Minnesota Statutes; correcting erroneous, ambiguous, omitted, and obsolete references and text; eliminating certain redundant, conflicting, and superseded provisions; providing instructions to the revisor; making miscellaneous corrections to statutes and other laws; amending Minnesota Statutes 1986, sections 10A.01, subdivisions 5 and 18; 13.46, subdivision 2; 116.44, subdivision 1; 121.931, subdivision 5; 126.70, subdivision 2; 127.35; 129B.40, subdivision 1; 145.921; 157.03; 176.081, subdivision 1; 176.101, subdivision 3e; 176.421, subdivision 7; 205.065, subdivision 1; 205.18, subdivision 2; 245.77; 256.991; 268.04, subdivision 32; 273.124, subdivision 6; 290.05, subdivision 3; 290.50, subdivision 3; 290.92, subdivision 23; 308.11; 383B.229; 473.605, subdivision 2; 473.845, subdivision 1; 485.018, subdivision 2; 515A.3-115; 548.09, subdivision 2; 611A.53, subdivision 1; Minnesota Statutes 1987 Supplement, sections 16A.26; 16A.661, subdivision 3; 105.81; 120.05, subdivision 2; 124.646, subdivision 1; 129B.39; 136D.71; 144.122; 145A.07, subdivision 1; 176.131, subdivision 1; 214.01, subdivision 2; 256.01, subdivision 2; 256B.69, subdivision 16; 256D.03, subdivision 4; 256G.02, subdivision 4; 256G.06; 257.354, subdivision 4; 268.91, subdivision 3e; 297.07, subdivision 3; 297.35, subdivision 3; 298.2211, subdivision 1; 352.01, subdivision 2b; 353.01, subdivision 2a; 383B.77; 469.121, subdivision 1; 469.129, subdivision 1; 469.170, subdivisions 1, 3, 7, and 8; 471.562, subdivision 4; 471.563; 474A.02, subdivision 18; 525.94, subdivision 3; 582.041, subdivision 2; reenacting Minnesota Statutes 1987 Supplement, section 80A.14, subdivision 18; repealing Minnesota Statutes 1986, sections 226.01; 226.02; 226.03; 226.04; 226.05; 226.06; 260.125, subdivision 6; 326.01, subdivision 21; 362A.08; repealing Laws 1965, chapter 267, section 1; Laws 1971, chapter 830, section 7; Laws 1976, chapters 134, sections 2 and 30; 163, section 10; Laws 1977, chapter 35, section 8; Laws 1978, chapters 496, section 1; 706, section 31; Laws 1979, chapters 48, section 2; 184, section 3; Laws 1981, chapter 271, section 1; Laws 1982, chapter 514, section 15; Laws 1983, chapters 242, section 1; 247, sections 38 and 130; 289, section 4; 290, sections 2 and 3; 299, section 26; 303, sections 21 and 22; Laws 1985, First Special Session chapter 9, article 2, sections 81, 82, and 88; Laws 1986, chapters 312, section 1; 400, section 43; 452, section 17; Laws 1986, First Special Session chapter 3, article 1, sections 74 and 79; and Laws 1987, chapters 268, article 5, section 5; 384, article 2, section 25; 385, section 7; 403, article 5, section 1; 404, section 138.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 108 yeas and 22 nays as follows:

Those who voted in the affirmative were:

Battaglia	Gruenes	Lasley	Orenstein	Shaver
Bauerly	Hartle	Lieder	Otis	Skoglund
Beard	Heap	McEachern	Ozment	Solberg
Begich	Jacobs	McKasy	Pappas	Sparby
Bennett	Jaros	McLaughlin	Pelowski	Steensma
Bertram	Jefferson	McPherson	Peterson	Sviggum
Boo	Jennings	Milbert	Poppenhagen	Swenson
Brown	Jensen	Minne	Price	Tompkins
Burger	Johnson, A.	Morrison	Quinn	Trimble
Carlson, D.	Johnson, R.	Munger	Redalen	Tunheim
Carlson, L.	Johnson, V.	Murphy	Reding	Uphus
Carruthers	Kahn	Nelson, C.	Rest	Vellenga
Cooper	Kalis	Nelson, D.	Riveness	Voss
Dauner	Kelly	Nelson, K.	Rodosovich	Wagenius
Dawkins	Kelso	Neuenschwander	Rose	Waltman
DeBlieck	Kinkel	O'Connor	Rukavina	Welle
DeRaad	Kludt	Ogren	Sarna	Wenzel
Dille	Knickerbocker	Olsen, S.	Schafer	Winter
Dorn	Knuth	Olson, E.	Scheid	Wynia
Forsythe	Kostohryz	Olson, K.	Schreiber	Spk. Vanasek
Frederick	Krueger	Omann	Seaberg	
Greenfield	Larsen	Onnen	Segal	

Those who voted in the negative were:

Anderson, G.	Gutknecht	Marsh	Quist	Tjornhom
Clark	Haukoos	McDonald	Rice	Valento
Clausnitzer	Himle	Miller	Richter	
Dempsey	Hugoson	Osthoff	Stanius	
Frerichs	Long	Pauly	Thiede	

The bill was passed, as amended, and its title agreed to.

MOTIONS AND RESOLUTIONS

McLaughlin moved that the name of Clark be added as an author on House Advisory No. 99. The motion prevailed.

Osthoff moved that the name of Olsen, S., be stricken and the name of Larsen be added as an author on H. F. No. 4. The motion prevailed.

Quinn moved that the names of Milbert and Jacobs be added as authors on H. F. No. 2255. The motion prevailed.

O'Connor moved that his name be stricken as an author on H. F. No. 1403. The motion prevailed.

McLaughlin moved that House Advisory No. 99 be recalled from the Committee on Transportation and be re-referred to the Committee on Metropolitan Affairs. The motion prevailed.

Kostohryz moved that the following statement be printed in the permanent Journal of the House:

"It was my intention to vote in the affirmative when the final vote was taken on the passage of H. F. No. 2245, as amended by Conference Committee." The motion prevailed.

Wynia moved that the Chief Clerk be and he is hereby instructed to inform the Senate and the Governor by message that the House of Representatives is about to adjourn this 75th Session sine die. The motion prevailed.

PROTEST AND DISSENT

Pursuant to Article IV, Section 11, of the Minnesota Constitution, we the undersigned members register our protest and dissent regarding the actions of the school aids conference committee report of April 25, 1988.

This conference committee deleted an amendment that had been placed by majority vote on both the House school aids bill and the Senate school aids bill. The language was identical in both bills.

For a conference committee to delete an amendment that was part of both the House and Senate bills is a clear violation of the House rules. "Mason's Manual of Legislative Procedure," for example, says (section 770, paragraph 2) "a report of a conference committee is objectionable in form if the committee has not confined itself to differences of opinion between the two Houses."

Since majority rule is the cornerstone of representative government, the action mentioned above is also an affront to the democratic process. In this case the clear will of the majority was undermined by a small minority—the ten member conference committee. In addition, the vote or amendment of an individual member of the House is meaningless if the majority can be subjugated by a conference committee.

We the undersigned request that this abuse of power be corrected.

Signed:

Allen Quist
Paul Thiede
Harriet McPherson
Gil Gutknecht
Virgil Johnson
Craig Shaver
Dale Clausnitzer
Bob Waltman
Gary Schafer
Gene Hugoson
Donald J. Valento
Arthur Seaberg
Bert McKasy
Don Richter

Howard Miller	Tony Bennett
Steve Dille	Connie Morrison
Don Frerichs	Sid Pauly
Jim Heap	Dennis J. Poppenhagen
Dale DeRaad	Marcel "Sal" Frederick
John Rose	Doug Swenson
Doug Carlson	Terry Dempsey
Brad Stanius	Elton Redalen
K. J. McDonald	David B. Gruenes
Sylvester Uphus	John Himle
Dean P. Hartle	Ben Boo
Eileen Tompkins	Marcus Marsh
John Burger	Tony Onnen
Steve Sviggum	Mary Forsythe
Bill Schreiber	Bernie Omann
Bob Haukoos	Chris Tjornhom

There being no objection, the order of business reverted to Messages from the Senate.

MESSAGES FROM THE SENATE

The following message was received from the Senate:

Mr. Speaker:

This is to notify you that the Senate is about to adjourn the Seventy-Fifth Legislative Session sine die.

PATRICK E. FLAHAVEN, Secretary of the Senate

MOTION TO ADJOURN SINE DIE

Wynia moved that the House adjourn sine die. The motion prevailed and the Speaker declared the House adjourned sine die.

EDWARD A. BURDICK, Chief Clerk, House of Representatives