

## SEVENTY-EIGHTH DAY

St. Paul, Minnesota, Thursday, March 13, 1980

The Senate met at 10:00 o'clock a.m. and was called to order by the President.

## CALL OF THE SENATE

Mr. Coleman imposed a call of the Senate. The following Senators answered to their names:

Anderson	Dieterich	Johnson	Pillsbury	Stern
Ashbach	Engler	Kirchner	Purfeerst	Stokowski
Bang	Frederick	Kleinbaum	Rued	Strand
Barrette	Gearty	Knutson	Schmitz	Stumpf
Bernhagen	Gunderson	Menning	Sieloff	Ueland, A.
Chmielewski	Hanson	Nelson	Sillers	Vega
Coleman	Hughes	Olhoff	Spear	Wegener
Davies	Humphrey	Peterson	Staples	

The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Paul Schuessler.

The roll was called, and the following Senators answered to their names:

Anderson	Frederick	Knoll	Omann	Staples
Ashbach	Gearty	Knutson	Penny	Stern
Bang	Gunderson	Lessard	Perpich	Stokowski
Barrette	Hanson	Luther	Peterson	Strand
Benedict	Hughes	McCutcheon	Pillsbury	Stumpf
Bernhagen	Humphrey	Menning	Renneke	Tennessen
Brataas	Jensen	Merriam	Rued	Ueland, A.
Chmielewski	Johnson	Moe	Schmitz	Ulland, J.
Coleman	Keefe, J.	Nelson	Setzepfandt	Vega
Davies	Keefe, S.	Nichols	Sieloff	Wegener
Dieterich	Kirchner	Ogdahl	Sillers	Willet
Dunn	Kleinbaum	Olhoff	Solon	
Engler	Knaak	Olson	Spear	

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

## MEMBERS EXCUSED

Messrs. Schaaf and Sikorski were excused from the Session of today. Mr. Purfeerst was excused from the Session of today until

2:30 o'clock p.m. Messrs. Knoll and Laufenburger were excused from the Session of today from 10:00 to 11:00 o'clock a.m. Mrs. Knaak was excused from the Session of today until 11:00 o'clock a.m. Mrs. Staples was excused from the Session of today at 12:00 o'clock noon. Mrs. Brataas and Mr. Penny were excused from the Session of today from 10:00 to 10:30 o'clock a.m.

#### INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

Messrs. Barrette, Omann, Bernhagen, Mrs. Knaak and Mr. Rued introduced—

S. F. No. 2372: A bill for an act relating to drivers licenses; providing for distinctive Minnesota identification cards for senior citizens and prescribing the fee; providing for its use for certain identification purposes; authorizing its issuance to holders of drivers licenses; amending Minnesota Statutes 1978, Section 171.07, by adding a subdivision.

Referred to the Committee on General Legislation and Administrative Rules.

Mr. Anderson introduced—

S. F. No. 2373: A bill for an act relating to state lands; providing for the conveyance to the county of Anoka of a leasehold interest.

Referred to the Committee on Agriculture and Natural Resources.

Mrs. Knaak, Messrs. Ashbach, Barrette and Stumpf introduced—

S. F. No. 2374: A bill for an act relating to military affairs; permitting the purchase of property from Independent School District No. 623 by the adjutant general; appropriating money.

Referred to the Committee on General Legislation and Administrative Rules.

Messrs. Hanson and Stern introduced—

S. F. No. 2375: A bill for an act relating to taxation; clarifying provisions of the Minnesota tax increment financing act; amending Minnesota Statutes 1978, Section 472A.02, by adding a subdivision; and Minnesota Statutes, 1979 Supplement, Sections 273.73, Subdivisions 7, 8, 10, 11 and 12; 273.74, Subdivi-

sion 3; 273.75, Subdivisions 1, 2, 5 and 6; 273.76, Subdivisions 1 and 2 and 3, and by adding a subdivision; 273.77; 273.78; 273.86, Subdivision 4; and 473F.08, Subdivision 6.

Referred to the Committee on Taxes and Tax Laws.

Messrs. Hanson, Strand, Olhoff, Moe and Peterson introduced—

S. F. No. 2376: A resolution memorializing the President and Congress to enact legislation or take other appropriate action to open the St. Lawrence Seaway for shipping as early as possible.

Referred to the Committee on Transportation.

Mr. Sikorski and Mrs. Staples introduced—

S. F. No. 2377: A bill for an act relating to health care; further defining "qualified expense" as it relates to catastrophic health expense protection; amending Minnesota Statutes 1978, Section 62E.52, Subdivision 3.

Referred to the Committee on Health, Welfare and Corrections.

#### REPORTS OF COMMITTEES

Mr. Coleman moved that the Committee Reports at the Desk be now adopted, with the exception of the report on S. F. No. 2203. The motion prevailed.

Mr. Hughes from the Committee on Education, to which was referred

S. F. No. 2276: A bill for an act relating to education; providing for training teachers and producers in the method of producing agriculturally derived alcohol fuels; appropriating money.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

Mr. Willet from the Committee on Agriculture and Natural Resources, to which was referred

S. F. No. 1990: A bill for an act relating to agriculture; clarifying certain requirements for authorized farm corporations; amending Minnesota Statutes 1978, Section 500.24, Subdivision 2.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 24, strike "A majority of the"

Page 2, line 24, delete the comma

Page 2, line 25, delete the comma

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Willet from the Committee on Agriculture and Natural Resources, to which was referred

S. F. No. 2140: A bill for an act relating to the city of Fergus Falls; providing for cooperative use of city solid waste by the city and the state welfare department; appropriating money.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, delete section 1

Page 1, line 16, delete everything before "may" and insert "any units of local government"

Page 1, line 16, delete the second "city" and insert "units of local government"

Page 1, line 17, delete "its" and insert "their"

Page 1, lines 19 and 21, delete "city" and insert "local units of government"

Page 2, line 5, delete "the city of Fergus Falls" and insert "local units of government"

Page 2, line 6, after "effective" insert "for each local unit of government"

Page 2, line 6, delete "the"

Page 2, line 7, delete "city of Fergus Falls" and insert "each local unit of government"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete "city of"

Page 1, line 2, after "Falls" insert "state hospital"

Page 1, line 3, delete "city"

Page 1, line 3, delete "the"

Page 1, line 4, delete "city" and insert "local units of government"

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Mr. Willet from the Committee on Agriculture and Natural Resources, to which was referred

S. F. No. 1858: A bill for an act relating to snowmobiles; authorizing use in trapping related activities in certain counties; amend-

ing Minnesota Statutes, 1979 Supplement, Section 100.29, Subdivision 30.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Willet from the Committee on Agriculture and Natural Resources, to which was referred

S. F. No. 2152: A bill for an act relating to state lands; authorizing conveyance of certain parcels of land in the city of Brooklyn Center.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 9, delete "highways" and insert "transportation"

Page 1, line 12, delete "county of Hennepin" and insert "city of Brooklyn Center"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Willet from the Committee on Agriculture and Natural Resources, to which was referred

S. F. No. 1847: A bill for an act relating to Blue Earth County; authorizing the county to contract for the completion of the improvement of county ditch No. 27; setting limits on the expenditure of money for the improvement; providing for financing; amending Laws 1975, Chapter 249, Section 1, Subdivision 1, as amended; and Section 2, as amended.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 20, delete "\$350,000" and insert "\$300,000"

And when so amended the bill do pass and be placed on the Consent Calendar. Amendments adopted. Report adopted.

Mr. Anderson from the Committee on Energy and Housing, to which was referred

S. F. No. 2065: A bill for an act relating to energy; appropriating money for a wood fuel conversion consortium between Independent School District Nos. 692, 696, 708 and Vermillion Community College.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

Mr. Purfeerst from the Committee on Transportation, to which was referred

S. F. No. 2203: A bill for an act proposing an amendment to

the Minnesota Constitution, Article XIV, Section 11; removing certain restrictions on highway bonds.

Reports the same back with the recommendation that the bill do pass.

Mr. Davies moved that S. F. No. 2203 and the committee report thereon be laid on the table. The motion prevailed.

Mr. Purfeerst from the Committee on Transportation, to which was referred

S. F. No. 2080: A bill for an act relating to transportation; providing grants for paratransit projects; amending Minnesota Statutes, 1979 Supplement, Section 174.25, Subdivision 1.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 11, delete "*up to 100 percent of*"

Page 2, line 13, delete the period and insert "*as follows:*"

(a) *During the first year, 100 percent funding;*

(b) *During the second year, 95 percent funding if the remaining five percent of the project is funded from local financial support;*

(c) *During the third year and each successive year, 90 percent funding if the remaining ten percent of the project is funded from local financial support."*

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. McCutcheon from the Committee on Taxes and Tax Laws, to which was referred

S. F. No. 1415: A bill for an act relating to taxation; clarifying the taxable status of Title II property owned by a non-profit entity; amending Minnesota Statutes 1978, Section 272.02, Subdivision 1.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes, 1979 Supplement, Section 272.02, Subdivision 1, is amended to read:

272.02 [EXEMPT PROPERTY.] Subdivision 1. Except as provided in other subdivisions of this section or, in section 272.025, or section 273.13, subdivisions 17, 17b and 17c, 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 property assessed pursuant to section 273.13, subdivisions 17, 17b or 17c* ;

(7) All public property exclusively used for any public purpose;

(8) All natural cheese held in storage for aging by the original Minnesota manufacturer;

~~(9)~~ (a) Class 2 property of every household of the value of \$100, maintained in the principal place of residence of the owner thereof. The county auditor shall deduct such exemption from the total valuation of such property as equalized by the revenue commissioner assessed to such household, and extend the levy of taxes upon the remainder only. The term "household" as used in this section is defined to be a domestic establishment maintained either (1) by two or more persons living together within the same house or place of abode, subsisting in common and constituting a domestic or family relationship, or (2) by one person.

(b) During the period of his active service and for six months after his discharge therefrom, no member of the armed forces of the United States shall lose status of a householder under paragraph (a) which he had immediately prior to becoming a member of the armed forces.

In case there is an assessment against more than one member of a household the \$100 exemption shall be divided among the members assessed in the proportion that the assessed value of the Class 2 property of each bears to the total assessed value of the Class 2 property of all the members assessed. The Class 2 property of each household claimed to be exempt shall be limited to property in one taxing district, except in those cases where a single domestic establishment is maintained in two or more adjoining districts.

Bonds and certificates of indebtedness hereafter issued by the state of Minnesota, or by any county or city of the state, or any town, or any common or independent school district of the state, or any governmental board of the state, or any county or city thereof, shall hereafter be exempt from taxation; provided, that nothing herein contained shall be construed as exempting such bonds from the payment of a tax thereon, as provided for by section 291.01, when any of such bonds constitute, in whole or in part, any inheritance or bequest, taken or received by any person or corporation.

~~(10)~~ (9) Farm machinery manufactured prior to 1930, which is used only for display purposes as a collectors item;

~~(11)~~ (10) The taxpayer shall be exempted with respect to, all agricultural products, inventories, stocks of merchandise of all sorts, all materials, parts and supplies, furniture and equipment,

manufacturers material, manufactured articles including the inventories of manufacturers, wholesalers, retailers and contractors; and the furnishings of a room or apartment in a hotel, rooming house, tourist court, motel or trailer camp, tools and machinery which by law are considered as personal property, and the property described in section 272.03, subdivision 1 (c), except personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, 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. Railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80 are not exempt.

~~(12)~~ (11) Containers of a kind customarily in the possession of the consumer during the consumption of commodities, the sale of which are subject to tax under the provisions of the excise tax imposed by Extra Session Laws 1967, Chapter 32;

~~(13)~~ (12) All livestock, poultry, all horses, mules and other animals used exclusively for agricultural purposes;

~~(14)~~ (13) All agricultural tools, implements and machinery used by the owners in any agricultural pursuit.

~~(15)~~ (14) 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.

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. Any such equipment or device shall meet standards, regulations 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. If the commissioner determines that property qualifies for exemption, he shall issue an order exempting such property from taxation. Any such 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.

~~(16)~~ (15) Wetlands. For purposes of this subdivision, "wetlands" means land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes. "Wetlands" shall be land preserved in its natural condition, drainage of which would be lawful, feasible and practical and would provide land suitable 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. 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.

Sec. 2. Minnesota Statutes, 1979 Supplement, Section 273.115, Subdivision 1, is amended to read:

273.115 [STATE PAID WETLANDS CREDIT.] Subdivision 1. The county auditor shall annually reduce the tax liability of each owner of wetlands exempt from property taxation pursuant to section 272.02, subdivision 1, clause ~~(16)~~ (15), by an amount equal to three-fourths of one percent of the average level of estimated market value of an acre of tillable land in the township or city in which the qualifying wetland is located, multiplied by the number of acres of wetlands he owns. Any excess of credit over tax liability shall not be paid to the property owner.

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 273.115, Subdivision 2, is amended to read:

Subd. 2. The total amounts of credits allowed pursuant to subdivision 1 and the total amounts of revenue lost as a result of the exemption provided in section 272.02, subdivision 1, clause ~~(16)~~ (15), shall be submitted by the county auditor 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. The amount of revenue lost as a result of the exemption shall be computed each year by applying the current mill rates of the taxing jurisdictions in which the wetlands are located to the assessed valuation of the wetlands for purposes of taxes levied in 1979, payable in 1980. Provided that payment to the county for lost revenue shall not be less than the revenue which would have been received in taxes if the wetlands had an assessed value of \$20 per acre. The commissioner of revenue shall review such certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections.

Sec. 4. Minnesota Statutes, 1979 Supplement, Section 273.115, Subdivision 3, is amended to read:

Subd. 3. Payment shall be made according to the procedure provided in section 273.13, subdivision 15a, for the purpose of replacing revenue lost as a result of the exemption provided in section 272.02, subdivision 1, clause ~~(16)~~ (15), and the credit provided in this section.

Sec. 5. Minnesota Statutes, 1979 Supplement, Section 273.115, Subdivision 6, is amended to read:

Subd. 6. The amounts of the wetlands credit and the tax that would have been due but for the exemption in section 272.02, subdivision 1, clause ~~(16)~~ (15) shall be reflected on the property tax statement of each eligible taxpayer.

Sec. 6. Minnesota Statutes 1978, Section 273.13, Subdivision 17b, is amended to read:

Subd. 17b. [VALUATION OF FARMERS HOME ADMINISTRATION PROPERTY IN MUNICIPALITIES OF UNDER 10,000.] Notwithstanding any other provision of law, any structure

(a) 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,

(b) located in a municipality of less than 10,000 population,

(c) financed by a direct loan or insured loan from the farmers home administration, and

(d) which qualifies under subdivision 17a, shall, for 15 years from the date of the completion of the original construction or for the original term of the loan, be assessed at five 20 percent of the adjusted market value thereof, provided that the fair market value as determined by the assessor is based on the normal approach to value using normal unrestricted rents.

Sec. 7. [EFFECTIVE DATE.] *This act is effective for taxes levied in 1980, payable in 1981.*"

Amend the title as follows:

Page 1, line 4, after the semicolon insert "eliminating obsolete language; increasing the assessment ratio applied to housing for elderly or low and moderate income persons financed by the farmers home administration;"

Page 1, line 4, after "Section" insert "273.13, Subdivision 17b; and Minnesota Statutes, 1979 Supplement, Sections"

Page 1, line 5, after "1" insert "; and 273.115, Subdivisions 1, 2, 3 and 6 "

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Tennesen from the Committee on Commerce, to which was referred

S. F. No. 2201: A bill for an act relating to public debt; providing a maximum interest rate on certain obligations; amending Minnesota Statutes 1978, Section 475.55, Subdivision 1.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1978, Section 474.06, is amended to read:

474.06 [MANNER OF ISSUANCE OF BONDS; INTEREST RATE.] Bonds authorized under this chapter shall be issued in accordance with the provisions of chapter 475 relating to bonds payable from income of revenue producing conveniences, except that public sale shall not be required, and the bonds may mature

at any time or times in such amount or amounts within 30 years from date of issue and may be sold at a price equal to such percentage of the par value thereof, plus accrued interest, and bearing interest at such rate or rates, *not exceeding nine percent per year*, as may be agreed by the contracting party, the purchaser, and the municipality or redevelopment agency, notwithstanding any limitation of interest rate or cost or of the amounts of annual maturities contained in any other law. When bonds authorized under this chapter are issued, they shall state whether they are issued for a project defined in section 474.02, subdivisions 1, 1a, 1b or 1c.

Sec. 2. Minnesota Statutes 1978, Section 475.55, is amended to read:

475.55 [EXECUTION; NEGOTIABILITY; INTEREST RATES.] Subdivision 1. All obligations shall be signed by officers authorized by resolution of the governing body or by persons authorized to sign on behalf of a bank designated by the resolution as authenticating agent, and shall express the amount and the terms of payment. *Interest on obligations authorized by resolution before July 1, 1981, shall not exceed the rate of ten percent per annum, payable half yearly. Interest thereon on obligations authorized thereafter shall not exceed the rate of seven percent per annum, payable half yearly.* All obligations shall be negotiable investment securities as provided in the uniform commercial code, chapter 336, article 8. The validity of an obligation shall not be impaired by the fact that one or more officers authorized to execute it shall have ceased to be in office before delivery to the purchaser or shall not have been in office on the formal issue date of the obligation. Every obligation shall be signed manually by one officer or authenticating agent. Other signatures and the seal of the issuer may be printed, lithographed, stamped or engraved thereon and on any interest coupons to be attached thereto. The seal need not be used.

Subd. 2. The provisions of subdivision 1 shall supersede ~~all provisions of any law or charter fixing a lower maximum interest rate fixed by any other law or a city charter with respect to~~ obligations of the state or any municipality or governmental or public subdivision, district, corporation, commission, board, council, or authority of whatsoever kind, including warrants or orders issued in evidence of allowed claims for property or services furnished to the issuer, but shall not ~~restrict the power of the issuer to fix~~ limit the interest on any obligation in accordance with the ~~issued pursuant to a law or charter authorizing its issuance the issuer to determine the rate or rates of interest.~~

Subd. 3. Notwithstanding any contrary provisions of law or charter, special assessments pledged to the payment of obligations may bear interest at the rate the governing body by resolution determines, not exceeding the greater of (a) the maximum interest rate per annum which the obligations may bear under the provisions of subdivisions 1 and 2 plus one percent or (b) the maximum interest rate permitted to be charged against the assess-

*ments under the law or city charter pursuant to which the assessments were levied.*

Sec. 3. Minnesota Statutes 1978, Section 475.60, Subdivision 2, is amended to read:

Subd. 2. [REQUIREMENTS WAIVED.] The requirements as to public sale shall not apply to:

(1) Obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) Obligations sold by an issuer in an amount not exceeding the total sum of \$100,000 \$200,000 in any three month period;

(3) Obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately; and

(4) Obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency.

Sec. 4. *Section 1 of this act is effective July 1, 1981. Sections 2 and 3 are effective the day after final enactment.*

Delete the title and insert:

"A bill for an act relating to public debt; fixing maximum interest rates on public obligations and assessments; excepting certain obligations from public sale requirements; amending Minnesota Statutes 1978, Sections 474.06; 475.55; and 475.60, Subdivision 2."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Tennesen from the Committee on Commerce, to which was referred

S. F. No. 2117: A bill for an act relating to commerce; exempting savings associations from licensing and bonding requirements of safe deposit companies; deleting the dollar limitation on examination fees; amending Minnesota Statutes 1978, Sections 55.06, Subdivision 1; and 55.095.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, after line 9, insert:

"Section 1. Minnesota Statutes 1978, Section 50.14, Subdivision 5, is amended to read:

Subd. 5. (1) Class four shall be:

(a) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate, whether in fee or in a leasehold of a duration not less than ten years beyond the maturity of the loan, in any state of the United States, worth at least twice the amount loaned thereon;

(b) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate in clause (1) (a) where ~~such the~~ notes or bonds do not exceed 80 percent of the appraised value of the security for the same, provided that ~~such the~~ notes or bonds are payable in instalments aggregating not less than five percent of the original principal per annum in addition to the interest; or, are payable on a regular amortization basis in equal instalments, including principal and interest, ~~such instalments to be payable monthly in a manner as the trustees of the bank prescribe and in such amounts that the debt will be fully paid in not to exceed 30 years if the security is non-agricultural real estate, and such the instalments to be payable annually or semi-annually in such amounts that the debt will be fully paid in not to exceed 25 years if the security is agricultural real estate. A construction loan shall be is deemed amortized as required by this clause if the first instalment thereon shall be is payable not later than 18 months after the date of the first advance in the case of residential construction or not later than 36 months after the date of the first advance in the case of nonresidential construction. A direct reduction loan shall not come due and payable under the original term of the loan other than by renegotiation where the final installment shall not be greater than twice any preceding regularly scheduled installment; and~~

(c) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate in clause (1) (a) which are in an original principal amount of \$100,000 or more and which do not exceed 95 percent of the appraised value of the security for the same which may be payable in ~~such a~~ manner as the trustees of the bank shall prescribe, provided that construction loans made by a savings bank pursuant to this clause (1) (c) shall not exceed in the aggregate five percent of the assets of the savings bank.

(2) Class four investments shall be made only on report of a committee directed to investigate the same and report its value, according to the judgment of its members, and its report shall be preserved among the bank's records.

(3) Notwithstanding anything to the contrary in clause (1) (b), a mutual savings bank organized under the laws of this state may invest in notes or bonds secured by mortgages or trust deed where ~~such the~~ notes or bonds do not exceed 95 percent of the appraised value of the security for the same. Except as modified herein, the other provisions of clause (1) (b) shall apply.

(4) For purposes of this subdivision, real estate shall be is deemed unencumbered if the only existing mortgage or lien against the real estate is a first mortgage lien in favor of the savings bank making a second mortgage loan.

Sec. 2. Minnesota Statutes 1978, Section 51A.02, Subdivision 4, is amended to read:

Subd. 4. "Direct reduction loan" means a loan or other obligation repayable in consecutive monthly installments, ~~equal or unequal~~, beginning not later than 90 days after the date of the advance, sufficient to retire the debt, interest, and principal within 35 years, ~~the initial contract of which shall not provide for any subsequent monthly installment of interest and principal of an amount larger than any previous monthly installment, except that, the initial contractual payment schedule, and any subsequent payment schedule established in accordance with the contract only if the loan or obligation qualifies pursuant to the provisions of section 47.20. A direct reduction loan shall not come due and payable under the original term of the loan other than by renegotiation where the final installment shall not be greater than twice any preceding regularly scheduled installment. Notwithstanding the foregoing, provisions may be contained in such the contract which specify that one or more consecutive monthly installments may be lapsed to the extent that monthly installments have been made ahead of schedule or, in the event of an emergency to the borrower affecting his ability to pay, to the extent of no more than six monthly installments but that nevertheless the full amount of principal and interest shall be paid within the scheduled term of the loan; provided that in the case of construction loans the first installment under said the contract shall be is payable not later than 18 months after the date of the first advance. Any such loan or obligation is an amortized loan.~~

Sec. 3. Minnesota Statutes 1978, Section 51A.02, Subdivision 8, is amended to read:

Subd. 8. "Home property" means real estate on which there is located, or will be located pursuant to a real estate loan, either a structure designed for residential use by one family or a single condominium unit, ~~or unit in a residential cooperative, including common~~ all elements pertinent thereto, designed for residential use by one family in a multiple dwelling unit structure or complex, and ~~shall include~~ includes fixtures, furnishings and equipment installed and intended for use as part of the structure.

Sec. 4. Minnesota Statutes 1978, Section 51A.02, Subdivision 17, is amended to read:

Subd. 17. "Primary lending area" means the county in which the principal place of business is located and those counties immediately contiguous thereto and any additional areas within 100 miles from the home office of an association, provided that any association now or hereafter incorporated may enlarge its territory by making application to the commissioner state of Minnesota.

Sec. 5. Minnesota Statutes 1978, Section 51A.37, Subdivision 3, is amended to read:

Subd. 3. [REAL ESTATE LOANS.] Real estate loans in any amount not exceeding the value of the security, subject to the following conditions:

(a) No association shall make a real estate loan to one borrower if the sum of (1) the amount of ~~such the~~ loan and (2) the total balances of all outstanding real estate loans owed to ~~such the~~ association by ~~such the~~ borrower exceeds an amount equal to ten percent of ~~such the~~ association's savings liability or an amount equal to the sum of ~~such the~~ association's reserves for losses and undivided profits, whichever amount is less, except that any such loan may be made if the sum of (1) and (2) does not exceed \$100,000.

(b) An association may (1) participate with one or more financial institutions, or entities having a tax exemption under section 501(a) of the internal revenue code, in any real estate loan of the type in which ~~such the~~ association is authorized to invest on its own account, provided that the participating interest of ~~such the~~ association is not subordinated or inferior to any other participating interest; and (2) participate in ~~such~~ real estate loans with other than financial institutions or those entities described, provided that the participating interest of ~~such the~~ association is superior to the participating interests of ~~such the~~ other participants.

(c) The aggregate balances outstanding of real estate loans on real estate located outside the primary lending area of an association shall at no time exceed ten percent of the assets of the association, except that (1) loans insured or guaranteed in whole or in part by the United States, or a federal agency and (2) loans in which an association owns or has purchased no more than a 75 percent participation interest ~~shall are~~ not be subject to this restriction; and

(d) Direct reduction real estate loans on home property and not in excess of 90 percent of the value of the security except as may be provided by the Federal Home Loan Bank Board for federally insured associations, and direct reduction real estate loans on primarily residential property not in excess of 80 percent of the value of the security, including participating interests in ~~such the~~ loans, shall average annually, based on monthly computations, at least 70 percent of assets, other than liquid assets, held by the association.

(e) Real estate loans on home property by mortgage or contract for deed, as provided in clauses (a) through (d) above with no limit on purchase or sale thereof; and may participate with other lenders in ~~the~~ making, purchasing, or selling ~~such of the~~ loans, provided (1) the property securing same is within 100 miles of the ~~principal servicing~~ office of ~~such the~~ other lender or lenders and (2) that ~~such the~~ other lender or lenders participate to the extent of at least 25 ~~ten~~ percent in ~~such the~~ loan and further provided not more than 25 percent of the assets of the association licensed hereunder shall be in ~~such the~~ loan.

(f) An association may purchase, at any sheriff's judicial, or other sale, public or private, any real estate upon which it has a mortgage, judgment, or other lien, or in which it has any interest.

It may acquire title to any real estate on which it holds any lien, in full or part satisfaction thereof, and may sell, convey, hold, lease, or mortgage the same. In transactions involving the purchase by a vendee of improved real estate for home purposes, or for the construction of a home, a savings and loan association organized under the laws of this state, or of the United States of America, may, when authorized by its bylaws, acquire the title thereof, and it may give to the vendee a contract to convey the same as upon a sale thereof. Provided, that no association shall hereafter invest more than 50 percent of its assets in such contracts to convey. Upon default in the conditions of the contract, the association may terminate the interest of the vendee, his representatives or assigns by serving the notice provided by section 559.21, upon ~~such~~ *the* vendee, his representative or assigns."

Page 1, line 23, strike "shall be" and insert "is"

Page 2, lines 4, 15, 18 and 19, strike "such" and insert "*the*"

Page 2, lines 15 and 17, strike "said" and insert "*the*"

Page 2, line 19, strike "as he shall permit" and insert "*the commissioner permits*"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the semicolon insert "providing for investments in certain loans by savings banks and savings associations; defining terms;"

Page 1, line 6, after "Sections" insert "50.14, Subdivision 5; 51A.02, Subdivisions 4, 8, and 17; 51A.37, Subdivision 3;"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Schaaf from the Committee on Governmental Operations, to which was re-referred

S. F. No. 1806: A bill for an act relating to economic development; creating a small business finance agency with authority to sell tax exempt revenue bonds to provide loans for small business projects.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. [362.50] [DEFINITIONS.] Subdivision 1. Each term defined in this section has the meaning given it whenever used in sections 1 to 5.

Subd. 2. "Agency" means the small business finance agency created in section 2.

Subd. 3. "Owner" means a person, partnership, firm, or cor-



poration engaged in a small business and applying to the agency for a loan under section 3.

Subd. 4. "Small business" means an enterprise defined as a small business concern in regulations of the United States small business administration pursuant to 15 U. S. Code, Sections 631 to 647, as in effect March 1, 1980, which is engaged in any industrial or commercial activity except:

- (a) Banking or other financial service;
- (b) Real estate brokerage, management, sale, ownership, or leasing;
- (c) Legal, medical, dental, accounting, engineering, or any other professional or consulting service;
- (d) Furnishing recreational or athletic facilities; and
- (e) Serving food or beverages to be consumed on or adjacent to the premises where they are sold.

Subd. 5. "Eligible small business" for the purpose of section 3, subdivision 5, means a business entity organized for profit, including but not limited to any individual, partnership, corporation, joint venture, association or cooperative, which entity:

- (a) Is not an affiliate or subsidiary of a business dominant in its field of operation; and
- (b) Has 20 or fewer full time employees or not more than the equivalent of \$1,000,000 in annual gross revenues in the preceding fiscal year.

Subd. 6. "Dominant in its field of operation" means having more than 20 full time employees and more than \$1,000,000 in annual gross revenues.

Subd. 7. "Affiliate or subsidiary of a business dominant in its field of operation" means a business which is at least 20 percent owned by a business dominant in its field of operation, or by partners, officers, directors, majority stockholders, or their equivalent, of a business dominant in that field of operation.

Subd. 8. "Financial institution" means any bank or other financial corporation described in chapter 47, any insurance company licensed to do business under chapter 60A, and any securities broker-dealer licensed under chapter 80A.

Subd. 9. "Business loan" means a loan, other than a pollution control loan, to the owner of a small business for the interim or long term financing of capital expenditures for the acquisition or improvement of land, construction or improvement of buildings, or acquisition and installation of fixtures and equipment useful for the conduct of the business.

Subd. 10. "Pollution control loan" means a federally guaranteed loan to the owner of a small business for the acquisition, construction, or improvement of pollution control facilities as defined by

federal law authorizing the guaranty. On the effective date of this section such facilities as are defined in 15 U. S. Code, Sections 694-1 and 694-2, and such real and personal property as the United States small business administration, in its discretion, determines is likely to help prevent, reduce, abate, or control noise, air, or water pollution or contamination by removing, altering, disposing, or storing pollutants, contaminants, wastes, or heat, and such real and personal property as the administration determines will be used for the collection, storage, treatment, utilization, processing, or final disposal of solid or liquid waste shall qualify as a project for a pollution control loan.

**Sec. 2. [362.51] [SMALL BUSINESS FINANCE AGENCY.]**  
**Subdivision 1.** A small business finance agency is hereby created and is constituted as an authority to act on behalf of the state within the scope of the powers granted to it in sections 1 to 5 to implement a loan program by which, in cooperation with cities, towns, counties and private or public lenders, adequate funds may be provided on sufficiently favorable terms to assist and encourage the establishment, maintenance and growth of small business in Minnesota and to reduce to a manageable level the cost of the control of pollution and disposal of waste resulting from the operations of small business.

**Subd. 2.** Sections 1 to 5 are enacted to promote the welfare and prosperity of the state by maintaining and increasing the career and job opportunities of its citizens, by reducing, controlling and preventing environmental pollution and waste of resources and by protecting and enhancing the tax base on which state and local governments depend for the financing of public services.

**Subd. 3.** Neither the state nor any other agency or political subdivision of the state shall be liable on any bond, note or other obligation of the agency, and no bond, note, or other obligation of the agency shall constitute a debt or loan of credit of the state or any political subdivision or any individual member of the agency.

**Subd. 4.** The state pledges and agrees with all holders of obligations of the agency that it will not limit or alter the rights vested in the agency to fulfill their terms, and will not in any way impair the rights or remedies of the holders, until all of the obligations and interest on them, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of such holders to enforce the payment and other provisions of the obligations, are fully met and discharged. The agency is authorized to include and recite this pledge and agreement of the state in any obligation or related document.

**Subd. 5.** The provisions of this section do not affect the power of the state to supervise and control the agency or to discontinue its operation or alter its organization, programs or activities or transfer its powers to a successor agency, provided that the action of the state is consistent with the provisions of subdivision 4 and

that title to all property then owned by the agency will remain or vest in the agency, its successor or the state, as the case may be.

Subd. 6. The property of the agency and its income and operation shall be exempt from all taxation by the state or any of its political subdivisions and all bonds and notes of the agency shall be exempt from all taxation by the state or any of its political subdivisions.

Subd. 7. The state covenants with the purchasers and all subsequent holders and transferees of notes and bonds issued by the agency in consideration of the acceptance of and payment for the notes and bonds, that the notes and bonds of the agency issued pursuant to sections 1 to 4 and the income therefrom and all its fees, charges, gifts, grants, revenues, receipts, and other moneys received or to be received, pledges to pay or secure the payment of such notes or bonds shall at all times be free and exempt from all state, city, county or other taxation provided by the laws of the state, except for estate and gift taxes and taxes on transfers, and except for the Minnesota corporate franchise tax measured by income, so long as the interest on federal bonds is included in the income by which such tax is measured.

Subd. 8. The members and governing body of the agency shall be the commissioner of economic development and six other members holding no other elective or appointive office of the state or any local government, appointed by the governor with advice and consent of the senate. The commissioner shall be vice chairman, and the governor shall designate the chairman from among the other members, to serve as chairman at the pleasure of the governor. Minnesota Statutes, Section 15.0575, governs the terms, compensation, removal and filling of vacancies in the offices of members other than the commissioner.

Subd. 9. The members shall be responsible for management and control of the agency. A majority of the members, excluding vacant memberships, is a quorum. When a quorum is present at any meeting of which notice has been given to or waived by all absent members in the manner provided in bylaws adopted by the vote of a majority of all members, any action of the agency may be taken by the vote of a majority of the members present. Fewer than a quorum may hear reports and adjourn from time to time.

Subd. 10. The commissioner of economic development shall designate an assistant commissioner as executive director of the agency and may appoint permanent and temporary employees necessary for the administration of the agency. The governing body of the agency may enter into agreements under which the department will provide administrative support for the agency.

Sec. 3. [362.52] [LOANS.] Subdivision 1. The agency may make or purchase or participate with financial institutions in making or purchasing business loans and pollution control loans

upon the conditions described in this section, and may enter into commitments therefor.

Subd. 2. The agency may participate with financial institutions in making or purchasing business loans not exceeding \$1,000,000 in principal amount, to be serviced by such institutions, provided that:

(a) The agency's share shall not exceed 90 percent of the total principal amount, and shall be payable with interest at the same times but not necessarily at the same interest rate as the share of the financial institution, and both shares shall be equally and ratably secured by a valid mortgage on or security interest in real and personal property;

(b) The total principal amount shall not exceed 90 percent of the value of the property securing the loan, unless the amount in excess of 90 percent is:

(1) Loaned from available funds which are not proceeds received directly from the sale of the agency's bonds or notes and are not restricted under the terms of any resolution or indenture securing bonds or notes, or

(2) Insured or guaranteed by a federal agency or by a private insurer qualified to write such insurance in the state, insuring a percentage of any claim for loss at least equal to that percentage of the value by which the loan exceeds 90 percent thereof;

(c) The value of the property securing the loan shall be certified by the participating financial institution, on the basis of such appraisals, bids, purchase orders, and engineers' certificates as the agency may require; provided that the value of items purchased and constructed from the proceeds of the loan shall not be deemed to exceed the contract price of purchase or construction:

(d) The agency shall not disburse funds under a commitment to participate in a loan for the construction or substantial improvement of property until the construction or improvement has been completed in accordance with plans and specifications, unless the financial institution furnishes an irrevocable letter of credit or a qualified corporate surety furnishes payment and performance bonds, satisfactory to the agency and in an aggregate amount equal to the amount payable under the construction contract; and

(e) No other indebtedness may be secured by a mortgage on or security interest in property securing a business loan made or purchased pursuant to this subdivision.

Subd. 3. The agency may make business loans not exceeding \$100,000 in principal amount, provided that each such loan shall be made only from the proceeds of a bond or note sold and issued to a financial institution, payable exclusively from the repayments of principal and interest on the loan, which shall be assigned to and serviced by the financial institution.

Subd. 4. The agency may make pollution control loans, when

evidenced and secured by qualified contracts under which the full amount of payments due is guaranteed or to be guaranteed, as a full faith and credit obligation of the United States, by the United States small business administration or by another agency or instrumentality of the United States to which the same or similar power may be granted.

Subd. 5. The agency shall make every effort to assure that at least 50 percent of the principal amount of the loans made or purchased by the agency in each fiscal year consists of loans with a principal amount of \$100,000 or less to eligible small businesses as defined in section 1, subdivision 5, and shall provide technical assistance needed by eligible small business owners to complete applications and meet other requirements for those loans. The agency shall report to the legislature annually on or before October 1 as to its compliance with the requirements of this subdivision during the preceding fiscal year.

Subd. 6. (a) Each financial institution which participates in a pollution control or business loan with the agency shall annually on or before March 1 submit a report for the prior calendar year to the agency on a form prescribed by the state auditor. The report shall include a listing of each new and outstanding loan in which the financial institution is a participant, the amount and terms of the loan, the purpose of the loan and any other information as the state auditor may reasonably require.

(b) The agency shall annually on or before May 1 submit a report on a form prescribed by the state auditor for the prior calendar year to the state auditor on all loans which it makes purchases or participates in. The report shall include a listing of each new and outstanding loan in which the financial institution is a participant, the amount and terms of the loan, the purpose of the loan and any other information as the state auditor may reasonably require.

(c) The state auditor shall annually on or before July 1 submit a report for the prior calendar year to the governor and the legislature summarizing the report submitted pursuant to clause (b).

(d) The cost of preparing and submitting the reports required by this subdivision shall be borne by the party submitting it. Any financial institution which fails to comply with the requirements of this subdivision shall be prohibited from participating in future loans until it complies.

Sec. 4. [362.53] [POWERS; DUTIES.] Subdivision 1. In implementing its corporate purposes and the programs described in sections 1 to 5, the agency shall have the powers and duties set forth in this section.

Subd. 2. It may sue and be sued.

Subd. 3. It may have a seal and alter the same at will.

Subd. 4. It may adopt, amend and repeal rules not inconsistent

with the provisions of sections 1 to 5 as necessary to effectuate its corporate purposes.

Subd. 5. It may acquire, hold and dispose of personal property for its corporate purposes.

Subd. 6. It may enter into agreements or other transactions with any federal or state agency, any person and any domestic or foreign partnership, corporation, association or organization.

Subd. 7. It may acquire real property, or an interest therein, in its own name, by purchase or foreclosure, where such acquisition is necessary or appropriate to protect any loan in which the agency has an interest and may sell, transfer and convey any such property to a buyer and, in the event such sale, transfer or conveyance cannot be effected with reasonable promptness or at a reasonable price, may lease such property to a tenant.

Subd. 8. It may sell, at public or private sale, any note, mortgage or other instrument or obligation evidencing or securing a loan.

Subd. 9. It may procure insurance against any loss in connection with its property in such amounts, and from such insurers, as may be necessary or desirable.

Subd. 10. It may consent, whenever it deems it necessary or desirable in the fulfillment of its corporate purpose, to the modification of the rate of interest, time of payment or any installment of principal or interest, or any other term, of any mortgage loan, mortgage loan commitment, construction loan, temporary loan, contract or agreement of any kind to which the agency is a party.

Subd. 11. It may borrow money to carry out and effectuate its corporate purpose and may issue its negotiable bonds or notes as evidence of any such borrowing in accordance with sections 462A.-08 to 462A.13, 462A.16 and 462A.17, all with the force and effect stated and the incidental powers granted and duties imposed in those sections. The aggregate principal amount of the agency's bonds and notes outstanding at any one time, excluding the amount satisfied and discharged by payment or provision for payment in accordance with their terms, and deducting amounts held in debt service reserve funds therefor, shall not exceed \$100,000,000 unless authorized by another law.

Subd. 12. It may issue and sell bonds, notes and other obligations payable solely from particular moneys, assets or revenues derived from its programs notwithstanding section 462A.08, subdivision 3.

Subd. 13. It may sell any of its obligations at public or private sale, at such price or prices as the agency shall determine, notwithstanding the limitation on sale price in the fourth sentence of section 462A.09.

Subd. 14. It may establish and collect reasonable interest and amortization payments on loans, and in connection therewith may establish and collect or authorize the collection of reason-

able fees and charges or require funds to be placed in escrow, sufficient to provide for the payment and security of its bonds, notes, commitments and other obligations and for the servicing thereof, to provide reasonable allowances for or insurance against losses which may be incurred and to cover the cost of issuance of obligations and technical, consultative and project assistance services. It shall require the payment of all processing, administrative and guarantee fees and the deposit in escrow of all funds required by the small business administration or other federal agency or instrumentality guaranteeing any loan and shall comply and enforce compliance with all terms and conditions of each guarantee, and the prompt filing of all claims which may arise thereunder.

Subd. 15. It may cause any funds not required for immediate disbursement to be invested in direct obligations of or obligations guaranteed as to principal and interest by the United States, or in insured savings accounts, up to the amount of the insurance, in any institution the accounts of which are insured by the federal savings and loan insurance corporation or to be deposited in a savings or other account in a bank insured by the federal deposit insurance corporation or to be invested in time certificates of deposit issued by a bank insured by the federal deposit insurance corporation and maturing within one year or less. It may deposit funds in excess of the amount insured with security as provided in chapter 118. Notwithstanding the foregoing, it may invest and deposit funds into accounts established pursuant to resolutions or indentures securing its bonds or notes in such investments and deposit accounts or certificates, and with such security, as may be agreed therein with the holders or a trustee for the holders.

Subd. 16. It may provide general consultative and technical services to assist in financing small business facilities for which loans may be made pursuant to section 3. It may enter into agreements or other transactions concerning the receipt or provision of those services.

Subd. 17. Financial information, including, but not limited to, credit reports, financial statements and net worth calculations, received or prepared by the agency regarding any project loan is private data on individuals as defined in Minnesota Statutes, Section 15.162, Subdivision 5a.

Subd. 18. It may accept appropriations, gifts, grants, bequests and devises and use or dispose of them for its corporate purposes.

Subd. 19. All proceeds of the agency's bonds, notes and other obligations, any amounts granted or appropriated to the agency for the making or purchase or the insurance or guaranty of loans or for bond reserves, all income from their investment and all revenues from loans, fees and charges of the agency are annually appropriated to the agency for the accomplishment of its corporate purposes and shall be expended, administered and accounted for in accordance with the applicable provisions of all bond and note resolutions, indentures and other instruments,

contracts, and agreements of the agency. Notwithstanding Minnesota Statutes, Section 16A.28, these appropriations are available until expended.

**Sec. 5. [362.132] [SMALL BUSINESS FINANCE AGENCY.]** The commissioner of economic development may enter into agreements or transactions with the small business finance agency created under section 2 to perform any or all administrative tasks in connection with the exercise and implementation of the powers and programs of the small business finance agency.

**Sec. 6.** Pursuant to article XI, section 2, of the constitution, the supreme court shall have original jurisdiction in any case in which a remedy is sought based on an allegation that the application of any provision of this act to any alleged facts is or may be contrary to any provision of the constitution.

**Sec. 7. [EFFECTIVE DATE.]** This act is effective the day following final enactment."

Amend the title by deleting it and inserting:

"A bill for an act relating to economic development; creating a small business finance agency with authority to issue and sell tax exempt obligations to provide loans for small business and pollution control projects; requiring reports."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Mr. Hughes from the Committee on Education, to which was referred

S. F. No. 1666: A bill for an act relating to education; eliminating the requirement that school districts make referendum levies in order to qualify to make certain discretionary levies; amending Minnesota Statutes, 1979 Supplement, Section 275.125, Subdivision 7a.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

## "ARTICLE I FOUNDATION AID

Section 1. Minnesota Statutes 1978, 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 whenever the mill rate as determined by the county auditor based upon the original assessed valuation is applied upon such changed valu-



ations, the county auditor shall, prior to February 1 of each year, beginning in 1979, 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, beginning in 1979, when the district's net revenue loss during the preceding year exceeds \$1 per pupil unit in the district in the most recent school year for which data is available, 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 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 the sum of the amounts of the district's levy limitations in the preceding October pursuant to section 275.125, subdivision 2a, clause (1) or (2), subdivision 5, and subdivision 13, to the total amount of the district's maximum levy limitation in the preceding October pursuant to section 275.125. The abatement adjustment shall be recognized as revenue in the fiscal year in which it is received.

Sec. 2. Minnesota Statutes, 1979 Supplement, section 124.224, Subdivision 8, is amended to read:

Subd. 8. [EXPIRATION.] This section shall expire June 30, 1980 with the final 1980 payment pursuant to subdivision 7.

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 275.125, Subdivision 7a, is amended to read:

Subd. 7a. (1) In 1979 each district which levies the maximum permissible amount pursuant to subdivisions 2a, clauses (1), (2), and (4); 6b; and 6c, may levy an additional amount which shall not exceed the lesser of (a) an amount equal to one-half mill times the district's 1978 adjusted assessed valuation or (b) the product obtained by multiplying \$27.50 times the number of pupil units identified in section 124.17, subdivision 1, clauses (1), (2), (4), and (5), in the district in the 1979-1980 school year.

(2) In 1980 and each year thereafter, each district which levies the maximum permissible amount pursuant to subdivisions 2a, clauses (1), and (2) and (4); 6b; and 6c, may levy an additional amount which shall not exceed the lesser of (a) an amount equal to one mill times the district's adjusted assessed valuation for the preceding year or (b) the product obtained by multiplying (i) the ratio of the equalizing factor to 1,000, times (ii) the number of pupil units identified in section 124.17, subdivision 1, clauses (1), (2), (4), and (5), in the district in the school year when the levy is certified.

(3) By August 1 before a district certifies any levy pursuant to this subdivision in 1979, or By the July 1 before a district certifies any levy pursuant to this subdivision in 1980, in any even-numbered year thereafter, or in any odd-numbered year thereafter when the district has not certified a levy pursuant to this subdivision in the preceding year, the board of the district shall hold a public hearing on the need for the proposed levy pursuant to this

subdivision. At least three weeks published notice of the hearing in 10 point type, on 12 point body, with a larger headline, shall be given in the legal newspaper with the largest circulation in the district. The notice shall state the amount of the proposed levy in dollars and mills, the net unappropriated fund balance in the district's operating funds as of the June 30 before the levy is certified, and the tax impact of the proposed levy on homesteads with market values of \$30,000 and \$50,000. At the hearing, the district shall present its proposed revenue and expenditure budgets for the next two school years and the net unappropriated fund balances in all district funds as of the June 30 before the levy is certified, and the board shall hear all parties requesting to give testimony for and against the proposed levy. Upon petition within 20 days after the hearing of five percent of the number of voters who voted in the district at the preceding statewide general election, the board shall call a referendum on a reduction of the proposed levy. The petition shall state the number of mills on the district's adjusted assessed valuation by which it proposes to reduce the proposed levy. No petition or referendum shall provide for a reduction of a proposed levy pursuant to this subdivision to a rate less than one-half mill on the district's adjusted assessed valuation below the rate levied by the district pursuant to this subdivision in the preceding year. The referendum shall be held on a date set by the school board, but no later than September 20 in 1979 or the August 20 before the levy is certified in subsequent years. The question on the ballot shall state the maximum amount of the proposed levy; the amount of the proposed reduction of the levy; and the amount of the levy if the reduction is approved, in mills on the district's adjusted assessed valuation and in dollars in the first year of the proposed levy. The district may levy the amount provided by the millage proposed by the school board, reduced by any reduction in millage approved at a referendum pursuant to this clause, applied to the preceding year's adjusted assessed valuation until the next even-numbered year. The district is not required to hold a public hearing or call a referendum on a levy pursuant to this subdivision in any odd-numbered year after 1979 which succeeds a year in which a levy is certified pursuant to this subdivision.

Sec. 4. [DEFICIENCY APPROPRIATION; 1979 SUMMER SCHOOL.] *The sum of \$685,000 is appropriated from the general fund to the department of education for the year ending June 30, 1980, for the payment of a deficiency in funds available for the payment of foundation aid for 1979 summer school programs. This appropriation shall be added to the amount appropriated and allocated for aid for foundation aid for 1979 summer school programs in Laws 1979, Chapter 334, Article I, Section 28, Subdivision 3.*

Sec. 5. [DEFICIENCY APPROPRIATION; SPARSITY AID.] *Subdivision 1. The sum of \$30,000 is appropriated from the general fund to the department of education for the year ending June 30, 1980, for a deficiency in funds available for the payment of sparsity aid. This appropriation shall be added to the amount*

*appropriated for sparsity aid in Laws 1979, Chapter 334, Article I, Section 28, Subdivision 4.*

*Subd. 2. The sum of \$6,000 is appropriated from the general fund to the department of education for the year ending June 30, 1981, for a deficiency in funds available for the payment of sparsity aid. This appropriation shall be added to the amount appropriated for sparsity aid in Laws 1979, Chapter 334, Article I, Section 28, Subdivision 4.*

**Sec. 6. [DEFICIENCY APPROPRIATION; SCHOOL LUNCH.] Subdivision 1. [1980.]** *The sum of \$160,000 is appropriated from the general fund to the department of education for the year ending June 30, 1980, for the payment of the deficiency in funds available for school lunch aid in that year, pursuant to section 124.646. This appropriation shall be added to the sum appropriated for fiscal year 1980 in Laws 1979, Chapter 334, Article VI, Section 35, Subdivision 8.*

*Subd. 2. [1981.] The sum of \$160,000 is appropriated from the general fund to the department of education for the year ending June 30, 1981, for the payment of the deficiency in funds available for school lunch aid in that year, pursuant to section 124.646. This appropriation shall be added to the sum appropriated for fiscal year 1981 in Laws 1979, Chapter 334, Article VI, Section 35, Subdivision 8.*

**Sec. 7. [RETROACTIVE EFFECTIVE DATE.]** *Section 1 of this article is effective retroactive to August 1, 1979.*

**Sec. 8. [EFFECTIVE DATE.]** *Sections 1, 3, 4, 5, and 6 of this article are effective the day following final enactment.*

## ARTICLE II TRANSPORTATION

**Section 1.** *Minnesota Statutes, 1979 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) *Transportation or board of resident pupils who reside one mile or more from the public schools which they could attend, or transportation to, from, or between the schools they attend pursuant to a program approved by the commissioner of education, or who reside one mile or more from a private school actually attended, but only to the extent permitted by sections 123.76 to 123.79 with respect to private school pupils;*

(2) *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 or the pupil's residence;*

(3) 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) 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 during the school day to other buildings 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 the one mile requirement for aid provided in clause (1) ;*

(5) When necessary, board and lodging for nonresident handicapped pupils in a district maintaining special classes;

(6) 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) Transportation for residents to and from the Minnesota school for the deaf or the Minnesota braille and sight-saving school;

(8) Services described in clauses (1) to (7) and ~~clause~~ *clauses* (9) and (10) when provided in conjunction with a state board approved summer school program;

(9) 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) 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. 2. Minnesota Statutes, 1979 Supplement, Section 124.225, is amended to read:

124.225 [TRANSPORTATION AID ENTITLEMENT.] Subdivision 1. For purposes of this section, the terms defined in this subdivision have the meanings given to them.

(a) "FTE" means a transported full time equivalent pupil whose transportation is authorized for aid purposes by section 124.223.

(b) "Region" means development region as defined in section 462.384, subdivision 5, except that for purposes of this section,

*development regions 1 and 2 shall be considered one region, development regions 4 and 5 shall be considered one region, development regions 6E and 6W shall be considered one region, and development regions 7E and 7W shall be considered one region.*

(c) "Total authorized cost" or "total authorized expenditure" means the sum of:

(i) all expenditures for transportation for which aid is authorized in section 124.223, plus

(ii) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 12½ percent per year of the cost of the fleet, plus

(iii) an amount equal to one year's depreciation on district school buses reconditioned by the department of corrections computed on a straight line basis at the rate of 33½ percent per year of the cost to the district of the reconditioning.

~~(e)~~ (d) "Total authorized predicted cost" means the total authorized cost predicted by a ~~linear~~ multiple regression formula determined by the department of education.

~~(e)~~ (e) For the 1979-1980 school year, "regular and summer school authorized FTE's transported" means full time equivalent pupils transported under section 124.223, clause (1), during the regular school year and in conjunction with a state board approved summer school program.

(f) "Transportation category" means a category of transportation service provided to pupils. Each category includes transportation provided during the regular school year and in conjunction with a state board approved summer school program. For purposes of this section, transportation categories are as follows:

(i) Regular transportation is transportation services provided under section 124.223, clauses (1) and (2), excluding transportation between schools under section 124.223, clause (1);

(ii) Secondary vocational center transportation is transportation services provided under section 124.223, clause (3);

(iii) Handicapped transportation is transportation services provided under section 124.223, clause (4), excluding board and lodging and excluding transportation to and from board and lodging facilities;

(iv) Board and lodging is services provided, in lieu of transportation, under section 124.223, clauses (4) and (5);

(v) Between schools transportation is transportation services between schools provided under section 124.223, clause (1);

(vi) Shared time regular transportation is transportation services provided under section 124.223, clause (6), excluding transportation provided for pupils attending shared time special education classes;

(vi) Shared time special education transportation is transporta-

*tion services for pupils attending shared time special education classes provided under section 124.223, clause (6);*

*(viii) To and from board and lodging facility transportation is transportation services to and from board and lodging facilities provided under section 124.223, clauses (4) and (7);*

*(ix) Cooperative academic and vocational transportation is transportation services provided under section 124.223, clause (9);*

*(x) Nonpublic health, guidance and counseling transportation is transportation services provided under section 124.223, clause (10);*

*(g) "Pupil weighting factor" means the ratio of the actual regional average cost per FTE in a particular transportation category to the actual regional average cost per FTE in the regular transportation category.*

*(h) "Weighted FTE's" means the number of FTE's in each transportation category multiplied by the pupil weighting factor for that category.*

*(i) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services and health services. A mobile unit may be a neutral site as defined in section 123.932, subdivision 9.*

*Subd. 1a. In computing transportation aid for each school year, the department of education shall establish the pupil weighting factors for each transportation category for each region using transportation cost data for the second prior school year. The department shall use the statewide pupil weighting factor for any transportation category for which a region had no experience during the second prior school year.*

*Subd. 2. For the 1979-1980 school year, the state shall pay to each school district for all pupil transportation and related services for which the district is authorized by law to receive state aid an amount determined according to this section. A linear regression formula shall be determined for each planning region by the department of education, using the terms specified in subdivision 4, to maximize the amount of variance accounted for between the total actual authorized cost per FTE for the 1977-1978 school year and the total authorized predicted cost per FTE for the 1977-1978 school year. The formula determined for each region shall be used to determine a total authorized predicted cost per FTE for the 1977-1978 school year for each district in the region. The amount determined for each district shall be adjusted according to the provisions of subdivisions 5 and 7. The linear regression formulas shall be determined so that the total transportation aid for the 1979-1980 school year does not exceed the amount appropriated for transportation aid for the 1979-1980 school year.*

*Subd. 3. For the 1980-1981 school year, the state shall pay to each school district for all pupil transportation and related services for which the district is authorized by law to receive state aid*

an amount determined according to this section. A linear multiple regression formula shall be determined *through stepwise multiple regression analysis* for each planning region by the department of education, using the terms specified in subdivision 4 4a , to maximize the amount of variance accounted for between the total actual authorized cost per *weighted* FTE for the 1978-1979 school year and the total authorized predicted cost per *weighted* FTE for the 1978-1979 school year. The formula determined for each region shall be used to determine a total authorized predicted cost per *weighted* FTE for the 1978-1979 school year for each district in the region. The amount determined for each district shall be adjusted according to the provisions of subdivisions 6 and 7 7a . The linear regression formulas shall be determined so that the total transportation aid for all districts for the 1980-1981 school year does not exceed the amount appropriated for transportation aid for the 1980-1981 school year.

Subd. 4. To predict the natural logarithm of the total authorized cost per FTE transported authorized by law for the 1979-1980 school year , the linear regression formula shall use the following terms and all their cross products:

- (1) The natural logarithm of the quotient of 1.00 divided by the total number of authorized FTE's transported;
- (2) The natural logarithm of the sum of 100 plus the difference between the average of the square roots computed for all districts in the state of the number of regular and summer school authorized FTE's transported per square mile minus the square root of the number of regular and summer school authorized FTE's transported per square mile in the district;
- (3) The natural logarithm of the ratio of the number of regular and summer school authorized FTE's transported to the district's total average daily membership;
- (4) The natural logarithm of the number of regular and summer school authorized FTE's transported per square mile;
- (5) The natural logarithm of the district's average daily membership;
- (6) The natural logarithm of the size of the district measured in square miles; and
- (7) The natural logarithm of the total number of FTE's transported by the district authorized for aid pursuant to section 124.223 minus the number of regular and summer school authorized FTE's transported.

Subd. 4a. To predict the total authorized cost per *weighted* FTE for each district beginning in the 1980-1981 school year, each regional multiple regression formula shall use the following terms and their squares for each district in the region:

- (1) The area of the district measured in square miles;
- (2) The district's average daily membership;

(3) *The total number of authorized FTE's transported by the district;*

(4) *The total number of authorized FTE's transported by the district in the handicapped, shared time special education, and to and from board and lodging facility transportation categories as a percentage of the total number of authorized FTE's transported by the district;*

(5) *The number of authorized FTE's transported by the district in the board and lodging transportation category as a percentage of the total number of authorized FTE's transported by the district;*

(6) *The number of authorized FTE's transported by the district in the between schools transportation category as a percentage of the total number of authorized FTE's transported by the district;*

(7) *The number of authorized FTE's transported by the district in the shared time regular transportation category as a percentage of the total number of authorized FTE's transported by the district;*

(8) *The number of authorized FTE's transported by the district in the secondary vocational center transportation category as a percentage of the total number of authorized FTE's transported by the district;*

(9) *The number of authorized FTE's per square mile transported by the district in the regular transportation category;*

(10) *The number of authorized FTE's per square mile transported by the district in the handicapped transportation category;*

(11) *The number of authorized FTE's transported by the district in the regular transportation category as a percentage of the district's average daily membership;*

(12) *An index of the district's shape computed by the department of education based on a comparison of the perimeter of the district to the perimeter of a circle with the same square mile area as the district;*

(13) *The percentage of the district's square mile area which is classified by the state planning agency as water-covered or marshland;*

(14) *The number of 40 acre parcels of land in the district which are contiguous to or intersected by unpaved roads, as a percentage of the number of 40 acre parcels of land in the district which are contiguous to or intersected by any roads, paved or unpaved. The number of 40 acre parcels of each type shall be obtained from the state planning agency;*

(15) *The percentage of the district's square mile area which is classified by the state planning agency as having a slope of land exceeding six percent;*



(16) *The number of authorized FTE's transported to nonpublic schools by the district in the regular transportation category as a percentage of the total number of authorized FTE's transported by the district in the regular transportation category.*

Subd. 5. The total authorized predicted cost per FTE determined for a district under subdivision 2 for 1977-1978 shall be increased by 17 26 percent.

Subd. 6. The total authorized predicted cost per *weighted* FTE determined for a district under subdivision 3 for 1978-1979 shall be increased by 17 28 percent.

Subd. 7. (1) Each district's adjusted total authorized predicted cost per FTE determined for ~~each~~ *the* 1979-1980 school year according to subdivision 5 ~~or~~ 6 shall be compared to the total actual expenditure per FTE for authorized transportation for that district for that year to determine the district's aid entitlement per FTE for that year.

(2) *For the 1979-1980 school year*, if the adjusted total authorized predicted cost per FTE is greater than the district's actual authorized expenditure per FTE, its aid entitlement per FTE shall equal the adjusted predicted cost per FTE minus 10 percent of the first \$10 of difference between the adjusted total authorized predicted cost per FTE and the actual expenditure per FTE; minus 20 percent of the next \$20; minus 40 percent of the next \$20; minus 60 percent of the next \$50; and minus 75 percent of the difference which exceeds \$100.

(3) *For the 1979-1980 school year*, if the adjusted total authorized predicted cost per FTE is less than the district's actual authorized expenditure per FTE, its aid entitlement per FTE shall equal the adjusted total authorized predicted cost per FTE plus 10 percent of the first \$10 of difference between the adjusted predicted cost per FTE and the actual expenditure per FTE; plus 20 percent of the next \$20; plus 40 percent of the next \$20; plus 60 percent of the next \$50; and plus 75 percent of the difference which exceeds \$100.

(4) Notwithstanding clauses (2) and (3), for the 1979-1980 school year, no district's aid entitlement per FTE shall be less than its actual authorized expenditure per FTE minus \$20 or more than its actual authorized expenditure per FTE plus \$20.

Subd. 7a. (1) *Each district's adjusted total authorized predicted cost per weighted FTE determined for the 1980-1981 school year and each year thereafter according to subdivision 6 shall be compared to the total actual expenditure per weighted FTE for authorized transportation for that district for that year to determine the district's aid entitlement per weighted FTE for that year.*

(2) *If the adjusted total authorized predicted cost per weighted FTE is greater than the district's actual authorized expenditure per weighted FTE, its aid entitlement per weighted FTE shall equal the adjusted predicted cost per weighted FTE minus*

10 percent of the first \$10 of difference between the adjusted total authorized predicted cost per weighted FTE and the actual expenditure per weighted FTE; minus 20 percent of the next \$20; minus 75 percent of the difference which exceeds \$30.

(3) If the adjusted total authorized predicted cost per weighted FTE is less than the district's actual authorized expenditure per weighted FTE, its aid entitlement per weighted FTE shall equal the adjusted total authorized predicted cost per weighted FTE plus 10 percent of the first \$10 of difference between the adjusted predicted cost per weighted FTE and the actual expenditure per weighted FTE; plus 20 percent of the next \$20; plus 75 percent of the difference which exceeds \$30.

Subd. 8. A district's aid pursuant to this section for each the 1979-1980 school year shall equal the district's aid entitlement per FTE determined according to subdivision 7 times the total number of authorized FTE's transported in the district in that school year, minus the amount raised by one mill times the adjusted assessed valuation which is used to compute the transportation levy limitation for the levy attributable to that school year.

Subd. 8a. A district's aid pursuant to this section for the 1980-1981 school year and each year thereafter shall equal the district's aid entitlement per weighted FTE determined according to subdivision 7a times the total number of authorized weighted FTE's transported in the district in that school year, minus the amount raised by one mill times the adjusted assessed valuation which is used to compute the transportation levy limitation for the levy attributable to that school year.

Subd. 9. Each district shall report to the department before July 1 of each year an estimate for the next school year of the total number of FTE's transported by transportation category and an estimate of the district's total actual authorized transportation expenditure by transportation category. The district's aid shall be determined for purposes of the first three transportation aid payments for the school year using these estimates. Before August 15 of each year, 1980, each district shall provide the department with the information for the preceding 1979-1980 school year which the department determines is necessary to compute the district's actual authorized expenditure per FTE for purposes of the computation in subdivision 7 and the district's actual total number of FTE's transported for purposes of the aid computation in subdivision 8. Before August 15, 1981, and each August 15 thereafter, each district shall provide the department with the information for the preceding school year which the department determines is necessary to compute the district's actual authorized expenditure per weighted FTE for purposes of the computation in subdivision 7a and the district's actual total number of weighted FTE's transported for purposes of the aid computation in subdivision 8a. The district's final transportation aid payment for that the school year shall be based on these computations.

Subd. 10. Any school district which owns school buses or mobile units shall transfer annually from the unappropriated fund balance account in its transportation fund to the appropriated fund balance account for bus purchases in its bus purchase transportation fund at least an amount equal to 12½ percent of the original cost of each bus or mobile unit until the original cost of each bus or mobile unit is fully amortized, plus 33⅓ percent of the cost to the district as of July 1 of each year for school bus reconditioning done by the department of corrections until the cost of the reconditioning is fully amortized. 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 bus purchase transportation fund.

Nothing in this subdivision shall permit a district to amortize the cost of a mobile unit purchased with funds received pursuant to section 9 of this article.

Subd. 11. [PAYMENT SCHEDULE.] Except as may be otherwise authorized by the commissioner to accommodate a flexible school year program, the state shall pay to each school district 30 percent of its estimated school transportation aid entitlement for the fiscal year on or before each of the following dates: August 31, December 31, and March 31. The final aid distribution to each district shall be made on or before October 31 of the following fiscal year.

Sec. 3. Minnesota Statutes 1978, Section 275.125, Subdivision 5, is amended to read:

Subd. 5. For school transportation services, a school district may levy an amount not to exceed the amount raised by a levy of one mill times the adjusted assessed valuation of the taxable property of the district for the preceding year. A district may levy under this subdivision for the annual cash payments to be made for the purchase of buses, or mobile units, as defined in section 2 of this article, or the reconditioning of buses, but only for that portion of the payments not offset by state transportation aid received on account of depreciation the amount transferred to the district bus purchase fund pursuant to section 124.225, subdivision 10. Beginning with the levy certified in 1976, A district may levy for transportation costs or other related services which are approved by the commissioner as necessary because of extraordinary traffic hazards for the current fiscal year.

Sec. 4. Minnesota Statutes 1978, Section 275.125, Subdivision 5a, is amended to read:

Subd. 5a. Upon approval of the commissioner, a district may levy for increased transportation costs above the formula limitation resulting from changes in transportation patterns required by leasing a school in another district provided that the cost increases are estimated to be a direct result of leasing that school and the increases result in costs above the formula limitation. When the transportation patterns of a district change as a result of leasing a

*school in another district, the district may, upon approval of the commissioner, levy for any increase in transportation cost above the cost that would occur without the leasing of the school. The commissioner shall approve a specific dollar amount which may be levied because of these increased costs. The levy authorized by this subdivision may be computed on the basis of estimated increased costs. In the first year a district makes the levy authorized by this subdivision, the commissioner may authorize a levy sufficient to pay for estimated increased costs resulting from leasing for two years. The amount provided by this levy shall not be included in the computation of the actual net operating cost per pupil transported in future years.*

*Sec. 5. In accordance with section 648.34, in the next edition of Minnesota Statutes, the revisor of statutes shall renumber section 124.224 as section 124.2131 and alter references to it in the statutes to conform to the change.*

*Sec. 6. Laws 1979, Chapter 334, Article 2, Section 15, Subdivision 2, is amended to read:*

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

*\$80,228,000 \$ 92,925,700 . . . . 1980,*

*\$82,512,000 \$103,766,000 . . . . 1981.*

*The appropriation for 1980 includes \$7,600,700 for aid for fiscal year 1979 payable in fiscal year 1980, and \$81,627,300 \$85,325,000 for aid for fiscal year 1980 payable in fiscal year 1980.*

*The appropriation for 1981 includes \$9,000,000 \$9,969,000 for aid for fiscal year 1980 payable in fiscal year 1981 and \$83,512,000 \$93,797,000 for aid for fiscal year 1981 payable in fiscal year 1981.*

*Sec. 7. Laws 1979, Chapter 334, Article 2, Section 15, Subdivision 3, is amended to read:*

*Subd. 3. Any unexpended balance remaining from the appropriation in this section for 1980 shall cancel and shall not be available for the second year of the biennium. None of the amounts appropriated in this section shall be expended for a purpose other than the purpose indicated. If the appropriated amount attributable to either year for any purpose indicated is insufficient, the aid for that year shall be prorated among all qualifying districts. The state shall not be obligated for any amount in excess of the appropriations in this section for those purposes.*

*Sec. 8. Subdivision 1. There is appropriated from the general fund to the department of education an amount not to exceed \$30,000 which shall be transmitted to the educational cooperative service unit whose boundaries encompass development regions 1 and 2 for the purchase of a mobile unit designed to provide facilities for educational programs and services, including diagnostic testing and health services.*

*Subd. 2. There is appropriated from the general fund to the*

department of education an amount not to exceed \$30,000 which shall be transmitted to the educational cooperative service unit whose boundaries encompass development regions 6 and 8 for the purchase of a mobile unit designed to provide facilities for educational programs and services, including diagnostic testing and health services.

Subd. 3. There is appropriated from the general fund to the department of education an amount not to exceed \$30,000 which shall be transmitted to the educational cooperative service unit whose boundaries encompass development region 4 for the purchase of a mobile unit designed to provide facilities for educational programs and services, including diagnostic testing and health services.

Subd. 4. There is appropriated from the general fund to the department of education an amount not to exceed \$30,000 which shall be transmitted to the educational cooperative service unit whose boundaries encompass development region 10 for the purchase of a mobile unit designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services and health services.

Subd. 5. The appropriations in this section are available until June 30, 1981.

Sec. 9. [MOBILE UNITS.] Subdivision 1. For purposes of this section, "mobile unit" has the meaning given it in section 2 of this article.

Subd. 2. Notwithstanding section 124.212, subdivision 9b, or any other section, for the 1980-1981 school year the commissioner of education shall make grants to ten school districts for the experimental use of mobile units to provide any of the following programs and services to public and nonpublic school pupils: diagnostic testing, health services, as defined in section 123.932, subdivision 11, and guidance and counseling services, as defined in section 123.932, subdivision 10, both in accordance with the provisions of section 123.935; and special instruction and services for handicapped children, as defined in section 120.03. Any pupil support service which a district offers through the mobile unit pursuant to this subdivision to public school pupils it shall also offer through the mobile unit to nonpublic school pupils who have requested the services pursuant to section 123.935.

Subd. 3. A district may use the grant funds to purchase or rent a mobile unit, to remodel, equip and operate it, and to pay for any costs incurred in providing the authorized programs and services; except that the district may not use the grant funds to pay the salaries of the professional instructional staff who work in the mobile unit.

Subd. 4. The commissioner shall prescribe the form, manner and time of application for the grants and shall select the participating school districts.

Subd. 5. The programs and services authorized by subdivision

2 shall be provided by public employees at neutral sites as defined in section 123.932, subdivision 9. The programs and services provided to nonpublic school pupils shall be limited to those for which the district provides equivalents, through the mobile unit program or otherwise, to public school pupils. The amount a district spends through the mobile unit program and otherwise for a program or service to nonpublic school pupils shall be no greater on a per pupil basis than the amount it spends through the mobile unit program and otherwise for the equivalent program or service for public school pupils.

Subd. 6. A district receiving a grant shall report to the commissioner of education by August 1, 1982 on the effectiveness of the mobile unit program in the district. The commissioner shall report to the education committees of the legislature on the effectiveness of the program by December 1, 1982.

Sec. 10. Notwithstanding section 123.937, the funds to pay for the grant program established pursuant to section 9 of this article shall be taken from the appropriation made pursuant to section 123.937 for the fiscal year ending June 30, 1981.

Sec. 11. Subdivision 1. Before February 1, 1981, the department of education shall report to the appropriate committees of the legislature on proposed measures for economy and cost effectiveness in school transportation and related services. The report shall include a study of the existing administration of transportation services based on a sampling of school districts of representative sizes and locations, and other data throughout the state. The report shall also include recommendations by the department on the following:

(1) Measures by districts to reduce fuel costs, conserve fuel and increase the overall efficiency of transportation and related services;

(2) Adjustments to the transportation aid entitlement formula; and

(3) Measures by the department of education which will assist districts in reducing their costs for transportation and related services.

Subd. 2. After February 1, 1981, the department of education shall provide technical assistance to school districts which request it for developing computer assisted bus routing plans.

Subd. 3. The department of education may increase its staff complement by two professional employees and one clerical employee for the purposes of subdivisions 1 and 2. The department may also contract with consultants or employ necessary temporary personnel for the purposes of subdivision 1.

Sec. 12. There is appropriated from the general fund to the department of education the sum of \$150,000 for the purposes of section 11 of this article. This appropriation is available until June 30, 1981.

**Sec. 13. [REPEALER.]** *Minnesota Statutes, 1979 Supplement, Section 124.222, Subdivision 3, is repealed.*

**Sec. 14. [EFFECTIVE DATE.]** *This article is effective the day following final enactment.*

### ARTICLE III SPECIAL EDUCATION

**Section 1.** *Minnesota Statutes 1978, Section 120.17, Subdivision 1, is amended to read:*

**120.17 [HANDICAPPED CHILDREN.]** *Subdivision 1. [SPECIAL INSTRUCTION FOR HANDICAPPED CHILDREN OF SCHOOL AGE.]*

*(1) Every district shall provide special instruction and services, either within the district or in another district, for handicapped children of school age who are residents of the district and who are handicapped as set forth in section 120.03.*

*(2) (a) For the 1980-1981 and 1981-1982 school years, school age means the ages of four years to 21 years for children who are handicapped as defined in section 120.03 and shall not extend beyond secondary school or its equivalent. The department of education shall, in cooperation with the department of health and the department of welfare, design a statewide plan and conduct a statewide assessment of the special education and related service needs of all handicapped children younger than four years of age as of September 1, 1980. The statewide plan shall provide for a comprehensive delivery system to be implemented through inter-agency cooperation. The procedures for the needs assessment shall be designed by September 1, 1980, and be implemented during the 1980-81 school year. During the 1981-82 school year, every district shall, using the statewide comprehensive delivery system plan formulated by the department of education in cooperation with the department of health and the department of welfare, prepare an estimate of the number of students it shall serve, pursuant to clauses (b), (c), (d), and (e). The estimate shall be transmitted to the department of education on forms provided by the department before September 1, 1981. The estimate shall be updated annually through 1985. The updated estimate shall be transmitted to the department of education before September 1 of each year.*

*(b) For the 1982-1983 school year, school age means the ages of three years to 21 years for children who are handicapped as defined in section 120.03 and shall not extend beyond secondary school or its equivalent.*

*(c) For the 1983-1984 school year, school age means the ages of two years to 21 years for children who are handicapped as defined in section 120.03 and shall not extend beyond secondary school or its equivalent.*

*(d) For the 1984-1985 school year, school age means the ages of one year to 21 years for children who are handicapped as de-*

*fined in section 120.03 and shall not extend beyond secondary school or its equivalent.*

*(e) For the 1985-1986 school year and thereafter, school age means from birth to 21 years for children who are handicapped as defined in section 120.03 and shall not extend beyond secondary school or its equivalent. For purposes of this subdivision, the age of a handicapped child shall be his age as of September 1 of the calendar year in which the school year for which he seeks special instruction and services commences.*

*(3) Every district may provide special instruction and services for handicapped children who have not attained school age. 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 sequence of programs for education, training and services for handicapped children as defined in section 120.03. In complying with clause (2), subclauses (b), (c), (d) and (e) of this subdivision, districts shall cooperate with head start programs, developmental achievement centers and other existing programs which provide services for handicapped children below age four to provide a full sequence of programs for education, training and services for those children.*

Sec. 2. Minnesota Statutes 1978, Section 124.48, is amended to read:

124.48 [INDIAN SCHOLARSHIPS.] The state board may award scholarships to any Minnesota resident student who is of one-fourth or more Indian ancestry and who, in the opinion of the board, has the capabilities to benefit from education. Scholarships shall be for advanced or specialized education in accredited or approved colleges or in business, technical or vocational schools or in accredited or approved college preparatory schools. Scholarships shall be used to defray tuition, incidental fees, books, supplies, transportation, other related school costs and the cost of board and room and shall be paid directly to the college or school concerned. The amount and type of each such scholarship shall be determined through the advice and counsel of the Minnesota Indian scholarship committee.

When an Indian student satisfactorily completes the work required by a certain college or school in a school year he is eligible for additional scholarships, if additional training is necessary to reach his educational and vocational objective. Scholarships may not be given to any Indian student for more than four years of study.

A scholarship for college preparatory school may not be given to any Indian student for more than four years of study. A scholarship for advanced or specialized education in college, business, technical or vocational schools may not be given to any Indian student for more than four years of study.

For the purposes of this subdivision, an accredited or approved college preparatory school is a private secondary school which (1) is fully accredited by either the North Central Association of



*Secondary Schools and Colleges or the Independent Schools Association of the Central States, (2) is making satisfactory progress toward full accreditation by either the North Central Association of Secondary Schools and Colleges or the Independent Schools Association of the Central States, or (3) is determined by the board to maintain programs and standards substantially equivalent to those institutions in Minnesota which are fully accredited.*

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 126.54, Subdivision 1, is amended to read:

126.54 [PILOT PROGRAMS.] Subdivision 1. [GRANTS; PROCEDURES.] For fiscal years 1978, 1979, and 1980, as part of the needs assessment effort year 1981, the state board of education shall make grants to no fewer than six school year pilot American Indian language and culture education programs. At least three pilot programs shall be in urban areas and at least three shall be on or near reservations. The board of a local district, a participating school or a group of boards may develop a proposal for grants in support of pilot American Indian language and culture education programs. Proposals may provide for contracts for the provision of program components by nonsectarian nonpublic, community, tribal or alternative schools. The state board shall prescribe the form and manner of application for grants, and no grant shall be made for a proposal not complying with the requirements of sections 126.45 to 126.55. The state board shall submit all proposals to the state advisory task force on American Indian language and culture education programs for its recommendations concerning approval, modification, or disapproval and the amounts of grants to approved programs.

Sec. 4. [PROGRAM FOR PUPILS OF LIMITED ENGLISH PROFICIENCY.] Subdivision 1. [DEFINITIONS.] For purposes of this section, the terms defined in this subdivision have the meanings given them.

(a) "Pupil of limited English proficiency" means a pupil in any of grades kindergarten through 12 who meets the following requirements:

(i) the pupil, as declared by his parent or guardian either (A) first learned a language other than English; or (B) comes from a home where the language usually spoken is other than English; or (C) usually speaks a language other than English; and

(ii) the pupil's score is significantly below the average district score for pupils of the same age on a nationally normed English reading or English language arts achievement test. A pupil's score shall be considered significantly below the average district score for pupils of the same age if it is one-third a standard deviation below that average score.

(b) "Essential instructional personnel" means the following for an English as a second language program:

(i) a teacher with an emergency exemption from a license requirement pursuant to subdivision 7, who is employed in the district's English as a second language program; and

(ii) any teacher licensed by the state, provided that the district assures the department that the teacher will obtain the in-service training the department considers necessary to enable the teacher to provide appropriate service to pupils of limited English proficiency.

(c) "Essential instructional personnel" means the following for a bilingual education program:

(i) A licensed teacher who demonstrates competency in the primary language of the pupil being served;

(ii) A person exempt from a licensure requirement for bilingual education pursuant to section 126.36, subdivision 5.

(d) "English as a second language program" means a program for the instruction of pupils of limited English proficiency in the following English language skills: reading, writing, listening and speaking.

(e) "Bilingual education" means an educational program in which instruction is given in both English and the primary language of the pupil of limited English proficiency to the extent necessary to allow the pupil to progress effectively through the educational system and to attain the basic English skills of reading, writing, listening and speaking so that the pupil will be able to perform ordinary classwork successfully in English.

Subd. 2. [AID AUTHORIZATION.] In the 1980-1981 school year the department of education shall reimburse a school district in an amount not exceeding 45 percent of the salaries paid to essential instructional personnel employed by the district in its English as a second language program or its bilingual education program for pupils of limited English proficiency. The department shall reimburse a district for no more than 45 percent of the salary of one full time equivalent teacher for each 50 pupils of limited English proficiency, or a pro rata amount thereof for fewer than 50 pupils. Notwithstanding the foregoing, the department shall pay an amount not exceeding 45 percent of the salary for one-third of a full time equivalent position for a district which has 15 or fewer pupils of limited English proficiency.

Subd. 3. [APPLICATIONS.] A district that wants to receive aid pursuant to this section for programs to serve pupils enrolled before the application deadline shall apply to the commissioner of education before September 15, 1980, in the manner prescribed by the commissioner. The application shall include the number of pupils to be served in the English as a second language program or the bilingual education program, the number of essential instructional personnel the district proposes to employ in its English as a second language program or its bilingual education program and any other information deemed necessary by the commissioner to implement this section. School districts may submit joint applications for aid pursuant to this section, and districts which have fewer than 50 pupils of limited English proficiency are encouraged to submit joint applications and to share essential instructional personnel for English as a second language programs or bilingual

*education programs. A district that wants to receive aid pursuant to this section for programs to serve pupils enrolled after the application deadline may apply to the commissioner of education at any time before the end of the school year in the manner prescribed by the commissioner.*

**Subd. 4. [NOTICE OF AID; PAYMENTS.]** *The department shall inform each applicant district of the amount of aid it will receive pursuant to this section by October 15 for applications received before September 15, 1980, and it shall pay this aid by December 1. For districts submitting an application after September 15, 1980, the department shall inform the applicant district of the amount of aid it will receive pursuant to this section within a month after the application is submitted, and the department shall pay the aid within 15 days after notifying the district that it will receive aid.*

**Subd. 5. [RECORDS; AUDITS.]** *A district which applies for aid pursuant to this section shall maintain records which support the information contained in its application. The commissioner of education may audit the records upon request.*

**Subd. 6. [NOTICE TO PARENTS.]** *A district which enrolls a pupil in a program for which it receives reimbursement for the salaries of the essential licensed personnel for the program pursuant to this section shall inform the parent or guardian of a pupil enrolled in the English as a second language program or the bilingual education program that their child has been enrolled in that program and shall provide the parent or guardian with a non-technical description of the purposes, method and content of the program. The notice shall be in writing and in both English and the primary language of the parent or guardian. The department of education shall, at the request of a school district, prepare the notice in the primary language of the parent or guardian.*

**Subd. 7. [EXEMPTION FROM LICENSURE.]** *A school board may be exempted from the licensure requirement in the hiring of an English as a second language teacher for the 1980-1981 school year if compliance would, in the opinion of the commissioner of education, create a hardship in the district in the securing of teachers. The commissioner shall notify the board of teaching of any exemptions granted pursuant to this subdivision.*

**Subd. 8. [FUNDS FROM OTHER SOURCES.]** *A school district providing bilingual education programs or English as a second language programs pursuant to this section shall be eligible to receive funds for these programs from other government agencies and from private sources when funds are available.*

**Sec. 5. [DEPARTMENT OF EDUCATION STAFF COMPLEMENT.]** *In order to carry out its duties pursuant to section 4 of this article, the department of education may add two professional positions and one clerical position with state funds. In addition, if the department receives funds for that purpose pursuant to title IV of the Civil Rights Act of 1964 (P.L. 88-352), as amended, or Title VII of the Elementary and Secondary Educa-*

*tion Act of 1965 (P.L. 89-10), as amended, the department may add two professional positions and one clerical position and pay the salaries for the positions from the federal funds.*

Sec. 6. Minnesota Statutes 1978, Section 120.095, Subdivision 6, is amended to read:

Subd. 6. The school census shall include an enumeration of children of limited English speaking ability residing within the district by primary language, race and national origin. In making this census the school board shall seek the assistance and cooperation of agencies, organizations or community groups, public or private, which might have information about students of limited English speaking ability proficiency residing in the school district. As used in this subdivision, the following terms have the meanings given them:

(a) "Children of limited English speaking ability proficiency" means children whose primary language is other than English or who come from home environments where the primary language is other than English and by reason thereof, have difficulty reading, writing, speaking and understanding ordinary classroom instruction and have difficulty in performing ordinary classwork in the English language; and

(b) "Primary language" shall have the meanings ascribed to them in section 126.34 means a language other than English which is the language normally used by the child or the language which is spoken in the child's home environment.

Sec. 7. Minnesota Statutes 1978, Section 120.10, Subdivision 2, is amended to read:

Subd. 2. [SCHOOL.] A school, to satisfy the requirements of compulsory attendance, must be one: (1) in which all the common branches are taught in the English language, from textbooks written in the English language, and taught by teachers whose qualifications are essentially equivalent to the minimum standards for public school teachers of the same grades or subjects and (2) which is in session each school year for at least 175 days or their equivalent; provided that in a program of instruction for children of limited English speaking ability proficiency, instruction and textbooks may be in the primary language of the children of limited English speaking ability proficiency enrolled therein. Any other language may be taught as provided in section 126.07. As used in this subdivision, the terms "children of limited English speaking ability proficiency" and "primary language" shall have the meanings ascribed to them in section 126.34 5.

Sec. 8. Minnesota Statutes 1978, Section 126.07, is amended to read:

126.07 [INSTRUCTION, USE OF ENGLISH LANGUAGE.] The books used and the instruction given in public schools shall be in the English language, but any other language may be used by teachers in explaining to pupils who understand such language the

meaning of English words; provided that in the case of a program for children of limited English speaking ability proficiency, instructions and books may be in the primary language of the children of limited English speaking ability proficiency. As used in this section, the terms "children of limited English speaking ability proficiency" and "primary language" shall have the meanings ascribed to them in section 126.34 4 of this article. In secondary and elementary schools other languages may be taught, when made a part of a regular or optional course of study.

**Sec. 9. [POLICY AND PROCEDURES FOR MINIMIZING STUDENT CHEMICAL USE PROBLEMS.]** *Subdivision 1. During the 1980-1981 school year each school board may develop a comprehensive policy and procedures to minimize chemical use problems among pupils in grades kindergarten through twelve.*

*Subd. 2. To develop the policy and procedures required by subdivision 1, each school board may do the following:*

*(a) assess the magnitude of the chemical use problem as it affects pupils in the district in grades kindergarten through twelve;*

*(b) identify and evaluate existing policies and programs in the schools of the district for minimizing chemical use problems;*

*(c) assess the needs of pupils in grades kindergarten through twelve for additional chemical abuse prevention, intervention, and referral programs and for support programs for pupils who have or have had chemical abuse problems;*

*(d) define the role of the school in minimizing chemical use problems among pupils;*

*(e) identify public and private community resources available to assist the school in minimizing chemical use problems among pupils in the district;*

*(f) study the feasibility of cooperative efforts among the school district and public and private agencies, including law enforcement agencies, to minimize chemical use problems among pupils;*

*(g) examine research studies for assistance in formulating the policies and procedures required pursuant to subdivision 1;*

*(h) assess school district staff training needs for the program to minimize chemical use problems among pupils;*

*(i) evaluate the need for parent chemical abuse awareness programs;*

*(j) consult with health officials and providers of chemical use treatment and rehabilitation services; and*

*(k) take any other action the school board deems appropriate to develop the policy and procedures required by subdivision 1.*

*Subd. 3. The school board may appoint an advisory task force to assist the board in developing the policies and procedures required by subdivision 1.*

*Subd. 4. The department of education in cooperation with the department of welfare and the commissioner of health shall develop comprehensive community approaches to support school district efforts to reduce chemical use problems among pupils. The department of education shall provide technical assistance to school boards which request the assistance of the department in performing the duties imposed by this section.*

**Sec. 10. [SERVICE TRAINING.] [CHEMICAL USE PROBLEMS.]** *Subdivision 1. Each school district which submits a written plan describing the policies and procedures required by section 1 to the department of education on or before February 1, 1981 shall be eligible to participate in an inservice training program for chemical use problems. The state shall pay the greater of \$1.00 per pupil in average daily membership, as defined in section 124.17, subdivision 2, or \$1,000 to each eligible school district for the inservice training of teachers, counselors, school nurses, school social workers and other school staff employed to work with pupils in chemical use problems.*

*Subd. 2. The department of education shall advise eligible school districts on available options for inservice training of chemical use problems. The training shall assist teachers, counselors, school nurses, school social workers and other school staff employed to work with pupils in helping pupils who are experiencing or have experienced chemical use problems.*

*Subd. 3. The department of education shall provide technical assistance to a school board which requests the assistance of the department in performing the duties encouraged by this section.*

**Sec. 11. [STAFF COMPLEMENT.]** *The department of education may increase its permanent staff complement by two professional positions for the purpose of providing the assistance in section 10, subdivision 3, of this article.*

**Sec. 12. [OUT OF SCHOOL YOUTH PROGRAM.]** *Subdivision 1. The state department of education shall develop recommendations to provide for a system for identifying and serving youth who have left the education system without appropriate societal, employability, and learning skills.*

*Subd. 2. The state department of education shall identify problems and alternative potential solutions relating to locating out of school youth and service their educational and employability needs. A report, which includes both alternative solutions and recommendations for legislation, shall be submitted to the legislature by February 2, 1981.*

*The state department of education shall also develop a system for facilitating cooperative action between the education system and the employment and training system in jointly addressing the needs of out of school youth. Linkages shall be developed and improved with the CETA system, the juvenile justice system, and appropriate community services agencies.*

**Sec. 13. [REPEALER.]** *Minnesota Statutes 1978, Sections*

126.31; 126.32; 126.33; 126.34; 126.35; 126.37; 126.38; 126.39, Subdivisions 1, 2, 3, 4, 5, 6, 7 and 11; 126.40, Subdivisions 1 and 2; 126.41, Subdivisions 2, 3, 4, 5, 6, and 7; 126.42; 126.52, Subdivisions 1, 2, 3, 4, 6, and 7; and Minnesota Statutes, 1979 Supplement, Sections 126.39, Subdivision 10; 126.40, Subdivision 3; and 126.41, Subdivision 1; 126.52, Subdivision 10, are repealed.

Sec. 14. [APPROPRIATIONS.] Subdivision 1. There is appropriated from the general fund to the department of education the sums indicated in this section for the fiscal year ending June 30, 1981.

Subd. 2. [INDIAN SCHOLARSHIPS.] For the Indian scholarships for college preparatory students pursuant to section 2 of this article, there is appropriated \$40,000. The appropriation in this subdivision is available until expended.

Subd. 3. [AMERICAN INDIAN LANGUAGE AND CULTURE PROGRAMS.] For the pilot programs authorized pursuant to section 3 of this article there is appropriated \$600,000.

Subd. 4. [PROGRAMS FOR PUPILS OF LIMITED ENGLISH PROFICIENCY.] For the programs authorized pursuant to section 4 of this article, there is appropriated \$3,700,000. Of this amount, \$87,000 may be used to increase the staff complement in the department of education authorized in section 5 of this article. If the appropriation amount in this subdivision is insufficient, the aid shall be prorated among all qualifying districts and the state shall not be obligated for any excess amount.

Subd. 5. [CHEMICAL USE PROBLEMS; NEEDS ASSESSMENT AND INSERVICE TRAINING.] For the programs authorized pursuant to sections 9, 10, and 11 of this article, there is appropriated \$1,000,000. Of this amount, \$100,000 is for the increase in the staff complement in the department of education authorized in section 11 of this article. If the appropriation amount in this subdivision is insufficient, the aid shall be prorated among all eligible districts and the state shall not be obligated for any excess amount.

Subd. 6. [OUT OF SCHOOL YOUTH PROGRAMS.] For the program authorized pursuant to section 12 of this article, there is appropriated \$33,000. Of this amount, \$3,000 is for statewide meetings and the establishment of a task force representing employment, training, education, juvenile justice, community service, parents and students.

Subd. 7. [INDIAN EDUCATION.] For certain Indian education programs there is appropriated \$266,000. The appropriation in this subdivision is available for expenditure with the approval of the governor after consultation with the legislative advisory commission in the manner provided in section 3.30. This appropriation shall be distributed as follows: \$125,000 to Independent School District No. 309, Pine Point school; provided that the commissioner of education receives a revised budget for the school on or before September 1, 1980; \$11,000 to Independent School District No. 166; \$17,500 to Independent School District No.

432; \$16,000 to Independent School District No. 435; \$48,000 to Independent School District No. 707; and \$44,800 to Independent School District No. 38. These amounts shall be expended only for the benefit of Indian students and for the purpose of meeting established state educational standards or statewide requirements.

*Subd. 8. [HANDICAPPED ADULTS.] The sum of \$75,000 is appropriated to the department of education for the council on quality education to fund programs designed for adults and handicapped adults. The appropriation in this subdivision shall be added to the amount appropriated for venture fund grants for fiscal year 1981 by Laws 1979, Chapter 334, Article VII, Section 8, Subdivision 2.*

*Subd. 9. None of the amounts appropriated in this section shall be expended for a purpose other than the purpose indicated.*

*Sec. 15. [EFFECTIVE DATE.] Section 14, Subdivision 8, of this article is effective the day following final enactment.*

## ARTICLE IV

### OTHER AIDS AND LEVIES

Section 1. Minnesota Statutes 1978, Section 123.932, is amended by adding a subdivision to read:

*Subd. 1e. "Individualized instructional materials" means educational materials which:*

*(a) Are designed primarily for individual pupil use in a particular class or program in the school the pupil regularly attends;*

*(b) Are secular, neutral, nonideological and not capable of diversion for religious use; and*

*(c) Are available and are of benefit to Minnesota public school pupils.*

*Subject to the requirements in clauses (a), (b) and (c), "individualized instructional materials" include the following if they do not fall within the definition of "textbook" in subdivision 1b: published materials; periodicals; documents; pamphlets; photographs; reproductions; pictorial or graphic works; film strips; prepared slides; prerecorded video programs; prerecorded tapes, cassettes and other sound recordings; manipulative materials; desk charts; games; study prints and pictures; desk maps; models; learning kits; blocks or cubes; flash cards; individualized multimedia systems; prepared instructional computer software programs and prerecorded film cartridges.*

*"Individualized instructional materials" do not include the following: chemicals; wall maps; wall charts; pencils, pens or crayons; notebooks; blackboards; chalk and erasers; duplicating fluids; paper; 16 mm films; unexposed films; blank tapes, cassettes or videotape and instructional equipment.*



Sec. 2. Minnesota Statutes 1978, Section 123.933, is amended to read:

123.933 [PURCHASE OR LOAN OF TEXTBOOKS, INDIVIDUALIZED INSTRUCTIONAL MATERIALS, STANDARDIZED TESTS.] Subdivision 1. The state board of education shall promulgate rules under the provisions of chapter 15, requiring that in each school year, based upon formal requests by or on behalf of nonpublic school pupils in a nonpublic school, the local districts or intermediary service areas shall purchase or otherwise acquire textbooks, *individualized instructional materials* and standardized tests and loan or provide them for use by children enrolled in that nonpublic school. These textbooks, *individualized instructional materials* and standardized tests shall be loaned or provided free to the children for the school year for which requested. The loan or provision of the textbooks, *individualized instructional materials* and standardized tests shall be subject to rules prescribed by the state board of education.

Subd. 2. The title to textbooks, *individualized instructional materials* and standardized testing materials shall remain in the servicing school district or intermediary service area, and possession or custody may be granted or charged to administrators of the nonpublic school attended by the nonpublic school pupil or pupils to whom the textbooks, *individualized instructional materials* or standardized tests are loaned or provided.

Subd. 3. (a) The cost per pupil of the textbooks, *individualized instructional materials* and standardized tests provided for in this section for each school year shall not exceed the statewide average expenditure per pupil by the Minnesota public elementary and secondary schools for textbooks, *individualized instructional materials* and standardized tests as computed and established by the department of education by March 1 of the preceding school year from the most recent public school year data then available.

(b) *The cost computed in clause (a) shall be increased by an inflation adjustment equal to the percent of increase in the foundation aid per pupil unit, pursuant to section 124.212, from the second preceding school year to the current school year.*

(c) The commissioner shall allot to the school districts or intermediary service areas the total cost for each school year of providing or loaning the textbooks, *individualized instructional materials* and standardized tests for the pupils in each nonpublic school which . *The allotment shall not exceed the product of the statewide average expenditure per pupil, adjusted for inflation pursuant to clause (b) multiplied by the number of nonpublic school pupils who make requests pursuant to this section and who are enrolled as of September 15 of the current school year.*

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 123.937, is amended to read:

**123.937 [APPROPRIATION.]** There is appropriated annually to the department of education from the general fund of the state treasury the sum of \$3,250,000 for the purposes of sections 123.931 to 123.937. If this amount is not sufficient to make the payments required pursuant to sections 123.931 to 123.937, the amount necessary to make these payments is appropriated from the general fund to the department of education. *The amounts appropriated pursuant to this section for the year ending June 30, 1980 shall not cancel and shall be available for the second year of the biennium.*

**Sec. 4.** Minnesota Statutes 1978, Chapter 123, is amended by adding a section to read:

**[123.947] [RESTRICTIONS TO PREVENT IMPROPER USE OF INDIVIDUALIZED INSTRUCTIONAL MATERIALS.]**

*(a) The department of education shall assure that individualized instructional materials loaned to nonpublic school pupils are secular, neutral, nonideological and that they are incapable of diversion for religious use.*

*(b) Individualized instructional materials shall not be used in religious courses, devotional exercises, religious training or any other religious activity.*

*(c) Individualized instructional materials shall be loaned only to individual pupils upon the request of a parent or guardian or the pupil on a form designated for this use by the department of education. The request forms shall provide for verification by the parent or guardian or pupil that the requested individualized instructional materials are for the use of the individual pupil in connection with a program of instruction in the pupil's elementary or secondary school.*

*(d) The department of education or the servicing school district or the intermediate service area shall take adequate measures to ensure an accurate and periodic inventory of all individualized instructional materials loaned to elementary and secondary school pupils attending nonpublic schools. The state board of education shall promulgate rules under the provision of chapter 15 to terminate the eligibility of any nonpublic school pupil if the department or the servicing school district or intermediate service area determines, after notice and opportunity for hearing, that the individualized instructional materials have been used in a manner contrary to the provisions of section 1, 2 or 4 of this article or any rules promulgated by the state board of education.*

*(e) Nothing contained in section 1, 2 or 4 of this article shall be construed to authorize the making of any payments to a nonpublic school or its faculty, staff or administrators for religious worship or instruction or for any other purpose.*

**Sec. 5. [SEVERABILITY.]** *If any provision of section 1, 2 or 4 of this article, including the loan of any particular type of individualized instructional material shall be declared invalid, the holding shall not affect the validity of a remaining provision or the loan of any other type of individualized instructional material. If a*

*provision of sections 1, 2 or 4 of this article is invalid in one or more of its applications to a person or circumstance, the validity of the application of the provision to another person or circumstance shall not be affected.*

**Sec. 6. Minnesota Statutes, 1979 Supplement, Section 124.245, Subdivision 1, is amended to read:**

**124.245 [CAPITAL EXPENDITURE EQUALIZATION AID.]**  
Subdivision 1. The state shall pay a school district the difference by which an amount equal to ~~\$80~~ **\$90** per pupil unit in that school year or, in districts where the actual number of pupil units identified in section 124.17, subdivision 1, clauses (1) and (2), has increased from the prior year, ~~\$85~~ **\$95** per pupil unit in that school year, exceeds the amount raised by ~~ten~~ **seven** mills times the adjusted assessed valuation of the taxable property in the district for the preceding year. In order to qualify for aid pursuant to this section in any year, a district must have levied the full ~~ten~~ **seven** EARC mills for use for capital expenditures in that year pursuant to section 275.125, subdivision 11a.

**Sec. 7. Minnesota Statutes, 1979 Supplement, Section 124.271, Subdivision 1a, is amended to read:**

Subd. 1a. In fiscal year 1980, the state shall pay the greater of 75 cents per capita or \$5,000 to each school district which is operating a community school program in compliance with the rules promulgated by the state board and which has levied at least the lesser of \$1 per capita or ~~the maximum permissible certified levy for community services pursuant to section 275.125, subdivision 8, clause (1),~~ **\$1 per capita reduced by any deduction to the community service levy made pursuant to section 275.125, subdivision 9, clause (2),** for use in that year.

**Sec. 8. Minnesota Statutes, 1979 Supplement, Section 124.271, Subdivision 2, is amended to read:**

Subd. 2. In fiscal year 1981 and each year thereafter, the state shall pay the greater of 75 cents per capita or \$7,000 to each school district which is operating a community school program in compliance with the rules promulgated by the state board and which has levied at least the lesser of \$1 per capita or ~~the maximum permissible certified levy for community services pursuant to section 275.125, subdivision 8, clause (1)~~ **\$1 per capita reduced by any deduction to the community service levy made pursuant to section 275.125, subdivision 9, clause (2),** for use in that year.

**Sec. 9. Minnesota Statutes 1978, Section 134.03, is amended to read:**

**134.03 [TAX LEVY.] Subdivision 1.** In cities of less than 2,000 inhabitants not levying a tax for public library purposes, the school board may maintain a public library for the use of all residents of the district and provide ample and suitable rooms for its use in the school buildings or the district.

Upon a library being so established in any such school district,

whose library building has been erected with funds acquired by gift or donation, the school board is empowered to appoint a library board of nine members, of which each member of the school board shall be a member *ex officio*.

The remaining members of such library board shall be appointed by the school board, one of which remaining members shall hold office for one year, one for two years, and one for three years if the school board has only six members, from the first Saturday of September following their appointment, the term of office of each being specified in such appointment; annually thereafter, such school board shall appoint a member of the library board for the term of three years and until his successor shall qualify. Such school board may remove any member so appointed for misconduct or neglect. Vacancies in such board shall be filled by appointment for the unexpired term. Members of such board shall receive no compensation for their services as such.

Immediately after appointment, such board shall organize by electing one of its members as president and one as secretary and from time to time it may appoint such other officers and employees as it deems necessary. The secretary, before entering upon his duties, shall give bond to the school district in an amount fixed by the library board, conditioned for the faithful discharge of his official duties. The library board shall adopt such bylaws and regulations for the government of the library and reading-room and for the conduct of its business as may be expedient and conformable to law. It shall have exclusive control of the expenditures of all money collected for, or placed to the credit of, the library funds, and of the rooms and buildings provided for library purposes. All moneys received for such library fund shall be kept in the treasury of the school district, credited to the library fund, and be paid out only upon itemized vouchers approved by the library board. The library board may fix the compensation of employees and remove any of them at pleasure.

All books or other property given, granted, conveyed, donated, devised, or bequeathed to, or purchased by, such library shall vest in, and be held in the name of, such school district. Every library and reading-room established hereunder shall be free to the use of the inhabitants of the school district, subject to such reasonable regulations as the directors may adopt.

When so established, no such library shall be abandoned without a two-thirds majority vote of the electors cast at any annual or special school meeting called for the purpose.

When so established, in cases where the building has been erected with funds so donated, no such library shall be abandoned without a two-thirds majority vote of the electors cast at any annual or special school meeting called for the purpose.

*Subd. 2. Notwithstanding subdivision 1, if the library building of a library established pursuant to this section has been erected with funds acquired by gift or donation, a school board may, if authorized by the vote of a majority of all members of the school*

*board and the vote of a majority of all members of the governing body of the city, transfer the responsibility for maintaining the library to the city.*

Sec. 10. Minnesota Statutes, 1979 Supplement, Section 275.125, Subdivision 9, is amended to read:

Subd. 9. (1) Districts which receive payments which result in deductions from foundation aid pursuant to section 124.212, subdivision 8a, clause (1), shall reduce the permissible levies authorized by subdivisions 3 to 14 by that portion of the previous year's payment not deducted from foundation aid on account of the payment. The levy reductions shall be made in the proportions that each permissible levy bears to the sum of the permissible levies. Reductions in levies pursuant to this clause, subdivision 10 of this section, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 294.21 to 294.28 294.26; 298.23 to 298.28; ~~298.32~~; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; and any law imposing a tax upon severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections in the previous fiscal year less the product of the same dollar amount of payments times the ratio of the maximum levy allowed the district under subdivision 2a, to the total levy allowed the district under this section in the year in which the levy is certified.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to subdivision 2a, clause 1 or 2, to an amount less than the amount raised by a levy of 10 mills times the adjusted assessed valuation of that district for the preceding year as determined by the equalization aid review committee. The amount of any increased levy authorized by referendum pursuant to subdivision 2a, clause (4) shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 7a shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure levy authorized by subdivision 11a, and the community service levy authorized by subdivision 8, the commissioner shall ascertain from each affected school district

the amount it proposes to levy for capital expenditures pursuant to that subdivision 11a and for community services pursuant to subdivision 8. The reduction of the capital expenditure levy and the community services levy shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 294.21 to ~~294.28~~ 294.26; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; or any law imposing a tax on severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; and not deducted from foundation aid pursuant to section 124.212, subdivision 8a, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the commissioner of finance in the following amount on the designated date: on or before March 15 of each year, 100 percent of the amount required to be subtracted from the previous fiscal year's foundation aid pursuant to section 124.212, subdivision 8a, which is in excess of the foundation aid earned for that fiscal year. The commissioner of finance shall deposit any amounts received pursuant to this clause in the taconite property tax relief fund in the state treasury, established pursuant to section 16A.70 for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 11. Minnesota Statutes, 1979 Supplement, Section 275.125, Subdivision 8, is amended to read:

Subd. 8. (1) In 1979, and each year thereafter, A district which has established a community school advisory council pursuant to section 121.88, may levy an amount of money raised by the greater of (A) \$2.50 per capita, or (B) *one hundred and ten percent* of the amount certified pursuant to this subdivision in 1976. These levies shall be used for community services including nonvocational adult programs, recreation and leisure time activity programs, and programs contemplated by sections 121.85 to 121.88. For purposes of computing the levy limitation pursuant to this subdivision, the amount certified pursuant to this subdivision in 1976 shall not reflect reductions pursuant to subdivision 9.

(2) A school district shall be authorized to make a levy pursuant to this subdivision only after it has filed a certificate of compliance with the commissioner of education. The certificate of compliance shall certify that the governing boards of the county, municipality and township in which the school district or any part thereof is located have been sent 15 working days written notice of a meeting and that a meeting has been held to discuss methods of increasing mutual cooperation between such bodies and the school board. The failure of a governing board of a county, municipality or township to attend the meeting shall not affect the authority of the school district to make a levy pursuant to this subdivision.

(3) The population of the district for purposes of this subdivision is the population determined as provided in section 275.14 or as certified by the department of education from the most recent federal census.

Sec. 12. Minnesota Statutes, 1979 Supplement, Section 275.125, Subdivision 11a, is amended to read:

Subd. 11a. (a) A school district may levy an amount not to exceed the amount equal to ~~\$80~~ \$90 per pupil unit or, in districts where the actual number of pupil units identified in section 124.17, subdivision 1, clauses (1) and (2), has increased from the prior year, ~~\$85~~ \$95 per pupil unit. For purposes of computing allowable levies under section 275.125, pupil units shall include only those units identified in section 124.17, subdivision 1, clauses (1), (2), (4), and (5). No levy under this subdivision shall exceed ~~ten~~ seven mills times the adjusted assessed valuation of the taxable property in the district for the preceding year, notwithstanding the provisions of sections 272.64 and 275.49.

(b) The proceeds of the tax may be used only to acquire land, to equip and reequip buildings and permanent attached fixtures, to pay leasing fees for computer systems hardware and related proprietary software, and to pay leasing fees for photocopy machines and telecommunications equipment. The proceeds of the tax may also be used for capital improvement and repair of school sites, buildings and permanent attached fixtures, energy assessments as required pursuant to section 116H.126, and for the payment of any special assessments levied against the property of the district authorized pursuant to section 435.19 or any other law or charter provision authorizing assessments against publicly owned property; provided that a district may not levy amounts to pay assessments for service charges, including but not limited to those described in section 429.101, whether levied pursuant to that section or pursuant to any other law or home rule provision. The proceeds of the tax may also be used for capital expenditures for the purpose of reducing or eliminating barriers to or increasing access to school facilities by handicapped individuals. *The proceeds of the tax may also be used to make capital improvements to schoolhouses to be leased pursuant to article VI, section 3.*

(c) Subject to the commissioner's approval, the tax proceeds may also be used to rent or lease buildings for school purposes and to acquire or construct buildings. The state board shall promulgate rules establishing the criteria to be used by the commissioner in approving and disapproving district applications requesting the use of capital expenditure tax proceeds for the renting or leasing of buildings for school purposes and the acquisition or construction of buildings. The approval criteria for purposes of building acquisition and construction shall include: the appropriateness of the proposal with respect to the district's long term needs; the availability of adequate existing facilities; and the economic feasibility of bonding because of the proposed building's size or cost.

(d) The board shall establish a fund in which the proceeds of this tax shall be accumulated until expended.

(e) The proceeds of the tax shall not be used for custodial or other maintenance services.

Sec. 13. Minnesota Statutes 1978, Section 298.28, Subdivision 1, is amended to read:

**298.28 [DIVISION AND DISTRIBUTION OF PROCEEDS.]**  
Subdivision 1. The proceeds of the taxes collected under section 298.24, except the tax collected under section 298.24, subdivision 2, shall, upon certificate of the commissioner of revenue to the general fund of the state, be paid by the commissioner of revenue as follows:

(1) 2.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton", to the city or town in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. His order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(2) 12.5 cents per taxable ton, less any amount distributed under clause (8), to the taconite municipal aid account in the apportionment fund of the state treasury, to be distributed as provided in section 298.282.

(3) 29 cents per taxable ton to school districts to be distributed as follows:

(a) 6 cents per taxable ton to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The commissioner shall follow the apportionment formula prescribed in clause (1).

(b) 23 cents per taxable ton, less any amount distributed under part (c), shall be distributed to a group of school districts comprised of those school districts wherein the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 or in which is located property which is entitled to the reduction of tax pursuant to section 273.135, subdivision 2, clause (c). The 23 cents, less any amount distributed under part (c), shall be distributed in direct proportion to school district tax levies as follows: each district shall receive that portion of the total distribution which its permitted levy for the prior year, computed pursuant to section 275.125, comprises of the sum of permitted levies for the prior year for all qualifying districts, computed pursuant to section 275.125. For purposes of distributions pursuant to this part, permitted levies for the prior year computed pursuant to section 275.125 shall not include the amount of any increased levy authorized by referendum pursuant to section 275.125, subdivision 2a, clause (4). *The total amount of increase provided*



*by clause (9) shall be distributed on September 1 of each year commencing in 1981 among the school districts described in this paragraph on the basis of the total number of pupils enrolled in each school district during the latest school year. Any amounts received by a qualifying school district in any fiscal year pursuant to this clause shall not exceed the sum of \$75 per pupil and shall not be applied to reduce foundation aids which the district is entitled to receive pursuant to section 124.212 or the permissible levies of the district.*

(c) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(4) 19.5 cents per taxable ton to counties to be distributed as follows:

(a) 15.5 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to part (b). The commissioner shall follow the apportionment formula prescribed in clause (1).

(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, one cent per taxable ton of the tax distributed to the counties pursuant to part (a) and imposed on and collected from such taxpayer shall be distributed by the commissioner of revenue to the county in which the power plant is located.

(c) 4 cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in clause (1).

(5) (a) 25.75 cents per taxable ton, less any amount required to be distributed under part (b), to the taconite property tax relief account in the apportionment fund in the state treasury, 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, .75 cent per taxable ton of the tax imposed and collected from such taxpayer shall be distributed by the commissioner of revenue to the county and school district in which the power plant is located as follows: 25 percent to the county and 75 percent to the school district.

(6) 1 cent per taxable ton to the state.

(7) 3 cents per taxable ton shall be deposited in the state treasury to the credit of the iron range resources and rehabilitation board account in the special revenue fund for the purposes of

section 298.22. Of this amount, one cent per taxable ton is to be used to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60 issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134.

(8) .20 cent per taxable ton shall be paid in 1979 and each year thereafter, to the range association of municipalities and schools, for the purpose of providing an area wide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron range area of northeast Minnesota.

(9) the amounts determined under clauses (3)(b), (4)(a), (4)(c), and (5) shall be increased in 1979 and subsequent years in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. *Provided that the total amount to be raised by the escalation of clause (3)(b) shall not exceed the sum of \$75 per pupil on the basis of the total number of pupils enrolled in each qualifying school district during the latest school year.*

(10) the proceeds of the tax imposed by section 298.24 which remain after the distributions in clauses (1) to (9) and parts (a), (b), and (c) of this clause have been made shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection fund created in section 298.292 as follows: In 1978, 1979, 1980, 1981, and 1982, two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection fund; in 1983 and thereafter, one-half to each fund. The proceeds shall be placed in the respective special accounts in the general fund.

(a) In 1978 and each year thereafter, there shall be distributed to each city, town, school district, and county the amount that they received under section 294.26 in calendar year 1977.

(b) In 1978 and each year thereafter, there shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22.

(c) On or before October 10 of each calendar year each producer of taconite or iron sulphides subject to taxation under section 298.24 (hereinafter called "taxpayer") shall file with the commissioner of revenue and with the county auditor of each county in which such taxpayer operates, and with the chief clerical officer of each school district, city or town which is entitled to participate in the distribution of the tax, an estimate of the amount of tax which would be payable by such taxpayer under said law for such calendar year; provided such estimate shall be in an amount not less than the amount due on the mining and

production of concentrates up to September 30 of said year plus the amount becoming due because of probable production between September 30 and December 31 of said year, less any credit allowable as hereinafter provided. Such estimate shall list the taxing districts entitled to participate in the distribution of such tax, and the amount of the estimated tax which would be distributable to each such district in the next ensuing calendar year on the basis of the last percentage distribution certified by the commissioner of revenue. If there be no such prior certification, the taxpayer shall set forth its estimate of the proper distribution of such tax under the law, which estimate may be corrected by the commissioner if he deems it improper, notice of such correction being given by him to the taxpayer and the public officers receiving such estimate. The officers with whom such report is so filed shall use the amount so indicated as being distributable to each taxing district in computing the permissible tax levy of such county, city or school district in the year in which such estimate is made, and payable in the next ensuing calendar year, except that in 1978 and 1979 two cents per taxable ton, and in 1980 and thereafter one cent per taxable ton of the amount distributed under clause (4) (c) shall not be deducted in calculating the permissible levy. Such taxpayer shall then pay, at the times payments are required to be made pursuant to section 298.27, as the amount of tax payable under section 298.24, the greater of (a) the amount shown by such estimate, or (b) the amount due under said section as finally determined by the commissioner of revenue pursuant to law. If, as a result of the payment of the amount of such estimate, the taxpayer has paid in any calendar year an amount of tax in excess of the amount due in such year under section 298.24, after application of credits for any excess payments made in previous years, all as determined by the commissioner of revenue, the taxpayer shall be given credit for such excess amount against any taxes which, under said section, may become due from the taxpayer in subsequent years. In any calendar year in which a general property tax levy subject to sections 275.125 or 275.50 to 275.59 has been made, if the taxes distributable to any such county, city or school district are greater than the amount estimated to be paid to any such county, city or school district in such year, the excess of such distribution shall be held in a special fund by the county, city or school district and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under sections 275.125 or 275.50 to 275.59, of such county, city or school district payable in such year. If the amounts distributable to any such county, city or school district, after final determination by the commissioner of revenue under this section are less than the amounts indicated by such estimates, such county, city or school district may issue certificates of indebtedness in the amount of the shortage, and may include in its next tax levy, in excess of the limitations of sections 275.125 or 275.50 to 275.59 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

There is hereby annually appropriated to such taxing districts as are stated herein, to the taconite property tax relief account and to the taconite municipal aid account in the apportionment fund in the state treasury, to the department of revenue, to the iron range resources and rehabilitation board, to the range association of municipalities and schools, to the taconite environmental protection fund, and to the northeast Minnesota economic protection fund, from any fund or account in the state treasury to which the money was credited, an amount sufficient to make the payment or transfer. The payment of the amount appropriated to such taxing districts shall be made by the commissioner of revenue on or before May 15 annually.

**Sec. 14. [EFFECTIVE DATE.]** *Section 13 of this article is effective for iron ore concentrate produced in any year beginning after December 31, 1979.*

**Sec. 15. [EFFECTIVE DATE.]** *Section 6 of this article is effective July 1, 1981. Section 3 of this article is effective the day following final enactment.*

## ARTICLE V

### VOCATIONAL EDUCATION

**Section 1. Minnesota Statutes, 1979 Supplement, Section 124.11, Subdivision 2a, is amended to read:**

**Subd. 2a.** Ninety percent of the estimated post-secondary vocational instructional aid shall be paid to each district in 12 equal monthly payments on the 15th of each month beginning in July 1980. A final payment of the remainder of the post-secondary vocational instructional aid for each fiscal year shall be made to each district in September of the following fiscal year. The September 1980 payment shall be adjusted to reflect any deficit or excess in post-secondary vocational foundation aid received by a district in fiscal year 1980. The September 1981 final payment and the final September payment in each year thereafter shall be adjusted to reflect the actual average daily membership for the previous fiscal year. The final payment in September 1982 and each year thereafter shall be adjusted to reflect the actual annual student count for the previous fiscal year. For Beginning with the 1980-1981 school year, 90 percent of the estimated post-secondary vocational instructional aid shall be paid on the basis of the department of education's estimates of the current year's average daily membership adjusted in September, December, March and June to reflect any increases or decreases in enrollment. Beginning with the 1981-1982 school year, the estimated post-secondary vocational instructional aid shall be paid on the basis of the department of education's estimates of the current year's annual student count, adjusted in September, December, March and June to reflect any increases or decreases in enrollment, pursuant to section 124.5621, subdivision 11.

**Sec. 2. Minnesota Statutes, 1979 Supplement, Section 124.11, Subdivision 2b, is amended to read:**

Subd. 2b. ~~Post-secondary vocational supply aid ; and support services aid and equipment aid shall be paid to districts in equal installments on or before August 1, December November 1, March February 1, and June May 1 of each year. Additional post-secondary vocational supply aid, support services aid, and equipment aid may be distributed on or before March and June 1 of each year if it is apportioned at a consolidated public hearing held before February 15 of that year in the manner specified in section 124.561, subdivision 3a. Eighty percent of post-secondary vocational capital expenditure aid shall be paid to districts on or before August 1 of each year. The remaining 20 percent of post-secondary vocational capital expenditure aid shall be paid to districts on or before May 1 of each year.~~

Sec. 3. Minnesota Statutes 1978, Section 124.11, is amended by adding a subdivision to read:

*Subd. 2c. Additional post secondary vocational supply aid, support services aid and capital expenditure aid may be distributed on or before May 1 of each year if it is apportioned at a consolidated public hearing held before February 15 of that year pursuant to section 124.561, subdivision 3a.*

Sec. 4. Minnesota Statutes, 1979 Supplement, Section 124.562, Subdivision 3, is amended to read:

Subd. 3. All funds, whether state, federal, or from other sources, which may be made available to the department of education for carrying out the purposes of post-secondary vocational-technical education shall be apportioned by the state board for vocational education to the various school districts in accordance with law and shall be distributed by the state aids, statistics and research section of the state department of education. State board approval shall not be required for the adjustment of average daily membership ~~or for the adjustment of the annual student count~~, pursuant to section 124.11, subdivisions 2 and 2a.

Sec. 5. Minnesota Statutes, 1979 Supplement, Section 124.562, Subdivision 4, is amended to read:

Subd. 4. Each district providing post-secondary vocational-technical education programs shall establish and maintain ~~accounts funds~~ separate from all other district accounts for the receipt and disbursement of all ~~funds monies~~ related to these post-secondary vocational-technical education programs. All post-secondary vocational aids, all ~~funds monies~~ received pursuant to the levy authorized by section 275.125, subdivision 13 and all tuition authorized by section 124.565 shall be utilized solely for the purposes of post-secondary vocational-technical education programs.

Sec. 6. Minnesota Statutes, 1979 Supplement, Section 124.5621, Subdivision 11, is amended to read:

Subd. 11. (1) "Student growth or decline factor" for the 1980-1981 school year means the following ratio, adjusted according to clause (4) (2) :

(a) The current year's average daily membership as defined in section 124.562, subdivision 2, for a particular AVTI, divided by:

(b) The second prior year's average daily membership for that AVTI.

(2) Beginning in the 1979-1980 school year, each AVTI shall take a count of all full-time equivalent students in attendance on the fifteenth day of each quarter that full time post-secondary vocational programs are offered by that AVTI. These quarterly counts shall be totaled to produce an annual student count.

(3) Beginning in the 1981-1982 school year, "student growth or decline factor" means the following ratio, adjusted according to clause (4).

(a) The current year's annual student count for a particular AVTI, divided by

(b) The annual student count for the second prior year for that AVTI.

(4) (2) If the ratio in (1) or (3) is greater than .95 but less than 1.05, the ratio shall equal 1.0. If the ratio is .95 or less, the ratio shall be adjusted by adding .05. If the ratio is 1.05 or greater, the ratio shall be adjusted by subtracting .05.

Sec. 7. Minnesota Statutes, 1979 Supplement, Section 124.5621, is amended by adding a subdivision to read:

*Subd. 13. The state board for vocational education shall promulgate rules pursuant to chapter 15 which specify appropriate minimum ratios of average daily membership to each full-time staff equivalent in each of the following subject area classifications: agriculture; distributive education; health; home economics; business and office; technical; and trade and industrial.*

Sec. 8. Minnesota Statutes, 1979 Supplement, Section 124.5624, Subdivision 6, is amended to read:

Subd. 6. Before August 1, 1980 and before August 1 of each subsequent year, the commissioner shall issue a report on the capital expenditure aid allocation to each AVTI. This report shall include recommended aid allocations for each capital expenditure category and an explanation comparing the amount of the authorized capital expenditure aid allocation to the budget submitted for each AVTI. The fund balances used by the state board in determining the capital expenditure aid allocation shall be included.

Before August 1, 1980 and before August 1 of each subsequent year the commissioner shall also report on the equipment inventory of each AVTI, including original cost, ~~amortization~~ schedule and current value and estimated remaining useful life.

These reports shall be transmitted to the education committees of the legislature and to the directors of the AVTI's.

Sec. 9. Minnesota Statutes, 1979 Supplement, Section 124.5625, is amended to read:

124.5625 [POST-SECONDARY VOCATIONAL CONTINGENCY FUND.] There is established a post-secondary and adult vocational contingency fund. This fund shall be used for the start-up costs of *new full time* post-secondary vocational programs, including job training programs provided at the request of industry. This fund shall also be used for short term training of employees at the request of business and industry, when that training is specialized and not available from any other source. The commissioner state board for vocational education shall establish rules for the administration of this fund. The rules shall conform, where applicable, to the rules and procedures for the approval of new post-secondary and adult vocational programs.

Sec. 10. Minnesota Statutes 1978, Chapter 124, is amended by adding a section to read:

[124.5626] [ADULT NEW JOBS FUND.] *There is established a new jobs fund. This fund shall be used for the short term training of employees at the request of business and industry, when that training is specialized and not available from any other source. The state board for vocational education shall establish rules for the administration of this fund. The rules shall conform, where applicable, to the rules and procedures for the approval of new adult vocational programs.*

Sec. 11. Notwithstanding Laws 1979, Chapter 334, Article V, Section 31, the remaining funds in the appropriation for the contingency fund are immediately available to the department of education of which \$70,000 is for the short term training of employees at the request of business and industry, and at least \$130,000 is available for start-up costs of new full time post-secondary vocational programs.

Sec. 12. Minnesota Statutes, 1979 Supplement, Section 124.565, Subdivision 3, is amended to read:

Subd. 3. Tuition at a post-secondary vocational-technical school for a Minnesota resident pupil shall be \$128 per quarter for each quarter the pupil is enrolled, except that there shall be no charge for tuition for a person who, prior to July 1, 1978, entered active military service in a branch of the armed forces of the United States and who, under the laws in effect at the time of his induction into the armed forces, would be eligible to attend a post-secondary vocational school without payment of tuition. A full refund shall be provided to a student who withdraws on or before the 15th day of the quarter. No refund shall be provided for withdrawal after the 15th day of the quarter.

Sec. 13. Minnesota Statutes 1978, Section 124.565, is amended by adding a subdivision to read:

*Subd. 7. A veteran who is a Minnesota resident shall be exempt from the tuition required by subdivision 3 until the veteran has completed the lesser of (a) 360 post-secondary vocational-technical school days, or the equivalent as determined by the state board for vocational education, or (b) one post-secondary vocational-technical school program which the veteran began after the effective date of this subdivision.*

*"Veteran" for the purpose of this subdivision means a person who entered active military service in any branch of the armed forces of the United States after July 1, 1961 and before July 1, 1978, was a Minnesota resident at the time of induction into the armed forces and for the six months immediately preceding induction, and has been separated or discharged from active military service under conditions other than dishonorable. This subdivision shall not apply to a veteran who is eligible to have his tuition paid for by the comprehensive employment training act.*

**Sec. 14. [REPEALER.]** *Laws 1979, Chapter 334, Article V, Section 32, Subdivision 9, is repealed.*

**Sec. 15. [EFFECTIVE DATE.]** *Section 11 of this article is effective the day following final enactment.*

## ARTICLE VI

### MISCELLANEOUS

**Section 1.** *Minnesota Statutes 1978, Section 121.912, is amended by adding a subdivision to read:*

*Subd. 3. For the purposes of this section, a permanent transfer includes creating a deficit in a nonoperating fund for a period past the end of the current fiscal year which is covered by monies in an operating fund.*

**Sec. 2.** *Minnesota Statutes, 1979 Supplement, Section 122.541, Subdivision 5, is amended to read:*

*Subd. 5. If compatible plans are not negotiated pursuant to subdivision 4 before the June March 1 preceding any year of the agreement permitted by subdivision 1, the cooperating districts shall be governed by the provisions of this subdivision. Insofar as possible, teachers who have acquired continuing contract rights and whose positions are discontinued as a result of the agreement shall be employed by a cooperating district or assigned to teach in a cooperating district as exchange teachers pursuant to section 125.13. If necessary, teachers whose positions are discontinued as a result of the agreement and who have acquired continuing contract rights shall be placed on unrequested leave of absence in fields in which they are licensed in the inverse order in which they were employed by a cooperating district, according to a combined seniority list of teachers in the cooperating districts.*

**Sec. 3.** *Minnesota Statutes 1978, Section 123.36, Subdivision 10, is amended to read:*

*Subd. 10. The board may lease a schoolhouse which is not*



needed for school purposes to any person or organization. The board may charge and collect reasonable consideration for the lease and may determine the terms and conditions of the lease. *The board may make capital improvements to a schoolhouse or a portion thereof, not exceeding in cost the replacement value of the schoolhouse, to facilitate its rental, and the lease of an improved schoolhouse shall provide for rentals which will recover the cost of the improvements over the initial term of the lease. The portion of the rentals representing the cost of the improvements shall be deposited in the special tax fund established for the proceeds of the tax levy authorized by section 275.125, subdivision 11a, and the balance of the rentals shall be used as provided in this subdivision. In districts with outstanding bonds, the net proceeds of the lease shall be used first pursuant to section 175.61, subdivision 3, to reduce the levy authorized for payments for bonds issued and for interest thereon pursuant to section 275.125, subdivision 4 deposited in the debt retirement fund of the district in an amount sufficient to meet when due the principal and interest payments for all outstanding bonds. Any remaining net proceeds in these districts and all net proceeds of the lease in districts without outstanding bonds shall be used to reduce the levy authorized for general and special school purposes by section 275.125, subdivision 2a deposited in the capital expenditure fund of the district.*

Sec. 4. Minnesota Statutes 1978, Section 123.36, is amended by adding a subdivision to read:

*Subd. 12. Proceeds of the sale or exchange of school buildings or real property of the school district shall be used as provided in this subdivision. In districts with outstanding bonds the proceeds of the sale or exchange shall first be deposited in the debt retirement fund of the district in an amount sufficient to meet when due the principal and interest payments for all outstanding bonds. Any remaining proceeds in these districts of the sale or exchange and all proceeds in districts without outstanding bonds shall be deposited in the capital expenditure fund of the district.*

Sec. 5. Minnesota Statutes, 1979 Supplement, Section 125.61, Subdivision 3a, is amended to read:

Subd. 3a. Notwithstanding the provisions of subdivision 3, an eligible teacher who wishes to retire at the end of the 1978-1979 or 1979-1980 or 1980-1981 school year, who is employed by a school district which is implementing a desegregation plan ordered by a federal court or approved by the state board, and who is offered and accepts an early retirement incentive contract pursuant to subdivision 2, shall receive an early retirement incentive in the amount of \$15,000. This amount shall be reduced by \$750 for each year that a teacher is over the age of 55 years to a maximum age of 60 years and by an additional \$2,250 for each year that a teacher is over the age of 60 years. The age of the teacher shall be determined as of the June 30 in the school year during which the application for the early retirement incentive is made.

Sec. 6. Laws 1980, Chapter 345, Section 17, is amended to read:

Sec. 17. Nothing contained in sections 1 to 16 shall be construed as affecting the validity of a permanent license or certificate issued prior to August 1, ~~1979~~ 1980.

Sec. 7. Subdivision 1. Notwithstanding Minnesota Statutes, Section 121.912, Independent School District No. 119, Walker, may permanently transfer money from its general fund to its capital expenditure fund for the purpose of constructing a special education addition to the Walker elementary school. The amount of money which may be transferred shall not exceed the lesser of (a) the amount necessary to pay for the construction of the special education facility or (b) \$550,000.

Subd. 2. This section is effective upon its approval by the board of Independent School District No. 119 and upon compliance with Minnesota Statutes, Section 645.021, Subdivision 3.

Sec. 8. Subdivision 1. Notwithstanding Section 3 or 4 of this article or any other provisions of law to the contrary independent school district no. 283 may transfer up to \$500,000 of any unexpended balance in the debt retirement fund of the district, after a sufficient amount of monies has been deposited in the debt retirement fund of the district to meet when due the principal and interest payments for all outstanding obligations, to the capital expenditure fund of the district. This transfer authority is available until July 1, 1980.

Subd. 2. This section is effective upon its approval by the board of Independent School District No. 283 and upon compliance with Minnesota Statutes, Section 645.021, Subdivision 3.

Sec. 9. Subdivision 1. Notwithstanding Minnesota Statutes, Section 121.912, any school district located in Chisago county with an audited unappropriated general fund balance in excess of \$1,000,000 as of June 30, 1979, may permanently transfer up to one-half of that audited unappropriated fund balance from its general fund to its capital expenditure fund for the purpose of constructing a swimming pool facility; provided that the board of the district calls a special election pursuant to section 123.32, subdivision 22, requesting the approval of the voters of the district and that a majority of those voting approve the transfer and provided further that the board of the district complies with section 645.021, subdivision 3.

Subd. 2. This section is effective for an eligible school district upon compliance with section 645.021, subdivision 3.

Sec. 10. [FOUR DAY SCHOOL WEEK.] The state board of education, pursuant to section 120.65, shall establish a policy permitting districts requesting to operate the four day week to qualify for a flexible school year program. The policy of the board shall not apply to a school district located entirely within the seven county metropolitan area.

Sec. 11. [PURPOSE.] The legislature of the state of Minnesota recognizes the long standing tradition and commitment of the people of this state to qualify in education. This commitment

has required a growing and unprecedented expenditure of public funds. As these expenditures continue to grow, it becomes necessary to insure that the expectations and priorities of the people of Minnesota for education continue to be met. One of the most effective means of maintaining and improving quality in public education, as in business, industry, science and medicine, is through research and development. Research and development in education makes it possible for those concerned to find answers to questions of educational importance, develop improved measures for education and create new responses to address future problems. Presently, however, only a small fraction of one percent of the total revenues spent on public education is allocated for research and development. The purpose of sections 11 and 12 of this article is to encourage research and development programs at the local school district level.

Sec. 12. Subdivision 1. For the 1980-1981 and 1981-1982 school years, the state board of education shall make up to 20 grants to school districts to engage in educational research and development. Districts are encouraged, but are not limited, to conduct educational research and development in the following areas:

(1) Review of school district purposes and priorities for education;

(2) Programs encouraging the development of local citizen task forces on educational issues;

(3) Programs in preventive education and basic living skills;

(4) Developing programs which emphasize the purpose and results of education for the effective development of the child, including programs which focus on the importance of the home environment, the behavior of parents and family members in promoting the total development of the child, and programs which focus on the responsibility of parents as teachers and on membership in a family as a career; and

(5) Developing uses for computerized instruction, cable television and other innovations in media technology.

The research may include a review of existing national and international research and may involve the cooperation of the private sector.

Subd. 2. Districts which wish to participate in the funded research and development shall submit a research and development proposal to the department of education no later than June 1 preceding the school year for which the research and development is proposed. Two or more districts may submit a joint proposal for cooperative research and development. A proposal may request funding for one year or two years. Districts are encouraged to establish offices of research and development with the grant funds and to coordinate the state board's research and development grant with grants for research and development from other sources. The council on quality education shall provide technical assistance to the state board of education in evaluating proposals.

*Districts shall be notified of their participation in the funding no later than August 1 preceding the school year for which the research and development is proposed.*

*Subd. 3. The funds shall be as equally distributed as possible among districts in cities of the first class, in suburbs, and outside the seven county metropolitan area. Districts are encouraged to propose research and development which is district-wide or state-wide in its implementation.*

*Subd. 4. The department of education shall make a report to the legislature on the research and development conducted in accordance with this section before September 15, 1982.*

**Sec. 13. [REPEALER.]** *Minnesota Statutes 1978, Sections 123.34, Subdivision 6 and 122.85, Subdivision 7, are repealed.*

**Sec. 14. [APPROPRIATION; RESEARCH AND DEVELOPMENT PROGRAM.]** *The sum of \$1,000,000 is appropriated from the general fund to the department of education for the fiscal year ending June 30, 1981 for the program authorized pursuant to sections 11 and 12 of this article. This appropriation is available until June 30, 1982.*

**Sec. 15. [EFFECTIVE DATE.]** *Sections 11, 12, and 14 of this article are effective the day following final enactment.*

## ARTICLE VII

### STATEWIDE MANAGEMENT INFORMATION SYSTEM

**Section 1.** *Minnesota Statutes, 1979 Supplement, Section 16.93, is amended to read:*

**16.93 [COMPUTERIZATION BY SCHOOL DISTRICTS.]**  
**Subdivision 1. [STATEWIDE EDUCATION MANAGEMENT INFORMATION SYSTEM.] [PURPOSE.]** *The purposes of the statewide education management information system are:*

*To provide consistent and comparable information for statewide education information needs in a manner which is economical and cost-effective;*

*To provide a computerized research capability for analysis of education information;*

*To assist school districts in the development and planning of education information systems which will meet school district management needs; and*

*To coordinate information, collection and processing in order to meet the management needs of school districts and the state of Minnesota.*

**Subd. 2. [STATEWIDE EDUCATION MANAGEMENT INFORMATION SYSTEM.] [POWERS AND DUTIES.]** *The state board of education and the department of education may delegate any of their powers and duties pursuant to subdivision 3 which are necessary for the implementation of the statewide education management information system or for the technical support of the*

*system to the Minnesota educational computing consortium. The development of policy and planning for the system and the monitoring of compliance with statewide systems and reporting standards shall be the responsibility of the state board of education and the department of education pursuant to section 4 of this article and shall not be delegable.*

*Any duty or responsibility of the state board of education or the department of education required by section 1, 2, 3 or 4 of this article delegated before August 1, 1979 is repealed.*

*The commissioner of administration shall have no authority to review the decisions of the state board, the department of education or the Minnesota educational computing consortium made pursuant to sections 1, 2, 3 or 4.*

**Subd. 2 3 . [SCHOOL DISTRICTS' PLANS AND BUDGETS.]**  
*A school district may expend funds for computerization of administrative, instructional, or other activities only after a regional management information center of which the district is a member submits and obtains approval of an annual plan and budget on behalf of its member districts as provided in subdivision 3 4 . A school district may utilize management information systems other than the statewide standard management information systems only after receiving approval by the state board of education of its alternative plan pursuant to section 4. Every school district shall become a member of a regional management information center. Every district shall , in a timely manner accordance with the timelines in the data acquisition calendar, supply to the regional management information center of which it is a member the information required by the annual data acquisition calendar and the rules of the state board of education and the information specified in the data element dictionary .*

**Subd. 3 4 . [REGIONAL PLANS AND BUDGETS.]** Any group of two or more school districts may with the approval of the state board of education create a regional management information center pursuant to section 471.59 to provide computer services to the member districts. No regional management information center may expend funds for computer activities unless it files an annual plan and budget for its activities with the department of education and receives approval of the plan and budget from the department of education. *Regional management information center budgets and financial reports shall be submitted in a common format defined by the state department of education for all regional management information centers and in conformance with the uniform financial accounting and reporting system. The format defined by the state department of education shall provide for cost accounting procedures to be utilized by the regional management information centers. Criteria for approving the creation of a regional management information center and the plan and budget of a regional management information center shall include: the provisions of the state computing plan adopted by the state board of education; the cost effectiveness of the regional management information center and its plan and budget; the effect on existing regional*

management information centers; the ability of the *regional management information center* in a *timely manner* accordance with the *timelines in the data acquisition calendar* to provide information required by the annual data acquisition calendar or by the rules of the state board of education on computer tape which is machine readable using the software designed by the department of education; the ability of the *regional management information center* within 15 calendar days to respond to requests for information based on the data elements in the data element dictionary on computer tape which is machine readable using the software designed by the department of education; and the ability of the *regional management information center* to operate the uniform financial management accounting system using multi-dimensional accounts and records, as required by the uniform financial accounting and reporting standards for Minnesota school districts adopted by the state board pursuant to sections 121.90 to 121.92. Every *regional management information center* shall make available to its member districts the opportunity to participate fully in the comprehensive financial reporting, personnel payroll reporting and student reporting *management information system* systems developed by the Minnesota educational computing consortium. A *regional management information center* which is not in existence on July 1, 1979 shall not come into existence until the first July 1 of an odd-numbered year after its creation is approved pursuant to this subdivision or until it can be accommodated by state appropriations, whichever occurs first. *Before July 1, 1981, every regional management information center shall develop a plan for the provision of services during a system failure or a disaster.*

Subd. 4 5 . [REGIONAL SUBSIDIES.] In any year when a regional management information center's plan and budget are approved pursuant to subdivision 3 4, the center shall receive a regional reporting subsidy grant from the department of education. The grant shall be in an amount determined in accordance with the formula filed by the department of education with the committees on education and finance of the senate and the committees on education and appropriations of the house of representatives.

*For the fiscal year ending June 30, 1981, the formula may take into consideration the number of districts participating in a regional management information center as defined in section 3, subdivision 2, and the regional management information center services provided to districts using approved alternatives to the statewide standard management information systems.*

Subd. 5 6 . [STATE BOARD OF EDUCATION DUTIES.] The state board of education shall adopt rules prescribing the criteria for approval of regional plans and budgets and of the creation of *regions regional management information centers*, and specifying the criteria and the process for determining which data and data elements are included in the data element dictionary and the data acquisition calendar developed pursuant to subdivisions 6 8 and 7 9 . *The state board shall also adopt any rules necessary for the implementation of section 4. To the extent permitted by available*

resources, the commissioner of administration may furnish staff and other assistance to the department of education and the Minnesota educational computing consortium in conjunction with their performance of the duties imposed by this section.

**Subd. 7. [ALTERNATIVE FORMS OF PARTICIPATION IN THE COMPUTERIZED REPORTING SYSTEM.]** A school district shall use the statewide standard management information systems or an alternative method of participation approved by the state board of education pursuant to section 4. Any alternative system shall provide data to the regional management information center which conforms to the statewide systems and reporting standards. Criteria for approval shall be established by the department of education pursuant to section 4. A district proposal for an alternative method of participation shall include any costs to the district, regional management information center, or state for software development or operational services needed to provide standardized data to the regional management information center.

A district shall submit its proposal for an alternative system to the regional management information center board for evaluation. The regional management information center shall use the criteria for approval of alternative systems established by the department of education to evaluate the district proposal.

The regional management information center in a timely manner shall submit the district proposal and the regional management information center's evaluation of that proposal to the state board of education for approval or denial of the proposal.

Any delivery system, including manual reporting to the regional management information center, which meets the statewide standards may be submitted as an alternative. Upon approval of the state board of education, state or regional management information center funds may be used for software, software development, or operational services needed to assist districts in meeting the statewide systems and reporting standards. The state and region shall not fund any software, software development or operational services needed to meet needs which are unique to a particular school district.

**Subd. 6 8. [DATA ELEMENT DICTIONARY.]** By January 1, 1980, the department of education shall develop a data element dictionary defining all data elements included in the financial reporting, personnel payroll and student reporting information system of the department of education. Except as provided in subdivision 5 6, the development and modification of the data element dictionary shall be exempt from the rule-making procedures specified in chapter 15.

**Subd. 7 9. [DATA ACQUISITION CALENDAR.]** By January 1, 1980, the department of education shall develop an annual data acquisition calendar specifying the reports which school districts are required to submit to the regional management information center or the department of education and the dates when these reports are due. Except as provided in subdivision 5 6, the de-

velopment and modification of the annual data acquisition calendar shall be exempt from the rule-making procedures specified in chapter 15.

Sec. 2. Minnesota Statutes 1978, Section 121.90, is amended to read:

121.90 [DEFINITIONS.] *Subdivision 1. "Receivables", "liabilities", "fund balances", "revenues" and "expenditures" have the meanings specified in the uniform financial accounting and reporting system for Minnesota school districts unless otherwise provided by law.*

*Subd. 2. For the purposes of sections 1, 2, 3 and 4, "district" means a school district, an educational cooperative service unit, a cooperative center for vocational education, a cooperative center for special education, an area vocational technical institute, or an intermediate service area.*

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 121.92, Subdivision 2, is amended to read:

*Subd. 2. After July 1, 1980, participation in a computer based financial management accounting and reporting system meeting the statewide systems and reporting standards shall be mandatory. The form of this participation shall be determined as provided in section 16.93. For the purposes of this section and of section 16.93, "participation" means providing data to the regional management information center which conform to statewide systems and reporting standards and timelines.*

*Any district which proposes to meet the July 1, 1980, date for mandatory participation through the use of a manual reporting alternative or minicomputer or microcomputer delivery system alternative shall submit a proposal to the regional management information center prior to May 15, 1980. The regional management information center shall forward the proposal submitted and the evaluation of this proposal to the state board of education prior to June 1, 1980. Approval or denial of the manual reporting alternative or minicomputer or microcomputer delivery system alternative proposed shall be completed prior to July 1, 1980. Other delivery system alternatives may be submitted to the regional management information center and state board of education after July 1, 1980, but are not permitted alternatives to comply with the July 1, 1980, date for mandatory participation. A district is not exempt from meeting the requirement for mandatory participation while an alternative proposal is being evaluated by the regional management information center or the state board of education.*

Sec. 4. Minnesota Statutes 1978, Chapter 121, is amended by adding a section to read:

[121.93] [STATEWIDE EDUCATION MANAGEMENT INFORMATION SYSTEM.] *Subdivision 1. The department of education shall develop the policies and planning for the statewide education management information system.*



*Subd. 2. The department of education shall develop a long-range plan for the development and implementation of the statewide education management information system. The plan shall include procedures for determining the need to develop alternative statewide standard management information systems to keep pace with changing technology. A progress report on the plan shall be presented to the legislature no later than February 1, 1981. The plan shall be completed by June 30, 1981 and shall be revised before each biennial legislative session.*

*Subd. 3. The department of education shall provide for the development of statewide standard microcomputer based management information systems and training on those systems. The department of education shall report progress on development of these systems to the legislature before February 1, 1981.*

*Subd. 4. The state board of education shall adopt rules pursuant to chapter 15 for the criteria and standards to be used in evaluating district proposed alternatives to the statewide standard management information systems required pursuant to section 16.911. These criteria shall include considerations of economy and cost effectiveness for the district, regional management information center, and state. These criteria shall also include the ability of a system to provide data which conforms to the statewide systems and reporting standards. A district shall not operate an alternative system without the approval of the state board of education. The department of education shall report to the legislature before February 1, 1981, on the criteria and standards adopted.*

*Subd. 5. The department of education shall monitor the development of software for the statewide education management information system and the development of alternative systems approved by the state board of education to enforce compliance with the statewide systems and reporting standards. The department of education shall report to the legislature before February 1, 1981, on the status of districts which have received approval to operate alternative systems.*

*Subd. 6. The state board of education shall adopt rules to provide the cost accounting procedures to be used in the regional management information center budget and financial report formats. These cost accounting procedures shall detail the amounts expended for each of the statewide standard management information systems and any approved alternative systems, for each district served by the regional management information center. The department shall report to the legislature before February 1, 1981, on the cost accounting procedures adopted and progress on their implementation. The department shall also report on expenditures attributable to each of the systems which comprise the statewide education management information system.*

*Subd. 7. The state board of education shall adopt rules pursuant to chapter 15 for the standardized reporting of student and personnel data. The state board of education shall consider the final recommendations of the advisory task forces on uniform standards for student reporting and personnel reporting promul-*

gating permanent rules. The department of education shall halt major systems development and modification of the statewide standard payroll/personnel system and the statewide standard student support system until these rules have been adopted.

Sec. 5. Minnesota Statutes 1978, Chapter 121, is amended by adding a section to read:

[121.931] [STUDENT AND PERSONNEL REPORTING STANDARDS.] [ADVISORY TASK FORCES.] Subdivision 1. There are created two advisory task forces, one on uniform standards for student reporting and one on uniform standards for personnel reporting, each composed of nine members as follows:

(1) one employee of the state department of education appointed by the commissioner of education;

(2) one representative of the Minnesota educational computing consortium appointed by the MECC board;

(3) one representative from the regional management information centers appointed by the state board of education;

(4) three persons who are representatives of the various size school districts in the state and who are public school employees whose positions involve activities related to student reporting or personnel reporting appointed by the state board of education;

(5) one person representing the office of the governor appointed by the governor to serve ex officio;

(6) one person representing the education committee of the senate appointed by the chairman to serve ex officio;

(7) one person representing the education committee of the house of representatives appointed by the chairman to serve ex officio.

Subd. 2. Each task force shall report to the legislature, by January 1, 1981, recommendations for broad policy standards for school district reporting of student data or personnel data. Each task force shall recommend to the state board of education specific statewide systems and reporting standards for student data or personnel data.

Subd. 3. The task forces shall expire and the terms, compensation and removal of members shall be as provided in section 15.059.

Sec. 6. The department of education may add four professional employees and two clerical employees to its approved complement for the purpose of section 4.

Sec. 7. [APPROPRIATIONS.] There is appropriated from the general fund to the department of education the sum of \$220,000 for the purposes of this article. Of this amount \$100,000 is available to hire consultants on management information systems to assist the department in complying with this article and \$120,000 is available for the development microcomputer software to conform with the ESV-FIN system. This appropriation is available until June 30, 1981. The commissioner of education with the

*approval of the commissioner of finance may transfer \$200,000 for the increased staff complement in section 6. All transfers shall be reported forthwith to the committee on finance of the senate and the committee on appropriations of the house of representatives. This transfer authority shall be available until June 30, 1981.*

Sec. 8. [EFFECTIVE DATE.] *This article is effective the day following final enactment."*

Delete the title and insert:

"A bill for an act relating to education; providing for aids to education, tax levies and the distribution of tax revenues; granting certain duties and powers to school boards, school districts, the state board of education, and others; modifying certain responsibilities of the Minnesota educational computing consortium; modifying the method for districts to qualify for certain levies; changing the method of computing transportation aid and post-secondary vocational aid; changing the school age for certain handicapped children; providing an aid for individualized instructional materials; establishing certain programs; appropriating money; amending Minnesota Statutes 1978, Sections 120.095, Subdivision 6; 120.10, Subdivision 2; 120.17, Subdivision 1; 121.90; 121.912, by adding a subdivision; 123.36, Subdivision 10, and by adding a subdivision; 123.932, by adding a subdivision; 123.933; 124.11, by adding a subdivision; 124.214, Subdivision 2; 124.48; 124.565, by adding a subdivision; 126.07; 134.03; 275.125, Subdivisions 5 and 5a; 298.28, Subdivision 1; Chapters 121, by adding sections; 123, by adding a section; and 124, by adding a section; Minnesota Statutes, 1979 Supplement, Sections 16.93; 121.92, Subdivision 2; 122.541, Subdivision 5; 123.937; 124.11, Subdivisions 2a and 2b; 124.223; 124.224, Subdivision 8; 124.225; 124.245, Subdivision 1; 124.271, Subdivisions 1a and 2; 124.562, Subdivisions 3 and 4; 124.5621, Subdivision 11, and by adding a subdivision; 124.5624, Subdivision 6; 124.5625; 124.565, Subdivision 3; 125.61, Subdivision 3a; 126.54, Subdivision 1; 275.125, Subdivisions 7a, 8, 9, and 11a; Laws 1979, Chapter 334, Article 2, Section 15, Subdivisions 2 and 3; Laws 1980, Chapter 345, Section 17; repealing Minnesota Statutes 1978, Sections 122.85, Subdivision 7; 123.34, Subdivision 6; 126.31; 126.32; 126.33; 126.34; 126.35; 126.37; 126.38; 126.39, Subdivisions 1, 2, 3, 4, 5, 6, 7 and 11; 126.40, Subdivisions 1 and 2; 126.41, Subdivisions 2, 3, 4, 5, 6, and 7; 126.42; 126.52, Subdivisions 1, 2, 3, 4, 6, and 7; Minnesota Statutes, 1979 Supplement, Sections 124.222, Subdivision 3; 126.39, Subdivision 10; 126.40, Subdivision 3; and 126.41, Subdivision 1; 126.52, Subdivision 10; Laws 1979, Chapter 334, Article V, Section 32, Subdivision 9."

And when so amended the bill do pass and be re-referred to the Committee on Taxes and Tax Laws. Amendments adopted. Report adopted.

Mr. Gearty from the Committee on Elections, to which was re-referred

S. F. No. 1157: A bill for an act relating to elections; permitting

corporations domiciled in Minnesota to authorize solicitation and collection of contributions to a single political committee from its employees, members and shareholders; exempting corporate expenses in soliciting and collecting the contributions from the prohibition on corporate political contributions; setting conditions for the solicitation, collection and expenditure of money contributed to a committee authorized by a corporation; providing annual notice to union members of their right to prohibit transfer of their union dues to a union political fund; imposing criminal and civil penalties; amending Minnesota Statutes 1978, Sections 10A.12, by adding a subdivision; 10A.22, Subdivision 7; 210A.34, by adding a subdivision; and Chapter 10A, by adding a section.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1978, Section 210A.34, Subdivision 1, is amended to read:

210A.34 [CORPORATIONS NOT TO CONTRIBUTE TO POLITICAL CAMPAIGN; PERMITTED ACTIVITIES; REPORTS; PENALTIES.] Subdivision 1. It shall be unlawful for any corporation doing business in this state to ~~pay or contribute or make any contribution or to offer, consent or agree to pay or contribute~~ *make any contribution*, directly or indirectly, of any money, property, free service of its officers or employees or thing of value to any political party, organization, committee or individual ~~for any political purpose whatsoever, or to promote or defeat the candidacy of any person for nomination, election, or appointment to any political office. For the purpose of this subdivision, "contribution" includes an expenditure to promote or defeat the election or nomination of any candidate to any political office which is made with the authorization or expressed or implied consent of, or in cooperation or in concert with, or at the request or suggestion of a candidate, his principal campaign committee or his agent.~~

Sec. 2. Minnesota Statutes 1978, Section 210A.34, is amended by adding a subdivision to read:

*Subd. 1a. It shall be unlawful for any corporation doing business in this state to make any independent expenditure or to offer, consent or agree to make any independent expenditure to promote or defeat the candidacy of any person for nomination, election or appointment to any political office. For the purpose of this subdivision, "independent expenditure" means an expenditure which is not made with the authorization or expressed or implied consent of, or in cooperation or concert with, or at the request or suggestion of, a candidate, his principal campaign committee or his agent.*

Sec. 3. Minnesota Statutes 1978, Section 210A.34, is amended by adding a subdivision to read:

*Subd. 1b. Nothing in this section shall be construed to prohibit*

*a corporation doing business in this state from making any contribution or expenditure to promote or defeat a ballot question submitted to the voters.*

Sec. 4. Minnesota Statutes 1978, Section 210A.34, is amended by adding a subdivision to read:

*Subd. 1c. Nothing in this section shall be construed to prohibit publication or broadcasting of news items or editorial comments by the news media.*

Sec. 5. Minnesota Statutes 1978, Section 210A.34, Subdivision 8, is amended to read:

*Subd. 8. A corporation shall report the following information to the secretary of state:*

*(a) The total amount of any expenditure or contribution or any one project permitted by subdivisions 5 and 7 which exceeds \$100, together with the date, purpose and the names and addresses of the persons receiving the contribution or expenditures, and*

*(b) The name and address of each committee, individual or other person to whom aggregate contributions or expenditures in excess of \$100 have been made to promote or defeat a ballot question; the amount, date and purpose of each contribution or expenditure and the ballot question which the corporation seeks to promote or defeat.*

*The information shall be reported to the secretary of state. The reports shall be filed on a form provided by the secretary of state, which shall be filed on the dates required for filing financial statements by political committees under the provisions of section 210A.26, subdivision 1. Failure to comply shall be subject to the penalties related to campaign finance reporting under the provisions of this chapter.*

Sec. 6. [EFFECTIVE DATE.] *This act is effective the day following final enactment."*

Amend the title as follows:

Page 1, delete lines 3 to 19 and insert "to make contributions and expenditures to promote or defeat ballot questions submitted to the voters; requiring reporting by corporations that make such contributions and expenditures; clarifying prohibitions of corporate contributions and expenditures to promote or defeat a candidate for public office; amending Minnesota Statutes 1978, Section 210A.34, Subdivisions 1 and 8, and by adding subdivisions."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Tennesen from the Committee on Commerce, to which was referred

S. F. No. 1699: A bill for an act relating to no-fault automobile insurance; prohibiting certain short-term insurance policies; coordinating reparation benefits; coordinating benefits with medi-

care and medical assistance; extending eligibility for the assigned claims plan; amending Minnesota Statutes 1978, Sections 65B.49, by adding subdivisions; 65B.61, Subdivisions 1 and 2; 65B.64, Subdivision 1; and Minnesota Statutes, 1979 Supplement, Section 65B.61, Subdivision 3.

Reports the same back with the recommendation that the bill be amended as follows:

Pages 1 and 2, delete sections 1 and 2 and insert:

"Section 1. Minnesota Statutes 1978, Section 65B.46. Subdivision 2, is amended to read:

Subd. 2. If the accident causing injury occurs outside this state *in the United States, United States possessions, or Canada*, the following persons and their surviving dependents suffering loss from injury arising out of maintenance or use of a motor vehicle have a right to basic economic loss benefits:

(1) Insureds, and

(2) the driver and other occupants of a secured vehicle, other than (a) a vehicle which is regularly used in the course of the business of transporting persons or property and which is one of five or more vehicles under common ownership, or (b) a vehicle owned by a government other than this state, its political subdivisions, municipal corporations, or public agencies. *The reparation obligor may, if the policy expressly states, extend the basic economic loss benefits to any stated area beyond the limits of the United States, United States possessions and Canada.*

Sec. 2. Minnesota Statutes 1978, Section 65B.49, is amended by adding a subdivision to read:

*Subd. 4a. [UNDERINSURED MOTORIST COVERAGE.] No plan of reparation security may be renewed, delivered or issued for delivery, or executed in this state with respect to any motor vehicle registered or principally garaged in this state unless coverage is provided therein or supplemental thereto, in an amount at least equal to the insured's residual liability limits, whereby the reparation obligor agrees to pay damages the insured is legally entitled to recover on account of a motor vehicle accident but which are uncompensated because the total damages exceed the residual bodily injury liability limit of the owner of the other vehicle. The reparation obligor is subrogated to any amounts it pays and upon payment has an assignment of the judgment if any against the other person to the extent of the money it pays."*

Page 2, line 33, after "law" insert "or medicare"

Page 2, line 33, delete "medicare or"

Page 3, line 1, delete the new language

Page 3, line 7, after "2." insert "If" and after "Benefits" insert "are"

Page 3, line 8, delete the new language

Page 3, line 9, strike everything after "injury" and strike lines 10 and 11

Page 3, line 12, strike "loss benefits" and insert "*no disability income loss benefits are payable unless the weekly workers' compensation disability benefits are less than the weekly disability benefit as set out in section 65B.44, subdivision 3, in which case the reparation obligor shall pay to the injured person the amount that the weekly disability and income loss benefits payable under section 65B.44, subdivision 3, exceeds the weekly workers' compensation disability benefits*"

Page 3, delete section 5 and insert:

"Sec. 5. Minnesota Statutes 1978, Section 65B.61, is amended by adding a subdivision to read:

*Subd. 2a. If benefits are paid or payable under a workers' compensation law because of death, no survivors' economic loss benefits are payable unless the weekly workers' compensation dependency allowance is less than the weekly survivors' economic loss benefit rate as set out in section 65B.44, subdivision 6, in which case the reparation obligor shall pay to the surviving dependents the amount that the weekly survivors' economic loss benefits payable under section 65B.44, subdivision 6, exceed the weekly workers' compensation dependency allowances.*

Sec. 6. Minnesota Statutes 1978, Section 65B.61, is amended by adding a subdivision to read:

*Subd. 2b. If medicare benefits are paid or payable because of the injury, any benefits payable under section 65B.44, subdivision 2, are limited to the amount by which the medical expenses exceed the medicare payments."*

Page 4, delete section 7 and insert:

"Sec. 8. [REPEALER.] Minnesota Statutes 1978, Section 65B.49, Subdivisions 5 and 6, are repealed.

Sec. 9. [EFFECTIVE DATE.] Sections 2 and 8 are effective the day following final enactment."

Renumber the sections in sequence

Delete the title and insert:

"A bill for an act relating to no-fault automobile insurance; coordinating benefits with medicare and workers' compensation; extending eligibility for the assigned claims plan; providing for mandatory uninsured motorist coverage; eliminating certain mandatory offers; amending Minnesota Statutes 1978, Sections 65B.46, Subdivision 2; 65B.49, by adding a subdivision; 65B.61, Subdivisions 1 and 2, and by adding subdivisions; 65B.64, Subdivision 1; repealing Minnesota Statutes 1978, Section 65B.49, Subdivisions 5 and 6."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Laufenburger from the Committee on Employment, to which was referred

S. F. No. 1721: A bill for an act relating to unemployment compensation; including certain services as within definition of employment; providing for the noncharging of certain benefits; regulating accounts of successor employers; regulating reimbursements; providing for deductions from benefits; clarifying a certain disqualification from benefits; regulating employer protests; regulating certain interest charges and penalties; providing for adjustments; amending Minnesota Statutes 1978, Sections 268.06, Subdivisions 25, 26 and 28; 268.10, Subdivision 1; 268.16, Subdivisions 1, 2 and 6; and Minnesota Statutes, 1979 Supplement, Sections 268.04, Subdivision 12; 268.06, Subdivisions 5, 22 and 33; 268.08, Subdivision 3; and 268.09, Subdivision 1.

Reports the same back with the recommendation that the bill be amended as follows:

Page 16, line 28, after "to" insert "*an employer that is liable for payments in lieu of contributions or to*"

Page 16, line 29, strike "who" and insert "*if the employer*"

Page 17, delete lines 17 and 18 and insert "*Benefits shall not be charged to an employer that is liable for payments in lieu of contributions or to the experience rating account of an employer for*"

Page 17, line 22, after "the" insert "*unemployed*"

Page 17, delete lines 26 to 28

Page 19, line 26, strike "this chapter, including"

Page 19, line 27, strike the comma

Page 27, line 11, after the period insert "*For the purpose of this clause, a separation from employment by reason of its temporary nature or for inability to pass a test or for inability to meet performance standards necessary for continuation of employment shall not be deemed voluntary.*"

Page 27, delete lines 25 to 30 and insert:

*"An individual who is separated from his employment due to his illness of chemical dependency which has been professionally diagnosed or for which he has voluntarily submitted to treatment and who fails to make consistent efforts to maintain the treatment he knows or has been professionally advised is necessary to control that illness has not made reasonable efforts to retain his employment."*

Page 35, after line 24, insert:

*"Sec. 14. [EFFECTIVE DATE.] The provision of section 9 which amends Minnesota Statutes, Section 268.09, Subdivision 1, Clause (1) is effective July 27, 1979. All other provisions of this act are effective the day following final enactment."*



And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Tennesen from the Committee on Commerce, to which was referred

S. F. No. 1749: A bill for an act relating to insurance; providing the commissioner with rule-making power on the subject of unfair methods and unfair or deceptive acts and practices; amending Minnesota Statutes 1978, Section 72A.19.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, after line 8, insert:

"Section 1. Minnesota Statutes 1978, Section 72A.13, is amended to read:

72A.13 [ACCIDENT AND HEALTH INSURANCE, VIOLATIONS OF CERTAIN SECTIONS; PENALTIES.] *Subdivision 1.* Any company, corporation, association, society, or other insurer, or any officer or agent thereof, which or who solicits, issues or delivers to any person in this state any policy in ~~wilful~~ violation of the provisions of sections 62A.01 to 62A.10, ~~shall~~ may be punished by a fine of not more than \$100 for each offense, and the commissioner may revoke the license of any company, corporation, association, society, or other insurer of another state or country, or of the agent thereof, which or who wilfully violates any provision of sections 62A.01 to 62A.10.

*Subd. 2.* No insurer, company, corporation, association, society, trust or other person may solicit, deliver or issue to any person in this state mass marketed life or health insurance if the total charges for the insurance to the persons insured are unreasonable in relation to the benefits provided. As to health insurance, the applicable standards are those established pursuant to section 62A.02, subdivision 3. A finding that total charges are unreasonable in relation to the benefits provided shall be made pursuant to the contested case provisions of chapter 15. After the finding is made, the commissioner may institute the penalties provided in subdivision 1 and may issue an order directing the insurer to cease and desist the solicitation, delivery or issuance of the insurance. The order shall be in effect until the total charges for the insurance are found to be reasonable in relation to the benefits. For the purposes of this section:

(a) "Mass marketed life or health insurance" means the insurance under any individual, franchise, group or blanket policy of life or health insurance which is offered by means of direct response solicitation through a sponsoring organization or through the mails or other mass communications media under which the person insured pays all or substantially all of the cost of the insurance.

(b) "Direct response solicitation" means any offer by an insurer to persons in this state, either directly or through a third party, to

*effect life or health insurance coverage which enables the individual to apply or enroll for the insurance on the basis of the offer. It does not include solicitations for insurance through an employee benefit plan which is defined in P.L. 93-406, 88 Stat. 829, nor does it include such a solicitation through the individual's creditor with respect to credit life or credit health insurance.*

*Subd. 3. Any insurer extending mass marketed life or health insurance under a group or blanket policy issued outside this state to residents of this state shall:*

*(a) Comply with respect to such insurance with the requirements of this state relating to advertising and to claims settlement practices; and*

*(b) Upon request of the commissioner make available, for the purpose of determining compliance with the provisions of this section, copies of any such policy or certificates issued thereunder, and advertising material used within this state in connection with the insurance."*

Page 1, after line 21, insert:

"Sec. 3. Minnesota Statutes 1978, Section 72A.41, Subdivision 1, is amended to read:

**72A.41 [TRANSACTIONING BUSINESS WITHOUT CERTIFICATE OF AUTHORITY PROHIBITED.]** Subdivision 1. It ~~shall~~ *be* unlawful for any company to enter into a contract of insurance as an insurer or to transact insurance business in this state, as set forth in subdivision 2, without a certificate of authority from the commissioner; provided that this subdivision ~~shall~~ *does* not apply to: (a) contracts of insurance procured by agents under the authority of section 60A.20; (b) contracts of reinsurance and contracts of ocean or wet marine and transportation insurance; (c) transactions in this state involving a policy lawfully solicited, written and delivered outside of this state covering only subjects of insurance not resident, located or expressly to be performed in this state at the time of issuance and which transactions are subsequent to the issuance of ~~such~~ *the* policy; (d) transactions in this state involving group or blanket insurance and group annuities where the master policy of such groups was lawfully issued and delivered in a state in which the company was authorized to do an insurance business *where, except for group annuities, the insurer complies with section 72A.13. The commissioner may require the insurer which has issued such master policy to submit any information as the commissioner reasonably requires in order to determine if probable cause exists to convene a hearing to determine whether the total charges for the insurance to the persons insured are unreasonable in relation to the benefits provided under the policy;* (e) transactions in this state involving a policy of insurance or annuity issued prior to July 1, 1967; or (f) contract of insurance procured under the authority of section 60A.19, subdivision 8; or (g) transactions in this state involving contracts of insurance covering property or risks not located in this state."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after "insurance;" insert "providing for the regulation of mass marketed life or health insurance;"

Page 1, line 6, delete "Section" and insert "Sections 72A.13;"

Page 1, line 6, after "72A.19" insert "; and 72A.41, Subdivision 1"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Gearty from the Committee on Elections, to which was referred

S. F. No. 1787: A bill for an act relating to ethics in government; changing certain procedures and standards concerning election campaign financing; appropriating money; amending Minnesota Statutes 1978, Sections 10A.01, by adding subdivisions; 10A.13, by adding a subdivision; 10A.20, Subdivision 3; 10A.25, Subdivision 1; 10A.27, Subdivisions 1, 2 and 8; 10A.28, Subdivisions 1, 3 and 4; 10A.30, Subdivision 2; 10A.31, Subdivisions 1, 2, 3, 4, 5, and by adding subdivisions; and 10A.32, Subdivisions 1, 3, and by adding a subdivision; repealing Minnesota Statutes 1978, Sections 10A.25, Subdivisions 2 to 7, and 10: 10A.27, Subdivision 7; 10A.28, Subdivision 2; 10A.31, Subdivisions 3a, and 6 to 11; 10A.32, Subdivisions 2, 3a, 3b and 4; 10A.33; and 10A.335.

Reports the same back with the recommendation that the bill be amended as follows:

Pages 1 to 3, delete sections 1 to 3

Pages 5 to 21, delete sections 5 to 37 and insert:

"Sec. 2. Minnesota Statutes 1978, Section 10A.25, Subdivision 2, is amended to read:

Subd. 2. In a year in which an election is held for an office sought by a candidate, no expenditures shall be made by the principal campaign committee of that candidate, nor any approved expenditures made on behalf of that candidate which expenditures and approved expenditures result in an aggregate amount in excess of the following:

(a) For governor and lieutenant governor, running together, 12½ cents per capita or ~~\$600,000~~ \$800,000 , whichever is greater;

(b) For attorney general, 2½ cents per capita or ~~\$100,000~~ \$150,000 , whichever is greater;

(c) For secretary of state, state treasurer and state auditor, separately, 1¼ cents per capita or ~~\$50,000~~ \$75,000 , whichever is greater;

(d) For state senator, 20 cents per capita or ~~\$15,000~~ \$20,000 , whichever is greater;

(e) For state representative, 20 cents per capita or \$7,500 \$10,000 , whichever is greater.

Sec. 3. Minnesota Statutes 1978, Section 10A.27, Subdivision 1, is amended to read:

10A.27 [ADDITIONAL LIMITATIONS.] Subdivision 1. Except as provided in subdivisions 2 and 6, no candidate shall permit his principal campaign committee to accept contributions *and loans* from any individual, political committee, or political fund in an aggregate amount in excess of the following:

(a) To candidates for governor and lieutenant governor running together, \$60,000 in an election year for the office sought and \$12,000 in other years;

(b) To a candidate for attorney general, \$10,000 in an election year for the office sought and \$2,000 in other years;

(c) To a candidate for the office of secretary of state, state treasurer or state auditor, \$5,000 in an election year for the office sought and \$1,000 in other years;

(d) To a candidate for state senator, \$1,500 in an election year for the office sought and \$300 in other years; and

(e) To a candidate for state representative, \$750 in an election year for the office sought and \$150 in the other year.

Sec. 4. Minnesota Statutes 1978, Section 10A.27, Subdivision 2, is amended to read:

Subd. 2. No candidate shall permit his principal campaign committee to accept contributions *and loans* from any political party in an aggregate amount in excess of five times the amount that may be contributed to that candidate by a political committee as set forth in subdivision 1.

Sec. 5. Minnesota Statutes 1978, Section 10A.30, Subdivision 1, is amended to read:

10A.30 [STATE ELECTIONS CAMPAIGN FUND.] Subdivision 1. There is hereby established an account within the *special revenue general fund* of the state to be known as the "state elections campaign fund".

Sec. 6. Minnesota Statutes 1978, Chapter 10A, is amended by adding a section to read:

[10A.312] [MATCHING FUNDS SYSTEM.] Subdivision 1. For the purpose of this section "qualifying contribution" means a transfer of \$20 or less by an individual, political committee or political fund other than the candidate or the candidate's immediate family to a principal campaign committee of a candidate for state constitutional or legislative office made after November 15 of the year preceding the election year. Not more than \$20 of the aggregate transfers made in the election year by an individual, political committee or political fund may be certified by the board as a qualifying contribution.

*Subd. 2. For the purpose of this section "qualified expenditure" means an expenditure by the principal campaign committee of a candidate or an approved expenditure for services, materials, facilities, or other things of value to further the candidate's nomination or election to office during the year in which the primary or general election in which the candidate seeks nomination or election is held. Qualified expenditure does not include:*

*(a) An expenditure in violation of any law of the United States or of this state;*

*(b) A payment to the extent clearly in excess of the fair market value of services, materials, facilities, or other things of value received in exchange;*

*(c) Gifts or charitable contributions; or*

*(d) Noncampaign disbursements as defined in subdivision 10c.*

*Subd. 3. Subject to the provisions of this section, a candidate for constitutional or legislative office is entitled to receive from the state elections campaign fund an amount not to exceed one-half of the amount that may be spent by that candidate pursuant to section 10A.25.*

*Subd. 4. A candidate who desires to receive funds under this section may apply to the board to participate in the matching system after November 15 of the year preceding the election year for the office sought. A candidate may submit records of contributions and the board may certify contributions as qualifying contributions if the contributions were made after the candidate has filed with the board an application to participate in the matching system and has registered a principal campaign committee. Records of contributions submitted for certification shall include the name and address of each contributor and the date of each contribution. This information is in addition to and not in lieu of any other reporting requirement under this chapter. A candidate is not required to file an agreement under section 10A.32, subdivision 3, as a condition of board certification of qualifying contributions; but a candidate shall sign the agreement as a condition to receiving any matching funds under this section.*

*For candidates applying to participate in the matching system in 1980, the candidate may submit records of contributions and the board may certify contributions as qualifying if the contributions were made to the candidate after November 15, 1979.*

*Subd. 5. A candidate is entitled to receive \$1 from the state elections campaign fund for each \$1 received by the candidate in certified qualifying contributions which exceeds the threshold amount of certified qualifying contributions received by the candidate as follows:*

<i>Office Sought</i>	<i>Threshold Amount Of Qualifying Contributions</i>
<i>Governor and Lieutenant Governor</i>	<i>\$50,000</i>
<i>Attorney General</i>	<i>\$10,000</i>

<i>Secretary of State, State Treasurer, or State Auditor</i>	<b>\$ 5,000</b>
<i>Senate</i>	<b>\$ 2,000</b>
<i>House of Representatives</i>	<b>\$ 1,000</b>

*The executive director shall promptly notify a candidate when the board has certified the threshold amount of qualifying contributions as provided in this subdivision.*

*Subd. 6. Beginning after the last day for withdrawal of candidates who have filed affidavits or petitions of candidacy for the general election the board may disburse matching funds to a candidate who:*

*(a) Is entitled to have his name appear on the primary or general election ballot;*

*(b) Has received qualifying contributions in excess of the threshold amount provided in subdivision 5; and*

*(c) Who has signed an agreement pursuant to section 10A.31, subdivision 3. The board shall certify records of qualifying contributions submitted by such a candidate in a timely manner and in any case, not less than every 14 days after the last day for withdrawal of candidates. No qualifying contributions are eligible for matching funds if the records of the contributions are submitted to the board after November 15 of the election year.*

*Subd. 7. An unopposed candidate in a primary or general election is not entitled to any money from the state elections campaign fund. For purposes of this subdivision, a write-in candidate shall not be regarded as opposition or as creating a contested election.*

*Subd. 8. Money received by a candidate from the state elections campaign fund under this section may be spent only for qualified expenditures as defined in this section. No candidate may receive or retain any money from the state elections campaign fund which exceeds the amount of qualified expenditures made by the candidate in the election year. Any amount received in excess of the amount of qualified expenditures shall be returned to the board with the report due on January 31 after the election.*

*Subd. 9. A candidate who accepts any money from the state elections campaign fund under this section thereby authorizes the board, at its discretion and upon reasonable notice, to conduct a thorough examination and audit of all records kept by the candidate's principal campaign committee.*

*If a candidate or the treasurer of his principal campaign committee cannot demonstrate through adequate records the receipt of a sufficient amount of qualifying contributions or the expenditure of a sufficient amount of qualified expenditures, the candidate shall promptly return to the board any amount of money received by the candidate from the state elections campaign funds which is in excess of the amount the candidate*

*was entitled to receive or in excess of the qualified expenditures made by the candidate or his principal campaign committee.*

*Subd. 10. Money returned by a candidate pursuant to this section shall be deposited in the state elections campaign fund.*

**Sec. 7. [APPROPRIATIONS.] Subdivision 1. [TRANSFER OF FUNDS.]** *The state elections campaign fund in the special revenue fund is abolished and all money now deposited in the fund shall be transferred to the state elections campaign fund established under section 10A.30. All revenues hereafter received under the provisions of former Minnesota Statutes, Section 10A.31, shall be deposited in the fund established under section 10A.30. All sums so transferred or deposited are appropriated to the ethical practices board for payments to candidates as provided in chapter 10A.*

**Subd. 2. [ADDITIONAL APPROPRIATION.]** *The sum of \$..... is appropriated from the general fund to the ethical practices board and shall be deposited in the state elections campaign fund established under section 5 for payment by the board to candidates as provided in Minnesota Statutes, Chapter 10A.*

**Sec. 8. [REPEALER.]** *Minnesota Statutes 1978, Sections 10A.30, Subdivision 2; 10A.31; 10A.32, Subdivisions 1, 2, 3a and 4; and 10A.335 are repealed.*

**Sec. 9. [EFFECTIVE DATE.]** *This act is effective the day following final enactment."*

Renumber the sections in sequence

Amend the title as follows:

Page 1, delete lines 2 to 17 and insert "relating to elections; amending certain provisions regulating campaign finance contribution and expenditure limits and disclosure; eliminating the income tax check-off and establishing a matching system for public financing of political campaigns; appropriating money; amending Minnesota Statutes 1978, Sections 10A.20, Subdivision 3; 10A.25, Subdivision 2; 10A.27, Subdivisions 1 and 2; 10A.30, Subdivision 1; and Chapter 10A, by adding a section; repealing Minnesota Statutes 1978, Sections 10A.30, Subdivision 2; 10A.31; 10A.32, Subdivisions 1, 2, 3a and 4; and 10A.335."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Mr. Anderson from the Committee on Energy and Housing, to which was referred

S. F. No. 2305: A bill for an act relating to energy; prohibiting the sale of certain motor vehicles after a certain date unless a certain prescribed condition is met.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1978, Section 116H.087, is amended to read:

116H.087 [ENERGY CONSERVATION PUBLICITY.] The director of the energy agency in consultation with ~~the director of the housing finance agency~~ *other affected agencies or departments* shall develop *informational materials*, pamphlets and radio and television messages on the energy conservation and housing programs available in Minnesota, *renewable energy resources, and energy supply and demand*. The ~~pamphlets printed materials~~ shall include information on available tax credits for residential energy conservation measures, residential retrofitting loan and grant programs, and data on the economics of energy conservation *and renewable resource* measures. Before the ~~pamphlets printed material~~ or media messages are released for general distribution they shall be reviewed by the appropriate standing committees of the legislature.

Sec. 2. Minnesota Statutes 1978, Section 116H.12, Subdivision 11, is amended to read:

Subd. 11. Beginning January 1, 1979, no new residential

- (a) forced air type central furnace,
- (b) cooking appliance manufactured with an electrical supply cord, or
- (c) clothes drying equipment

designed to burn natural gas equipped with a continuously burning pilot shall be sold or installed in Minnesota. *This subdivision shall not apply to forced air type furnaces designed for installation in mobile homes.*

Sec. 3. Minnesota Statutes 1978, Section 116H.129, Subdivision 5, is amended to read:

Subd. 5. [RESIDENTIAL ENERGY DISCLOSURE PROGRAM.] By March 1, ~~1979~~ 1980, the commissioner of administration, in consultation with the director of the energy agency and the appropriate standing committees of the legislature, shall promulgate rules providing for residential energy disclosure requirements and shall approve forms for the purposes of this subdivision. The rules and forms shall provide only for the disclosure of structural characteristics, energy use characteristics relating to energy consumption and conservation, and the extent of compliance with standards adopted pursuant to subdivision 1. Nothing in the forms shall indicate or be deemed to indicate that the residence meets all state building code specifications.

Sec. 4. Minnesota Statutes, 1979 Supplement, Section 116H.22, is amended to read:

116H.22 [MONEY FOR SCHOOLS AND GOVERNING BODIES.] ~~Funds~~ Money to pay part or all of the actual costs of mini-audits, maxi-audits and energy conservation measures performed by or for schools and governing bodies shall be available



from legislative appropriations made for that purpose in accordance with the priorities established in section 116H.23. *Money appropriated pursuant to this section shall be available to school districts and local governmental units which submitted acceptable mini-audits or maxi-audits after April 9, 1976 and prior to July 1, 1979.*

Sec. 5. Minnesota Statutes 1978, Section 462A.06, Subdivision 11, is amended to read:

Subd. 11. It may make and publish rules and regulations pursuant to chapter 15 respecting its mortgage lending, construction lending, rehabilitation lending, grants, and temporary lending, and any such other rules and regulations as are necessary to effectuate its corporate purpose, and may adopt temporary rules to implement demonstration programs for the financing of residential housing.

Sec. 6. Minnesota Statutes 1978, Chapter 475, is amended by adding a section to read:

[475.525] [ENERGY RETROFITTING AND IMPROVEMENTS.] *A municipality may issue bonds pursuant to this chapter for the purpose of retrofitting or otherwise improving the energy efficiency of public buildings. Bonds issued under authority of this section may be issued without approval of the electors and shall mature in ten years or less, but shall otherwise be subject to all requirements of this chapter.*

Sec. 7. [AVAILABILITY OF MATCHING FUNDS; POSITIONS.] *Money appropriated by Extra Session Laws 1979, Chapter 2, Section 45, Subdivision 2, Clause (i) shall be available for use in matching federal, local or private money for district heating systems when the federal or local government or private sources, or a combination thereof, issues a letter of intent to finance the project at the rate of \$3 for each \$1 of state money. Positions authorized by Extra Session Laws 1979, Chapter 2, Section 45, Subdivision 2, may be in the classified or unclassified service.*

Sec. 8. [ENERGY EFFICIENT BUILDING EDUCATION.] *The energy agency shall develop a program to provide information and training to contractors, engineers and architects on techniques and standards for the design and construction of buildings which maximize energy efficiency. The program may include the production of printed materials and the development of training courses.*

Sec. 9. [ENERGY AUDITS.] *The energy agency and the consumer services division of the department of commerce shall develop the state plan for the program of energy audits of residential and commercial buildings required by 42 United States Code 8211.*

Sec. 10. [ALCOHOL FUELED MOTOR VEHICLES.] *Any motor vehicle manufacturer doing business in this state who manufactures motor vehicles powered by pure alcohol or by a blend of alcohol and water shall, as a condition of continuing to do business within the state, after August 1, 1982, offer for sale within the state the line of alcohol powered vehicles.*

*For the purposes of this section the term "motor vehicle" means any vehicle which runs on four wheels or more, is propelled by a gasoline or diesel fueled internal combustion engine and is designed to operate primarily on public streets and highways or is used primarily in agricultural production.*

**Sec. 11. [MINNESOTA BIOMASS CENTER.]** *Subdivision 1. The director of the energy agency, in consultation with the commissioner of agriculture, shall prepare a plan for the creation and organization of a Minnesota biomass center, to be delivered to the legislature by January 1, 1981.*

*The center shall be the focus of biomass energy activities for the state. To the maximum extent possible, the center shall coordinate its activities and the use of its staff and facilities with those of other entities involved in biomass energy projects.*

**Subd. 2. [RESPONSIBILITIES.]** *The center shall:*

*(1) coordinate existing education and training programs for biomass energy production and use within the state and develop new programs where necessary. Educational programs shall cover all types of biomass energy production use, including but not limited to production from grain, biowaste, and cellulosic materials;*

*(2) serve as a central information resource in conjunction with existing agencies and academic institutions in order to provide information to the public on the production and use of biomass energy. The center shall obtain and analyze available information on biomass energy topics and prepare it for distribution to ensure that the public receives the most accurate and up to date information available;*

*(3) participate in necessary research projects to assist in technological advancement in areas of biomass energy production, distribution and use. The center shall also study the environmental and safety aspects of biomass energy use;*

*(4) support and coordinate financing activities for biomass energy production, including providing technical assistance and manuals to individuals and groups seeking private, local, state or federal funding. The center shall be responsible for evaluating projects for any state assistance that may become available;*

*(5) develop consumer information and protection programs for all aspects of biomass energy production and use;*

*(6) investigate marketing and distribution needs within the state in cooperation with the department of economic development;*

*(7) review state and federal laws and regulations affecting biomass energy production and use, and evaluate regulatory incentives in order to provide the legislature with legislative proposals for the encouragement of biomass energy production and use within the state.*

**Sec. 12. [ETHANOL DEMONSTRATION PLANT.]** *The*

University of Minnesota shall construct and operate a small scale plant for the production of ethanol at the University of Minnesota, Morris campus. The plant shall produce ethanol from more than one resource. The plant shall operate for at least two years and shall be instrumented and monitored. The university shall determine the feasibility of utilization of byproducts produced by the plant. The plant shall be designed for easy replication by farmers. The University shall develop and print at least 5,000 copies of easily understandable plans and blueprints which demonstrate the construction of a small scale ethanol plant. The plans and blueprints shall be available at no cost from the agricultural extension service.

Sec. 13. [APPROPRIATIONS.] Subdivision 1. The sum of \$2,277,000 is appropriated from the general fund to the agencies and for the purposes indicated in this section, to be available until June 30, 1981, except as otherwise provided in this section. Approved complement positions shall be in the unclassified service and for the balance of the biennium ending June 30, 1981 only.

Subd. 2. To the Minnesota energy agency:

- (a) Expansion of the energy conservation information center established pursuant to Minnesota Statutes, Section 116H.085 \$123,000  
Approved complement—3.
- (b) Energy conservation publicity pursuant to section 1 \$380,000  
Approved complement—4.
- (c) Three regional energy information centers. \$180,000
- (d) Continued operation of fuel allocation program \$182,000  
Approved complement—8.
- (e) Energy supply emergency plan development \$ 60,000  
Approved complement—2.
- (f) Renewable energy resource research and development grants:
- (i) for research on the potential for using Minnesota wetlands for plant biomass production for energy. A report on the research shall be presented to the appropriate standing committees of the legislature by March 1, 1982. \$250,000
- (ii) for research and projects that demonstrate the use of wind, wood or agricultural residues, and special crops as energy sources that will further the development of renewable energy technologies that use Minnesota energy resources. Grants shall be matched by \$2 for each \$1 of state money. \$350,000
- (g) Energy efficient building education pursuant to section 6 \$ 70,000  
Approved complement—1.

- (h) *For the purposes specified in section 11. It is a condition of acceptance of the appropriation made in clause (h) that the agency shall submit a work program and progress reports in the form determined by the legislative commission on Minnesota resources. None of the moneys provided in this subdivision may be expended unless the commission has approved the pertinent work program.* \$ 50,000
- (i) *For the establishment of a regional energy center at Southwest State University to provide information on energy use, supply, and conservation techniques and the use of renewable energy sources, especially ethanol. The university shall also provide a statewide toll-free telephone ethanol information program.* \$112,000
- (j) *Development of state plan for energy audits for residential and commercial buildings pursuant to section 9* \$ 70,000  
*Approved complement—1.*

*Subd. 3. To the University of Minnesota for construction and operation of a small scale ethanol plant and the production of plans and blue prints pursuant to section 12.* \$300,000

*Subd. 4. To the department of education for alcohol fuel training programs and equipment for educators and informational seminars for citizens through the Pipestone area vocational-technical institute.* \$150,000

*Subd. 5. To the department of natural resources for developing and implementing a fuelwood management program to increase the availability of fuelwood on public and private lands by the application of sound forest management techniques including timber stand improvements and utilization of wood residues resulting from timber harvesting and site conversion. Notwithstanding any law to the contrary the department may make contracts for professional, technical or consulting services to implement this program.* \$400,000  
*Approved complement—1.*

**Sec. 14. [REPEALER.]** *Minnesota Statutes 1978, Sections 116H.125; and 325.986, Subdivisions 1 and 2, are repealed.*

**Sec. 15. [EFFECTIVE DATE.]** *This act is effective the day following final enactment."*

Delete the title and insert:

*"A bill for an act relating to energy; expanding energy awareness programs; providing for certain renewable energy grant programs; requiring certain motor vehicle manufacturers to offer for sale alcohol fueled vehicles after a certain date; creating a Minnesota biomass center; providing for an ethanol demonstration*

plant; authorizing municipal bond issues to finance energy improvements without voter approval; appropriating money; amending Minnesota Statutes 1978, Sections 116H.087; 116H.12, Subdivision 11; 116H.129, Subdivision 5; 462A.06, Subdivision 11; Chapter 475, by adding a section; and Minnesota Statutes, 1979 Supplement, Section 116H.22; repealing Minnesota Statutes 1978, Sections 116H.125; and 325.986, Subdivisions 1 and 2."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Mr. Davies from the Committee on Judiciary, to which was referred

S. F. No. 2317: 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; reenacting a law; amending Minnesota Statutes 1978, Sections 15.052, Subdivision 9; 16.851, Subdivision 1; 16A.-26; 25.31; 25.32; 25.33, Subdivisions 1 and 5; 25.34, Subdivision 3; 25.36; 25.40; 25.41, Subdivisions 1 and 5; 25.42; 25.43; 25.44; 28A.15, Subdivision 4; 89.35; 89.36, Subdivision 1; 89.39; 93.45, Subdivision 2; 111.21, Subdivision 1; 112.46; 116.02, Subdivision 2; 116.16, Subdivision 2; 116C.65; 116H.06; 120.17, Subdivision 9; 122.531, Subdivision 2; 123.42; 124.212, Subdivision 8a; 124.46, Subdivision 3; 125.12, Subdivision 4; 126.41, Subdivision 2; 128A.-04; 136.148; 136.501; 136.503, Subdivision 1; 136.506; 144.225, Subdivision 1; 144A.01, Subdivision 5; 144A.10, Subdivision 1; 144A.24; 145.22; 147.073, Subdivision 1; 161.171, Subdivision 5; 161.173; 162.02, Subdivision 11; 168B.02, Subdivisions 1 and 2; 168B.05; 168B.07, Subdivision 2; 168B.08, Subdivision 3; 169.751; 169.99, Subdivision 3; 179.61; 179.62; 179.63, Subdivisions 1 and 4; 179.65, Subdivision 1; 179.66, Subdivisions 5, 6 and 9; 179.67, Subdivision 1; 179.68; 179.71, Subdivisions 2, 4 and 5; 179.74, Subdivision 2; 181.12; 197.17; 202A.61; 238.01; 238.02, Subdivisions 1 and 4; 238.03; 238.04, Subdivision 9; 238.06, Subdivision 2; 238.08, Subdivision 4; 238.10; 238.16, Subdivision 2; 241.-08, Subdivision 2; 241.44, Subdivision 1a; 242.37; 243.07; 243.12; 245.813, Subdivision 9; 256.09; 256.736, Subdivision 3; 256.76, Subdivision 2; 256.78; 256D.10; 256D.13; 260.251, Subdivision 3; 268.013, Subdivision 6; 296.01, Subdivision 1; 296.11; 296.15, Subdivision 2; 296.17, Subdivisions 1 and 5; 296.19; 296.20; 296.24; 301.511, Subdivision 2; 325.01, Subdivision 1; 325.907, Subdivision 1; 326.33, Subdivision 1; 333.055, Subdivision 2; 340.07, Subdivision 11; 340.11, Subdivision 9; 340.12; 340.14, Subdivision 5; 352.116; 352.1191; 352E.01, Subdivision 1; 352E.04; 352E.045; 354.44, Subdivision 5; 359.07, Subdivision 2; 360.018, Subdivisions 7 and 9; 363.02, Subdivision 3; 365.22; 367.33, Subdivision 3; 387.45; 390.23; 394.24, Subdivision 3; 394.25, Subdivision 5a; 401.02, Subdivision 1; 412.251; 419.07; 419.075, Subdivision 2; 422A.06, Subdivision 2; 422A.11, Subdivision 1; 429.061, Subdivision 1; 435.191; 440.40; 459.14, Subdivision 7; 462.352, Subdivision 10; 462.36, Subdivision 1; 465.56, Subdivision 2; 471.591, Subdivision 1; 473.163, Subdivision 3; 473.223; 473F.02, Subdi-

vision 21; 474.02, Subdivision 1b; 485.018, Subdivision 4; 485.021; 505.178, Subdivision 2; 525.72; 546.10; 626.556, Subdivision 11; 628.41, Subdivision 6; Chapter 390, by adding a section; Minnesota Statutes, 1979 Supplement, Sections 10A.01, Subdivision 11; 62A.02, Subdivision 3; 69.771, Subdivision 1; 179.74, Subdivision 4; 256B.06, Subdivision 1; 273.73, Subdivision 6; 273.76, Subdivision 2; 273.77; 273.86, Subdivision 4; 275.125, Subdivision 9; 290.06, Subdivisions 3g and 14; 326.211, Subdivision 9; 354A.094, Subdivisions 2, 3, 8, and by adding a subdivision; 354A.38, Subdivision 3; 402.01, Subdivision 1; 424A.06, Subdivision 2; 462A.22, Subdivision 1a; 519.11, Subdivision 1; 549.09, Subdivision 1; Laws 1979, Chapters 134, Section 2; 333, Sections 26, and 31, Subdivision 3; 335, Section 3, Subdivision 20; and reenacting Laws 1979, Chapter 303, Article I, Section 14; repealing Minnesota Statutes 1978, Sections 239.27; 325.01, Subdivisions 8, 9, 10, 11 and 12; 354A.22, as amended by Laws 1979, Chapter 334, Article VII, Sections 23 to 26; 390.33, Subdivision 7; Laws 1976, Chapters 155, Section 1; 222, Sections 30 and 31; 348, Section 15; Laws 1977, Chapter 323, Section 1; Laws 1979, Chapters 31, Section 2; 217, Section 11; and 316, Section 11.

Reports the same back with the recommendation that the bill be amended as follows:

Page 123, after line 7, insert:

"Sec. 181. Minnesota Statutes, 1979 Supplement, Section 609.341, Subdivision 13, is amended to read:

Subd. 13. "Complainant" means a person ~~alleging~~ *alleged* to have been subject to criminal sexual conduct, but need not be the person who signs the complaint."

Page 124, line 8, delete "187" and insert "188"

Page 128, line 4, delete "192" and insert "193"

Page 134, line 8, delete "194" and insert "195"

Page 134, line 31, delete "196" and insert "197"

Renumber the sections in sequence

Page 149, after line 11, insert:

"Sec. 181. *Explanation.* The use of the word "alleging" is confusing and awkward. The amendment clarifies the meaning and conforms with the clear legislative intent."

Renumber the explanation sections in sequence

Amend the title as follows:

Page 2, line 31, after the second semicolon, insert "609.341, Subdivision 13;"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Tennesen from the Committee on Commerce, to which was referred

S. F. No. 630: A bill for an act relating to commerce; providing for the licensing and regulation of mobile home dealers, brokers and salespersons; transferring certain responsibilities from the commissioner of administration to the commissioner of securities; prescribing certain additional duties for the commissioner of securities; providing penalties; amending Minnesota Statutes 1978, Sections 82.17, Subdivision 8; 168.27, Subdivision 20; 327.51, Subdivision 3; and 327.55, Subdivisions 1, 3 and 4; repealing Minnesota Statutes 1978, Section 327.55, Subdivisions 2, 5 and 6.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1978, Section 327.43, Subdivision 1, is amended to read:

**327.43 [ENTRANCE AND TRANSFER FEES PROHIBITED; SECURITY DEPOSITS LIMITED.]** Subdivision 1. No fee other than the periodic rental payment specified in the lease or rental agreement may be charged to a mobile home park tenant or prospective tenant for the right to obtain or retain a space or lot, provided that a lessor may impose a reasonable charge for goods and services actually furnished by or at his expense in setting up a mobile home on a space or lot. *No lessor shall require the removal of a mobile home from a lot for any reason if a purpose or result of the removal is the collection of a fee prohibited by this section.*

Sec. 2. Minnesota Statutes, 1979 Supplement, Section 327.43, Subdivision 2, is amended to read:

*Subd. 2. A lessor seeking to recover possession of land upon which an occupied mobile home is situated in the event of nonpayment of rent shall give ten days written notice to the tenant, and to any other party holding an interest in the mobile home unit known to the lessor, to pay the rent then owing and cure the default. Upon failure of either the tenant or secured party to so cure, the lessor may commence legal proceedings to recover possession. No lessor shall deny any mobile home park tenant the right to sell said the tenant's mobile home within the park or require the tenant to remove the mobile home from the park solely on the basis of the sale thereof unless the home is more than 15 years old. The lessor may reserve the right to approve the purchaser of said the mobile home as a tenant, but such permission may not be unreasonably withheld, and the lessor shall not exact a commission or fee with respect to the price realized by the seller unless the lessor has acted as agent for the seller in the sale pursuant to a written contract. For the purposes of this subdivision, "sale" is defined to include the exercise by a secured party of its rights under a security agreement respecting the mobile home.*

Sec. 3. Minnesota Statutes 1978, Section 327.51, Subdivision 1, is amended to read:

327.51 [DEFINITIONS.] Subdivision 1. As used in sections 327.51 to 327.55 and sections 9 to 12 of this act, the terms defined in this section have the meanings given them.

Sec. 4. Minnesota Statutes 1978, Section 327.51, is amended by adding a subdivision to read:

*Subd. 12. "Trust account" means a demand deposit or checking account maintained for the purpose of segregating trust funds from other funds.*

Sec. 5. Minnesota Statutes 1978, Section 327.51, is amended by adding a subdivision to read:

*Subd. 13. "Trust funds" means funds received by a dealer in a fiduciary capacity as a part of a mobile home sale transaction, pending the consummation or termination of a transaction, and includes all down payments, earnest money deposits, rents for clients, tax and insurance escrow payments, damage deposits, and any funds received on behalf of a person.*

Sec. 6. Minnesota Statutes 1978, Section 327.51, is amended by adding a subdivision to read:

*Subd. 14. "Net listing agreement" means an agreement by a dealer to sell, offer for sale, solicit or advertise the sale of a mobile home on behalf of a person which provides for the dealer to receive any consideration from a person other than a commission based on a percentage of the price at which the home is actually sold.*

Sec. 7. Minnesota Statutes 1978, Section 327.55, Subdivision 1, is amended to read:

327.55 [MANUFACTURERS AND DEALERS; LICENSES.] Subdivision 1. [LICENSE.] No person, copartnership or corporation shall engage in the business, either exclusively or in addition to any other occupation, of selling or manufacturing mobile homes, new or used, or shall offer to sell, solicit or advertise the sale of mobile homes, new or used, without first having acquired a license therefor as hereinafter provided. Application for such the license and its renewal thereof, shall be made to the commissioner, shall be in writing, and duly verified by oath. The applicant shall submit such any information as required by the commissioner may require, upon blanks provided by the commissioner for such that purpose. No application shall be granted nor a license issued to anyone, until and unless the applicant shall furnish furnishes proof satisfactory to the commissioner of the following:

(1) That the applicant has an established place of business; an established place of business when used in this section, means a permanent enclosed building or structure either owned in fee or leased at which a permanent business of bartering, trading and selling of mobile homes will be carried on as such in good faith and not for the purpose of evading this section, and at which place of business shall be kept and maintained the books, records, and files necessary to conduct the business at such place and shall not mean residence, tents, temporary stands, or other temporary



quarters, nor permanent quarters occupied pursuant to any temporary arrangement;

(2) That if the applicant desires to sell, solicit or advertise the sale of both new and used mobile homes, he must have a bona fide contract or franchise in effect with a manufacturer or distributor of the new mobile home he proposes to deal in.

(3) That the applicant has secured a surety bond executed by the applicant as principal and issued by a surety company admitted to do business in this state, which shall be in the amount of \$10,000 \$100,000, and be conditioned upon the faithful compliance by the applicant with all of the laws and rules and regulations of this state pertaining to such business, *including sections 325.772 and 325.79*. Any third party sustaining injuries within the terms of the bond may proceed against the principal and surety without making the state a party to ~~such the~~ proceedings. Provided, however, that the aggregate liability of the surety to all ~~such~~ persons for all such losses or damages shall in no event, exceed the amount of ~~such the~~ bond.

(4) *That the applicant has established a trust account as required by section 11, subdivision 2.*

Sec. 8. Minnesota Statutes 1978, Section 327.55, Subdivision 4, is amended to read:

Subd. 4. [LICENSES; REVOCATION.] ~~Such~~ A license may be revoked by the commissioner upon proof satisfactory to him of either of the following:

(1) Violations of any of the provisions of this chapter *or of sections 325.72 or 327.79*;

(2) Violation of or refusal to comply with the requests and order of the commissioner;

(3) Failure to make or provide to the commissioner all listings, notices, and reports required by him;

(4) Failure to pay to the commissioner all taxes, fees, and arrears due from and by ~~such the~~ dealer;

(5) Failure to duly apply for renewal of license provided for herein;

(6) Revocation of previous license, of which the records of the commissioner relating thereto ~~shall be~~ *is* prima facie evidence of ~~such the~~ previous revocation;

(7) Failure of continued occupancy of an established place of business;

(8) Sale of a new and unused current model mobile home other than the make of mobile home described in the franchise or contract filed with the original application or renewal thereof without permission from the commissioner;

(9) Sale of a new and unused current model mobile home to

anyone except for consumer use, or to a dealer duly licensed to sell the same make of mobile home; or

(10) Material misstatement or misrepresentation in application for license or its renewal thereof.

Sec. 9. Minnesota Statutes 1978, Chapter 327, is amended by adding a section to read:

[327.551] [DEALER'S RECORDS.] *Subdivision 1. [RETENTION.] A licensed dealer broker shall retain for three years copies of all listings, deposit receipts, purchase money contracts, cancelled checks, trust account records and other documents as may reasonably be related to carrying on the business of a dealer. The retention period runs from the date of the closing of the transaction or from the date of the listing if the transaction is not consummated.*

*Subd. 2. [EXAMINATION OF RECORDS.] The commissioner may make examinations within or without this state of each broker's records at reasonable times and in any scope necessary to enforce the provisions of this chapter.*

Sec. 10. Minnesota Statutes 1978, Chapter 327, is amended by adding a section to read:

[327.552] [RESPONSIBILITY OF DEALERS.] *Each dealer is held responsible for the activities of any person employed by or acting on behalf of that dealer when the activities occur in connection with the sale or attempted sale of a mobile home. Each officer of a corporation licensed as a dealer is held responsible for the activities of any person employed by or acting on behalf of the corporation when the activities occur in connection with the sale or attempted sale of a mobile home.*

Sec. 11. Minnesota Statutes 1978, Chapter 327, is amended by adding a section to read:

[327.553] [DUTIES.] *Subdivision 1. [DISCLOSURE REQUIRED.] Prior to the consummation of the sale of any mobile home each dealer shall disclose to all parties to the transaction all charges, payments, commissions and other fees paid or payable in connection with the transactions.*

*Subd. 2. [TRUST ACCOUNT REQUIRED.] Each dealer shall maintain a trust account. A trust account shall not be an interest bearing account except by agreement of the parties and subject to regulations of the commissioner.*

*Subd. 3. [SEGREGATION OF FUNDS.] A dealer shall deposit only trust funds in a trust account and shall not commingle personal funds or other funds in that account, except that a dealer may deposit and maintain a sum from his personal funds not to exceed \$100 in a trust account, which sum shall be specifically identified and used to pay service charges relating to the trust account.*

*Subd. 4. [TRUST INFORMATION REQUIRED.] Each dealer shall provide the financial institutions and the trust account iden-*

tification numbers used by the dealer to comply with the provisions of this section at the time of application for a license or renewal of license by the dealer. The dealer shall immediately report to the commissioner any change of trust account status including changes in financial institutions, account identification numbers, or additional accounts in the same or another financial institution. No dealer may close an existing trust account without giving ten days written notice to the commissioner.

Sec. 12. Minnesota Statutes 1978, Chapter 327, is amended by adding a section to read:

[327.554] [PROHIBITIONS.] Subdivision 1. [LICENSE REQUIRED.] No person, partnership, association or corporation shall act as a mobile home dealer without being licensed as provided in section 327.55.

Subd. 2. [ADVERTISING LICENSED.] No person, partnership, association or corporation shall advertise as a mobile home dealer without being licensed as provided in section 325.55.

Subd. 3. [FEE SPLITTING PROHIBITED.] No dealer shall offer, pay or give, and no person shall accept, any compensation or other thing of value from any dealer by way of commission splitting, rebate, finder's fees or otherwise, in connection with any mobile home transaction; provided this subdivision does not apply to transactions (1) between a licensed dealer and the person by whom he is engaged to purchase or sell mobile homes, or (2) among persons licensed as provided herein.

Subd. 4. [NET LISTING PROHIBITED.] No dealer shall use or offer to use a net listing agreement unless the agreement includes a binding promise by the dealer to purchase the mobile home on his own account at a price specified in the agreement in the event the mobile home is not otherwise sold within a specified period of time.

Sec. 13. Minnesota Statutes 1978, Chapter 327, is amended by adding a section to read:

[327.56] [REMEDIES AND ENFORCEMENT.] In addition to the procedures provided in section 327.55, subdivisions 1 and 5, any person or dealer who is found in violation of section 11 is deemed in violation of section 325.79, subdivision 1, and the provisions of section 325.907 apply."

Amend the title as follows:

Page 1, line 3, delete ", brokers and" and insert a semicolon

Page 1, delete lines 4 to 13 and insert "imposing certain duties and prohibiting certain practices; providing penalties; amending Minnesota Statutes 1978, Sections 327.43, Subdivision 1; 327.51, Subdivision 1, and by adding subdivisions; 327.55, Subdivisions 1 and 4; and Chapter 327, by adding sections; and Minnesota Statutes, 1979 Supplement, Section 327.43, Subdivision 2."

And when so amended the bill do pass. Amendments adopted.  
Report adopted.

Mr. Davies from the Committee on Judiciary, to which was referred

S. F. No. 1853: A bill for an act relating to taxation; removing limitations on the admissibility of sales ratio studies; providing that the commissioner may abate taxes without the favorable recommendation of certain county and city officers; providing that property tax court judges shall be learned in the law; providing that certain documents be made available to the petitioner and providing for their admittance as evidence; providing that tax court judgments will not include penalties; amending Minnesota Statutes 1978, Sections 270.07, Subdivision 1; 271.01, Subdivision 1; 278.01, Subdivision 1; 278.05; and 278.08; Minnesota Statutes, 1979 Supplement, Section 124.212, Subdivision 11.

Reports the same back with the recommendation that the bill be amended as follows:

Pages 2 to 4, delete section 2

Page 4, after line 32, insert:

"Sec. 3. Minnesota Statutes 1978, Section 272.70, is amended to read:

272.70 [AVAILABILITY OF ASSESSOR'S FIELD CARDS.] *Subdivision 1. [AVAILABILITY OF ASSESSOR'S FIELD CARDS.] Upon request of the owner of a homestead property, the assessor shall furnish the owner with a copy of the field card relating to the most recent appraisal of the property. The assessor may charge the owner a fee to meet the cost of furnishing the copy of the field card.*

*Subd. 2. [CLASSIFICATION OF ASSESSORS' FIELD CARDS.] Assessors' records, including assessors' field cards and property appraisal cards shall be public records except that data on the records or attached to the records which show access routes or locations of security components or statements concerning expenses or income on the property are nonpublic data not on individuals.*

*In a proceeding pursuant to chapter 271 or 278, the assessors' records, including statements concerning expenses or income on the property shall be subject to discovery and shall be admissible as evidence as public records."*

Page 5, line 7, delete "same"

Page 5, line 7, delete the first comma and insert "or"

Page 5, line 7, delete ", school district or any"

Page 5, line 8, delete the new language

Page 5, line 28, delete "within 60 days" and insert "at any time following receipt of the valuation notice required by section 273.-121 but prior to June 1 of the year in which the taxes are payable."

Page 5, delete lines 29 to 31

Page 7, delete lines 3 to 11 and insert:

*"Subd. 3. The sales ratio studies published by the department of revenue, or any part of the studies, or any copy of the studies or records accumulated to prepare the studies which is prepared by the commissioner of revenue for the equalization aid review committee for use in determining school aids shall be admissible in evidence as a public record without the laying of a foundation."*

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, delete "providing"

Page 1, delete lines 4 and 5

Page 1, line 6, delete "city officers;"

Page 1, line 12, delete "270.07, Subdivision 1;"

Page 1, line 13, after the first semicolon insert "272.70;"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Wegener from the Committee on Local Government, to which was referred

S. F. No. 2226: A bill for an act relating to Hennepin County; providing for redistricting of county commissioner districts.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 11, delete "nine" and insert "11"

Page 1, line 14, delete "two" and insert "four"

Page 2, line 15, after the period, insert "The commission, upon adoption of the plan, shall file the plan with the county official responsible for administration of elections."

Page 2, line 16, delete "30 days after"

Page 2, line 17, delete "it is" and insert "when"

Page 2, line 17, before the period, insert "and filed"

Page 3, line 11, after "1" insert "of the year in which it is established"

Page 4, line 13, after "other" insert "reasonable"

Page 5, delete lines 14 to 17

Page 5, line 18, delete "4" and insert "3"

Page 6, line 3, delete the colon and insert "it has adopted and filed an apportionment plan. The"

Page 6, delete lines 4 to 12

Page 6, line 25, delete "secretary of state" and insert "official with whom it is filed"

Page 6, delete lines 26 and 27

Page 6, line 28, delete "(b)" and insert "(a)"

Page 6, line 31, delete "(c)" and insert "(b)"

Page 7, line 22, delete "an original,"

Page 7, line 23, delete everything before "does" and insert "the plan"

Page 7, line 25, delete "immediately"

Page 7, delete lines 26 to 31 and insert "shall adopt its own apportionment plan within 60 days after issuing its opinion. The plan shall be adopted in accordance with the standards and form provided in this act. The court shall hold at least one public hearing before adopting the plan. Upon adoption of the plan the court shall file the plan with the county official responsible for administration of elections."

Page 7, delete lines 32 and 33

Page 8, delete lines 1 to 19 and insert:

"Subd. 3. The decision of the district court and any plan adopted by the court may be reviewed on appeal to the supreme court if the appeal is filed within 30 days after the district court issues its opinion or files its plan. The supreme court shall render its opinion within 60 days after the appeal is filed. If required by its opinion, the court shall adopt and file its own apportionment plan not later than 60 days after issuing its opinion."

Page 8, line 22, delete "by the commission" and insert "under this act"

Page 8, line 24, delete "for Hennepin County"

Page 8, line 25, before the period, insert "as applied to Hennepin County, except for the provisions of section 375.025, subdivision 4, relating to election of county commissioners from new districts"

Page 8, after line 25, insert:

"Sec. 16. This act is effective in Hennepin County."

Page 8, line 26, delete everything after "16."

Page 8, line 27, delete everything before "this"

Renumber the sections in sequence

And when so amended the bill do pass. Amendments adopted.  
Report adopted.

Mr. Coleman from the Committee on Rules and Administration, to which were referred

H. F. Nos. 1695 and 1732 for comparison with companion Senate Files, reports the following House Files were found not identical with their companion Senate Files as follows:

# GENERAL ORDERS      CONSENT CALENDAR      CALENDAR

H. F. No.	S. F. No.	H. F. No.	S. F. No.	H. F. No.	S. F. No.
1695	1756				
1732	1704				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H. F. No. 1695 be amended as follows:

Page 1, line 12, strike "Prior to" and insert "Before"

Page 2, line 1, delete "; *provided that,*" and insert a period

Page 2, line 2, delete "any"

Page 2, line 4, delete everything after "meet"

Page 2, delete lines 5 to 9 and insert "*the county standards for a comparable road in the county in which the town is located.*"

Amend the title as follows:

Page 1, line 5, delete "town" and insert "county" and delete "specification"

And when so amended H. F. No. 1695 will be identical to S. F. No. 1756, and further recommends that H. F. No. 1695 be given its second reading and substituted for S. F. No. 1756, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H. F. No. 1732 be amended as follows:

Page 2, line 26, delete "*an application for*"

Page 2, line 28, delete "*courier services carrier may include*" and insert "*applicant resemble*"

Page 2, line 31, after "4." insert "[EFFECTIVE DATE.]"

And when so amended H. F. No. 1732 will be identical to S. F. No. 1704, and further recommends that H. F. No. 1732 be given its second reading and substituted for S. F. No. 1704, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Mr. Coleman from the Committee on Rules and Administration, to which were referred

H. F. Nos. 1789, 1666, and 1656 for comparison with companion Senate Files, reports the following House Files were found identical and recommends the House Files be given their second reading and substituted for their companion Senate Files as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H. F. No.	S. F. No.	H. F. No.	S. F. No.	H. F. No.	S. F. No.
				1789	1818
				1666	1615
				1656	1703

and that the above Senate Files be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

### SECOND READING OF SENATE BILLS

S. F. No. 1847 was read the second time.

S. F. Nos. 1990, 1858, 2152, 2080, 1415, 2201, 2117, 1157, 1699, 1721, 1749, 2317, 630, 1853 and 2226 were read the second time and referred to the Subcommittee on Bill Scheduling of the Committee on Rules and Administration.

### SECOND READING OF HOUSE BILLS

H. F. Nos. 1695, 1732, 1789, 1666 and 1656 were read the second time.

### MOTIONS AND RESOLUTIONS

Mr. Solon moved that the name of Mr. Ulland, J. be added as co-author to S. F. No. 1945. The motion prevailed.

Mr. Davies moved that the names of Messrs. Knutson, Spear, Dieterich and Mrs. Brataas be added as co-authors to S. F. No. 2348. The motion prevailed.

### CALENDAR

H. F. No. 1488: A bill for an act relating to St. Louis County; providing authority to negotiate public employees wages; amending Laws 1941, Chapter 423, Section 5, as amended.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 53 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Engler	Kleinbaum	Perpich	Stern
Ashbach	Frederick	Knutson	Peterson	Stokowski
Bang	Gearty	Lessard	Pillsbury	Strand
Barrette	Gunderson	Luther	Renneke	Stumpf
Benedict	Hanson	Menning	Rued	Ueland, A.
Bernhagen	Hughes	Merriam	Schmitz	Ulland, J.
Chmielewski	Humphrey	Moe	Sieloff	Vega
Coleman	Johnson	Nelson	Sillers	Wegener
Davies	Keefe, J.	Nichols	Solon	Willet
Dieterich	Keefe, S.	Olhoft	Spear	
Dunn	Kirchner	Omann	Staples	

So the bill passed and its title was agreed to.

H. F. No. 2110: A bill for an act relating to motor vehicles; authorizing the identification of certain tax exempt vehicles by use



of removable plates or placards; amending Minnesota Statutes 1978, Section 168.012, Subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 55 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Engler	Kleinbaum	Omann	Spear
Ashbach	Frederick	Knutson	Perpich	Staples
Bang	Gearty	Lessard	Peterson	Stern
Barrette	Gunderson	Luther	Pillsbury	Stokowski
Benedict	Hanson	Menning	Renneke	Strand
Bernhagen	Hughes	Merriam	Rued	Stumpf
Chmielewski	Humphrey	Moe	Schmitz	Ueland, A.
Coleman	Johnson	Nelson	Setzepfandt	Ulland, J.
Davies	Keefe, J.	Nichols	Sieloff	Vega
Dieterich	Keefe, S.	Olhoft	Sillers	Wegener
Dunn	Kirchner	Olson	Solon	Willet

So the bill passed and its title was agreed to.

S. F. No. 1493: A bill for an act relating to elections; providing an exception to the party balance requirement for appointment of town officers as election judges when insufficient names are supplied by political parties for appointment as election judges; amending Minnesota Statutes 1978, Section 204A.17, Subdivision 5.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 52 and nays 3, as follows:

Those who voted in the affirmative were:

Anderson	Frederick	Knutson	Peterson	Stokowski
Bang	Gearty	Lessard	Pillsbury	Strand
Barrette	Gunderson	Luther	Renneke	Stumpf
Benedict	Hanson	Menning	Schmitz	Tennessee
Bernhagen	Hughes	Moe	Setzepfandt	Ueland, A.
Chmielewski	Humphrey	Nelson	Sieloff	Vega
Coleman	Johnson	Nichols	Sillers	Wegener
Davies	Keefe, J.	Olhoft	Solon	Willet
Dieterich	Keefe, S.	Olson	Spear	
Dunn	Kirchner	Omann	Staples	
Engler	Kleinbaum	Perpich	Stern	

Messrs. Merriam, Rued and Ulland, J. voted in the negative.

So the bill passed and its title was agreed to.

#### CONSENT CALENDAR

S. F. No. 2045: A bill for an act relating to state lands; providing for the conveyance of certain lands to the city of Owatonna.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 55 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Engler	Knutson	Perpich	Staples
Ashbach	Frederick	Lessard	Peterson	Stern
Bang	Gearty	Luther	Pillsbury	Stokowski
Barrette	Gunderson	Menning	Renneke	Strand
Benedict	Hanson	Merriam	Rued	Stumpf
Bernhagen	Hughes	Moe	Schmitz	Tennesen
Brataas	Humphrey	Nelson	Setzepfandt	Ueland, A.
Chmielewski	Johnson	Nichols	Sieloff	Ulland, J.
Coleman	Keefe, J.	Olhoft	Sillers	Vega
Dieterich	Kirchner	Olson	Solon	Wegener
Dunn	Kleinbaum	Omann	Spear	Willet

So the bill passed and its title was agreed to.

Pursuant to Rule 21, Mr. Humphrey moved that the following members be excused for a Conference Committee on S. F. No. 1670 at 12:00 noon: Messrs. Humphrey, Anderson, McCutcheon, Ogdahl and Dieterich. The motion prevailed.

#### GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. Gearty in the chair.

After some time spent therein, the committee arose, and Mr. Gearty reported that the committee had considered the following:

S. F. Nos. 1837, 1854, 1398, 773 and 1132, which the committee recommends to pass.

S. F. No. 1658, which the committee recommends to pass, subject to the following motions:

Mr. Spear moved to amend S. F. No. 1658 as follows:

Page 2, line 26, after "license" insert "*if the governing body of the municipality authorizes such sale by resolution or ordinance*"

The motion prevailed. So the amendment was adopted.

The question was taken on the recommendation to pass S. F. No. 1658.

The roll was called, and there were yeas 31 and nays 22, as follows:

Those who voted in the affirmative were:

Bang	Humphrey	Nelson	Solon	Ueland, A.
Brataas	Johnson	Nichols	Spear	Ulland, J.
Davies	Keefe, S.	Ogdahl	Staples	Vega
Dieterich	Kleinbaum	Olson	Stern	
Dunn	Luther	Penny	Stokowski	
Gearty	Merriam	Perpich	Stumpf	
Hughes	Moe	Pillsbury	Tennesen	

Those who voted in the negative were:

Ashbach	Engler	Knutson	Renneke	Wegener
Barrette	Frederick	Menning	Rued	Willet
Benedict	Gunderson	Olhoft	Schmitz	
Bernhagen	Keeffe, J.	Omman	Setzepfandt	
Chmielewski	Kirchner	Peterson	Sillers	

The motion prevailed. So S. F. No. 1658 was recommended to pass.

S. F. No. 1573, which the committee recommends to pass, subject to the following motion:

Mr. Hughes moved that the McCutcheon amendment to S. F. No. 1573, adopted by the Senate March 6, 1980, be stricken.

The motion prevailed. So the amendment was stricken.

S. F. No. 1322, which the committee recommends to pass with the following amendment offered by Mr. Wegener:

Page 9, line 8, delete "10" and insert "60"

Page 9, line 9, after *"delivery"* insert *"of an application completed in compliance with the municipal ordinance"*

Page 9, line 10, delete *"of a completed application"* and insert a comma

Page 9, line 14, delete *"must,"* and insert *"shall"*

Page 9, lines 14 and 15, delete *"of the date it is presented,"*

Page 11, line 32, delete *"After the effective date of this section, any"* and insert *"A"*

Page 13, line 5, delete *"or section 17 of this act"*

Page 13, line 6, delete *"fine"* and insert *"penalty"*

Page 13, line 28, delete the comma

Page 13, line 31, delete *"such time as"*

Page 13, line 32, after *"or"* insert *"one year after"*

Page 13, line 33, delete the second comma and insert a period

Page 14, line 1, delete *"provided that"*

Page 14, line 1, delete *"shall"* and insert *"does"*

Page 14, line 1, delete *"be construed to"*

The motion prevailed. So the amendment was adopted.

S. F. No. 1633, which the committee recommends to pass with the following amendments offered by Mr. Ueland, A.:

Mr. Ueland, A. moved to amend S. F. No. 1633 as follows:

Page 5, line 7, after *"at"* insert *"a"*

Page 5, line 8, delete *"homes"* and insert *"home"*

Page 5, line 10, delete "*shall be*" and insert "*is*"

The motion prevailed. So the amendment was adopted.

Mr. Ueland, A. then moved to amend S. F. No. 1633 as follows:

Page 9, line 30, reinstate the stricken language

Page 9, lines 31 and 32, reinstate the stricken language

Page 9, line 33, reinstate the stricken language and delete the new language

Page 10, lines 2 to 5, reinstate the stricken language

The motion prevailed. So the amendment was adopted.

S. F. No. 2094 which the committee reports progress, subject to the following motion:

Mr. Moe moved to amend S. F. No. 2094 as follows:

Page 5, after line 7, insert:

"Sec. 11. Minnesota Statutes 1978, Section 100.27, Subdivision 5, is amended to read:

Subd. 5. Except as otherwise expressly provided, quail, partridges or ruffed grouse, Canada spruce grouse, pheasants, prairie chicken or pinnated grouse, white breasted or sharp tailed grouse, Hungarian partridge, chukar partridge, *sandhill cranes*, or turkeys (*meleagris gallopavo*) may be taken and possessed, subject to all other provisions of chapters 97 to 102, only in the areas of the state and during the times between September 16 and December 31, which the commissioner shall prescribe. The commissioner may by order prescribe an additional period for the taking of turkeys in the spring."

Renumber the sections in sequence

Page 6, line 15, delete "*13*" and insert "*14*"

Amend the title as follows:

Page 1, line 10, after the semicolon insert "authorizing a season for taking sandhill cranes;"

Page 1, line 16, after the semicolon insert "100.27, subdivision 5;"

The motion prevailed. So the amendment was adopted.

S. F. No. 2094 was then progressed.

S. F. No. 1641, which the committee recommends to pass with the following amendment offered by Mr. Davies:

Page 2, after line 23, insert:

"Sec. 3. Minnesota Statutes 1978, Section 171.03, is amended to read:

171.03 [PERSONS EXEMPT; ISSUANCE WITHOUT

EXAMINATION.] *Subdivision 1.* The following persons are exempt from license hereunder:

(1) Any person in the employ or service of the United States federal government while driving or operating a motor vehicle owned by or leased to the United States federal government;

(2) Any person while driving or operating any farm tractor, or implement of husbandry temporarily operated or moved on a highway;

(3) A nonresident who is at least 15 years of age and who has in his immediate possession a valid driver's license issued to him in his home state or country may operate a motor vehicle in this state only as a driver;

(4) Any nonresident who is at least 18 years of age, whose home state or country does not require the licensing of drivers may operate a motor vehicle as a driver, only for a period of not more than 90 days in any calendar year if the motor vehicle so operated is duly registered for the current calendar year in the home state or country of such nonresident;

(5) Any person who becomes a resident of the state of Minnesota and who has in his possession a valid driver's license issued to him under and pursuant to the laws of some other state or province or by military authorities of the United States may operate a motor vehicle as a driver, only for a period of not more than 60 days after becoming a resident of this state without being required to have a Minnesota driver's license as provided in this chapter;

(6) Any person operating a snowmobile, as defined in section 84.81.

*Subd. 2. Upon application and payment of the prescribed fee, the commissioner may issue a Minnesota driver's license to any person specified in subdivision 1, clause (5), without examination if in the opinion of the commissioner the driver license examination required under the laws of the state or province that issued that person a driver's license are substantially equivalent to the licensing requirements of this state."*

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 4, after the semicolon, insert "authorizing the issuance of a driver's license without examination to certain persons under certain circumstances;"

Page 1, line 7, after "Sections" insert "171.03;"

The motion prevailed. So the amendment was adopted.

S. F. No. 2109, which the committee reports progress, subject to the following motion:

Mr. Kirchner moved to amend S. F. No. 2109 as follows:

Page 1, line 13, delete everything after the bracket

Page 1, line 14, delete "contrary,"

Page 1, line 17, after "highway" insert *"only after the proposed project has been reviewed by the proper regional development commission, the commissioner of transportation, or the metropolitan council, as the case may be, for consistency with the long term comprehensive development plans and guides for which that agency is responsible"*

The motion prevailed. So the amendment was adopted.

S. F. No. 2109 was then progressed.

S. F. No. 1208, which the committee reports progress, after the following motion.

Mr. Merriam moved to amend S. F. No. 1208 as follows:

Page 3, line 3, after the period insert *"If, after January 2, but before April 15, improvements have been added to real property which had been vacant on January 2, or existing improvements have been expanded or otherwise enhanced in value such that the total value of the existing improvements on the property may be reasonably estimated to have been increased by at least 50 percent over their value as of January 2, the owner shall notify the assessor of the addition of the improvements."*

Page 7, line 17, after the period insert *"The board shall increase the valuation of real property if, after April 14 and prior to July 1, improvements have been added to real property which had been vacant on January 2 or existing improvements have been expanded or otherwise enhanced in value such that the total value of the improvements on the property may be reasonably estimated to have been increased by at least 50 percent over their value as of January 2."*

Page 7, line 17, after "reduction" insert "or increase"

Amend the title as follows:

Page 1, line 3, after "property" insert "and property on which improvements have been added or substantially increased in value"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 22 and nays 22, as follows:

Those who voted in the affirmative were:

Anderson	Keefe, S.	Merriam	Schmitz	Wegener
Benedict	Kleinbaum	Nelson	Stern	Willet
Davies	Knoll	Nichols	Stokowski	
Dieterich	Luther	Olhoft	Stumpf	
Gearty	McCutcheon	Peterson	Vega	

Those who voted in the negative were:

Ashbach	Dunn	Keefe, J.	Ogdahl	Ueland, A.
Bang	Gunderson	Kirchner	Omann	Ulland, J.
Barrette	Hanson	Knaak	Rued	
Bernhagen	Jensen	Knutson	Setzepfandt	
Chmielewski	Johnson	Menning	Sillers	

The motion did not prevail. So the amendment was not adopted.

The question was taken on the recommendation to pass S. F. No. 1208.

The roll was called, and there were yeas 25 and nays 31, as follows:

Those who voted in the affirmative were:

Ashbach	Dunn	Kirchner	Ogdahl	Sieloff
Barrette	Engler	Knaak	Omann	Sillers
Bernhagen	Frederick	Knutson	Pillsbury	Spear
Brataas	Jensen	Menning	Renneke	Ueland, A.
Dieterich	Keefe, J.	Nelson	Rued	Ulland, J.

Those who voted in the negative were:

Benedict	Johnson	Moe	Solon	Vega
Coleman	Keefe, S.	Olhoft	Staples	Wegener
Davies	Kleinbaum	Penny	Stern	Willet
Gearty	Lessard	Perpich	Stokowski	
Gunderson	Luther	Peterson	Strand	
Hughes	McCutcheon	Schmitz	Stumpf	
Humphrey	Merriam	Setzepfandt	Tennessee	

The motion did not prevail. So S. F. No. 1208 was not recommended to pass.

S. F. No. 1208 was then progressed.

S. F. No. 769, which the committee recommends to pass with the following amendment offered by Mr. Barrette:

Page 11, line 33, after "*Capable*" insert "*with or without correction*"

The motion prevailed. So the amendment was adopted.

S. F. No. 2122, which the committee reports progress, subject to the following motion:

Mrs. Stokowski moved to amend S. F. No. 2122 as follows:

Page 1, line 12, delete "*is entitled*"

Page 1, line 13, delete "*his employer*" and delete "*, to*"

Page 1, line 14, delete "*absent himself from his place of*" and insert "*to the employer, may take time off from*"

Page 1, line 17, delete everything after "*time*"

Page 1, line 18, delete "*employment*" and insert "*taken*"

The motion prevailed. So the amendment was adopted.

Mr. Luther moved to amend S. F. No. 2122 as follows:

Page 1, after line 19, insert:

"Sec. 2. [HENNEPIN COUNTY REAPPORTIONMENT COMMISSION.] *In each year ending in the number one, or when required by court order, a reapportionment commission shall be established to draw the boundaries of Hennepin County commissioner districts.*

*The commission shall consist of 11 members who are eligible voters of the county. One member shall be appointed by each member of the county board.*

*The remaining four members shall be appointed by unanimous agreement of the board appointees and shall be impartial in the matter of apportionment.*

*Members of the commission shall be appointed not later than March 15 when the commission is established in a year ending in the number one. The district court shall fill any vacancy caused by failure to appoint a member within the time required by law.*

**Sec. 3. [APPORTIONMENT STANDARDS.]** *The commission shall draw the boundaries of commissioner districts in accordance with the requirements of sections 2 to 16.*

*All districts shall be as equal in population as practicable. Population shall be the controlling factor in drawing the district boundaries.*

*The districts shall be composed of compact and contiguous territory. To the extent consistent with other standards, the boundaries of the districts shall follow the boundaries of local governmental units. No apportionment plan shall be drawn for the purpose of favoring any political party or person.*

**Sec. 4. [APPORTIONMENT PLAN.]** *The commission by a majority vote shall adopt an apportionment plan setting forth all of the districts. The commission, upon adoption of the plan, shall file the plan with the county official responsible for administration of elections.*

*An apportionment plan shall be effective when adopted and filed. The districts set forth in the plan shall govern elections beginning with the first general election after the plan is adopted.*

**Sec. 5. [MEMBERS; QUALIFICATIONS.]** *Subdivision 1. No individual shall be appointed or serve on the commission who:*

*(a) holds or has held within two years prior to appointment an elected or appointed office in federal, state or local government;*

*(b) is or has been within two years prior to appointment an officer of a political party;*

*(c) is an employee of federal, state or local government;*

*(d) is a member of the immediate family of a county commissioner. "Member of the immediate family" means father, mother, son, daughter, brother, sister, spouse, ex-spouse or member of the same household.*

*No individual appointed as a member of the commission shall, while a member of the commission, be a candidate for any elective office.*

**Subd. 2.** *If the county board or its appointees fail to appoint required members before March 15, the district court shall do so upon the petition of any citizen. Other vacancies shall be*



filled by the appointing authority or, if necessary, the district court.

**Sec. 6. [COMMENCEMENT OF DUTIES; MEETINGS.]**

*Subdivision 1. The commission shall meet not later than April 1 of the year in which it is established. The commission shall elect a presiding officer and other officers as it shall find necessary.*

*Subd. 2. The commission shall meet upon the call of either the presiding officer or a majority of the members of the commission. The proceedings of the commission are open to the public. The commission shall give public notice of its proceedings and shall keep minutes and audio recordings of those proceedings. All materials submitted to or developed by the commission, together with the minutes and audio record of its proceedings shall be preserved and made available for public inspection and copying. The commission may administer oaths to individuals appearing before it.*

*Subd. 3. A majority of the members of the commission is a quorum to conduct business.*

**Sec. 7. [REMOVAL OF COMMISSION MEMBER.]** *Any member of the commission may be removed from the commission by the district court upon petition filed by any eligible voter. The member may be removed, after a hearing, upon a finding by the court, by a preponderance of the evidence, that a member of the commission during his membership has been convicted of a gross misdemeanor or felony, or that a member is unqualified to serve under the provisions of section 5, or that a member is physically or mentally incapable of serving, or is unwilling to serve. It is prima facie evidence that a member is unwilling to serve if he fails to attend three successive meetings of the commission or fails to attend a total of six meetings of the commission. Upon removal, the position shall be filled in the manner provided for filling vacancies. An individual who is removed from the commission pursuant to this section may not be reappointed to the commission.*

**Sec. 8. [ADMINISTRATIVE SUPPORT.]** *The presiding officer of the commission shall supervise the staff of the commission. The county board shall make available the personnel, facilities, technical services and other reasonable assistance requested by the commission. The commission shall consult with county staff in the development of a plan to the extent practical. The commission may employ or contract for the services of other staff personnel.*

**Sec. 9. [APPORTIONMENT PLAN.]** *Subdivision 1. An apportionment plan adopted by the commission shall include:*

*(a) A written description of each district drawn by the commission;*

*(b) A map of each district showing the name and location of each public road and each local governmental unit boundary in the district in a scale that allows precise location of the district boundaries;*

(c) A statement of the deviation in population of each district from the average population of all districts of that kind;

(d) A justification of any population deviation which exceeds one-half of one percent;

(e) An explanation of the standards used by the commission to draw the districts; and

(f) Any other information which the commission deems relevant to the plan.

*Subd. 2. An apportionment plan shall be adopted not later than September 1 of the year in which the commission is established.*

**Sec. 10. [COMPENSATION.]** *Members shall be compensated for their actual and necessary expenses incurred in carrying out their duties on the commission in the same manner and amount as other county employees.*

**Sec. 11. [DISSOLUTION.]** *The commission shall conclude its business and dissolve when it has adopted and filed an apportionment plan or has failed to adopt a plan within the time required by law. The conclusion of business shall include preparation of the official record of the commission and a financial statement disclosing all expenditures made by the commission. The official record shall contain all information developed by the commission pursuant to carrying out its duties including records of public hearings, data collected, minutes and audio recordings of hearings and meetings, and other information of a similar nature. The official record shall be submitted to the county board who shall provide for its preservation.*

**Sec. 12. [PUBLICATION OF REPORT.]** *Subdivision 1. Promptly after the filing of an apportionment plan the official with whom it is filed shall:*

(a) *Prepare and transmit a summary of the plan to each newspaper of general circulation and each radio and television station in the county; and*

(b) *Prepare sufficient copies of the plan and the summary for inspection, copying and purchase by the public.*

*Subd. 2. The summary shall contain:*

(a) *A map showing all the new districts;*

(b) *A statement of the population of each district;*

(c) *A statement of the percentage variation of each district from the average population of other districts of the same kind; and*

(d) *An indication of where a copy of the final report of the commission may be examined or purchased and its purchase price.*

**Sec. 13. [JUDICIAL REVIEW.]** *Subdivision 1. An action to review an apportionment plan adopted by the reapportionment commission shall be commenced by petition to the district court*

*within 30 days of the effective date of the plan. The petition shall set forth the facts and the law on the basis of which petitioner believes the plan does not comply with the provisions of the United States Constitution, the Minnesota Constitution or other provisions of law. A copy of the petition shall be served upon the commission and the county attorney. The court shall hold hearings upon the petition and render its opinion within 60 days of the date that the petition is filed.*

*Subd. 2. If the court determines that the plan does not comply with constitutional or legal requirements, the court shall specify the reasons for its finding and shall adopt its own apportionment plan within 30 days after issuing its opinion. The plan shall be adopted in accordance with the standards and form provided in sections 2 to 16. The court shall hold at least one public hearing before adopting the plan. Upon adoption of the plan the court shall file the plan with the county official responsible for administration of elections.*

*Subd. 3. The decision of the district court and any plan adopted by the court may be reviewed on appeal to the supreme court if the appeal is filed within 30 days after the district court issues its opinion or files its plan. The supreme court shall render its opinion within 60 days after the appeal is filed. If required by its opinion, the court shall adopt and file its own apportionment plan not later than 30 days after issuing its opinion. The plan shall be adopted in accordance with the standards and form provided in sections 2 to 16.*

**Sec. 14. [DUTIES OF COUNTY ATTORNEY.]** *The county attorney shall represent the commission and defend the apportionment plan adopted under sections 2 to 16 in any action to review the plan in state or federal court.*

**Sec. 15.** *Sections 2 to 14 supersede the provisions of Minnesota Statutes, Section 375.025 as applied to Hennepin County, except for the provisions of section 375.025, subdivision 4, relating to election of county commissioners from new districts as provided by the commission.*

**Sec. 16.** *Sections 2 to 15 are effective in Hennepin County."*

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, after the semicolon insert "providing for re-districting of Hennepin County commissioner districts;"

Mr. Frederick questioned whether the Luther amendment was germane.

The Chair ruled that the amendment was germane.

Mr. Pillsbury appealed the decision of the Chair.

S. F. No. 2122 was then progressed.

On motion of Mr. Coleman, the report of the Committee of the Whole, as kept by the Secretary, was adopted.

Without objection, the Senate reverted to the Order of Business of Reports of Committees.

### REPORTS OF COMMITTEES

Mr. Davies from the Committee on Judiciary, to which was referred

S. F. No. 140: A bill for an act relating to real estate; enacting the uniform condominium act; providing for taxation as a separate parcel; regulating eminent domain awards; regulating the creation of condominiums; protecting the purchasers of condominiums; regulating condominium declaration; regulating the management of condominiums.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

### "UNIFORM CONDOMINIUM ACT

#### ARTICLE I

#### GENERAL PROVISIONS

Section 515.1-101 [SHORT TITLE.] Sections 515.1-101 to 515.4-117 shall be known and may be cited as the uniform condominium act.

Sec. 515.1-102. [APPLICABILITY.] (a) Sections 515.1-105 (Separate Titles and Taxation; Homestead), 515.1-106 (Applicability of Local Ordinances, Regulations, and Building Codes), 515.1-107 (Eminent Domain), 515.2-103 (Construction and Validity of Declaration and Bylaws), 515.2-104 (Description of Units), 515.3-102 (1) to (5) and (9) to (12) (Powers of Unit Owners Association), 515.3-111 (Tort and Contract Liability), 515.3-115 (Lien for Assessments), 515.3-116 (Association Records), 515.4-107 (Resales of Units), and 515.1-103 (Definitions) to the extent necessary in construing any of those sections, apply to all condominiums created in this state prior to the effective date of sections 515.1-101 to 515.4-117; provided, however, that these sections apply only with respect to events and circumstances occurring after the effective date of sections 515.1-101 to 515.4-117, and do not invalidate existing provisions of the declaration, bylaws, or floor plans of those condominiums.

(b) Sections 515.1-101 to 515.4-117 apply to all condominiums created within this state after August 1, 1980. The provisions of Minnesota Statutes, Sections 515.01 to 515.29 do not apply to condominiums created after August 1, 1980 and do not invalidate any amendment to the declaration, bylaws, or floor plans of any condominium created before August 1, 1980 if the amendment would be permitted by sections 515.1-101 to 515.4-117. The amendment must be adopted in conformity with the procedures and requirements specified by those instruments and by Minnesota Statutes, Sections 515.01 to 515.29. If the amendment grants to

any person any rights, powers or privileges permitted by sections 515.1-101 to 515.4-117, all correlative obligations, liabilities, and restrictions in sections 515.1-101 to 515.4-117 also apply to that person.

Sec. 515.1-103. [DEFINITIONS.] In the declaration and by-laws, unless specifically provided otherwise or the context otherwise requires, and in sections 515.1-101 to 515.4-117:

(1) "Additional real estate" means real estate that may be added to a flexible condominium.

(2) "Affiliate of a declarant" means any person who controls, is controlled by, or is under common control with a declarant. A person "controls" a declarant if the person (i) is a general partner, officer, director, or employee of the declarant or (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than 20 percent of the voting interests of the declarant, or (iii) controls in any manner the election of a majority of the directors of the declarant, or (iv) has contributed more than 20 percent of the capital of the declarant. A person "is controlled by" a declarant if the declarant (i) is a general partner, officer, director, or employee of the person or (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than 20 percent of the voting interests of the person, or (iii) controls in any manner the election of a majority of the directors of the person, or (iv) has contributed more than 20 percent of the capital of the person.

(3) "Association" or "unit owners association" means the unit owners association organized under section 515.3-101.

(4) "Common elements" means all portions of a condominium other than the units.

(5) "Common expenses" means expenditures made or liabilities incurred by or on behalf of the association, together with any allocations to reserves.

(6) "Common expense liability" means the liability for common expenses allocated to each unit pursuant to section 515.2-108.

(7) "Condominium" means real estate, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of those portions. Real estate is not a condominium unless the undivided interests in the common elements are vested in the unit owners.

(8) "Conversion condominium" means a condominium in which a building was at any time before the recording of the declaration wholly or partially occupied by persons other than purchasers and persons who occupied with the consent of the purchasers.

(9) "Declarant" means:

(a) if the condominium has been created, (1) any person who has executed a declaration or an amendment to a declaration to add additional real estate, other than persons holding interests in the real estate solely as security for an obligation, persons whose interests in the real estate will not be conveyed to unit owners, or, in the case of a leasehold condominium, a lessor who possesses no special declarant rights and who is not an affiliate of a declarant who possesses special declarant rights, or (2) any person who succeeds under section 515.3-104 to any special declarant rights; or

(b) any person who has offered prior to creation of a condominium to dispose of his interest in a unit to be created and not previously disposed of.

(10) "Dispose" or "disposition" means a voluntary transfer of any legal or equitable interest in a unit, other than as security for an obligation.

(11) "Flexible condominium" means a condominium to which additional real estate may be added.

(12) "Leasehold condominium" means a condominium in which all of the real estate is subject to a lease, the expiration or termination of which will terminate the condominium.

(13) "Limited common element" means a portion of the common elements allocated by the declaration or by operation of section 515.2-102(2) or (4) for the exclusive use of one or more but fewer than all of the units.

(14) "Person" means a natural person, corporation, partnership, trust, or other entity, or any combination thereof.

(15) "Purchaser" means any person, other than a declarant, who prior to creation of the condominium enters into a purchase agreement with a declarant or who by means of a voluntary transfer after creation of the condominium holds a legal or equitable interest in a unit, other than (i) a leasehold interest (including renewal options) of less than three years, or (ii) as security for an obligation.

(16) "Real estate" means any leasehold for three years or more or other estate or interest in, over, or under land, including structures, fixtures, and other improvements and interests which by custom, usage, or law pass with a conveyance of land though not described in the contract of sale or instrument of conveyance. "Real estate" includes parcels with or without upper or lower boundaries.

(17) "Security for an obligation" means the vendor's interest in a contract for deed, mortgagee's interest in a mortgage, purchaser's interest under a sheriff's certificate of sale during the period of redemption, or the holder's interest in a lien.

(18) "Special declarant rights" means rights reserved for the benefit of a declarant to complete improvements indicated on floor plans (section 515.2-110); to add additional real estate to a flexible

condominium (section 515.2-111); to subdivide or convert a unit (section 515.2-115); to maintain sales offices, management offices, signs advertising the condominium, and models (section 515.2-116); to use easements through the common elements for the purpose of making improvements within the condominium or any additional real estate (section 515.2-118); or to appoint or remove any board member during any period of declarant control (section 515.3-103 (a) ).

(19) "Unit" means a portion of the condominium, whether or not contained solely or partially within a building, designated for separate ownership, the boundaries of which are described pursuant to section 515.2-110.

(20) "Unit owner" means a declarant who owns a unit, a person to whom ownership of a unit has been conveyed or transferred, or in a leasehold condominium a lessee of a unit whose lease expires simultaneously with any lease the expiration or termination of which will remove the unit from the condominium, but does not include a holder of an interest as security for an obligation.

Sec. 515.1-104. [VARIATION BY AGREEMENT.] Except as expressly otherwise provided in sections 515.1-101 to 515.4-117, provisions of sections 515.1-101 to 515.4-117 may not be varied by agreement, and rights conferred by sections 515.1-101 to 515.4-117 may not be waived. A declarant may not act under a power of attorney, or use any other device to evade the limitations or prohibitions of sections 515.1-101 to 515.4-117 or the declaration.

Sec. 515.1-105. [SEPARATE TITLES AND TAXATION; HOMESTEAD.] (a) Each unit together with its common element interest constitutes for all purposes a separate parcel of real estate.

(b) If a declaration is recorded prior to ten days before any installment of real estate taxes becomes payable, the local taxing authority shall split the taxes so payable on the condominium among the units. Interest and penalties which would otherwise accrue shall not begin to accrue until at least 30 days after the split is accomplished.

(c) A unit used for residential purposes together with not more than two units used for vehicular parking and their common element interests shall be treated the same as any other real estate in determining whether homestead exemptions or classifications shall apply.

Sec. 515.1-106 [APPLICABILITY OF LOCAL ORDINANCES, REGULATIONS, AND BUILDING CODES.] (a) Except as provided in subsection (b), a zoning, subdivision, building code, or other real estate use law, ordinance, or regulation may not prohibit the condominium form of ownership or impose any requirement upon a condominium which it would not impose upon a physically identical development under a different form of ownership. Otherwise, no provision of sections 515.1-101 to 515.4-117 invalidates or modifies any provision of any zoning, subdivision, building code, or other real estate use law, ordinance, or regulation.

(b) A statutory or home rule charter city, pursuant to an or-

dinance or charter provision establishing standards to be applied uniformly within its jurisdiction, may prohibit, restrict, or impose conditions upon the conversion of buildings to the condominium form of ownership (1) as a condition to the provision of public financial assistance to preserve or improve buildings containing residential dwellings or to reduce the rents charged to tenants occupying residential dwellings, (2) to prevent a substantial reduction in the supply of rental housing for low and moderate income people, (3) to minimize the adverse effects to the city of displacement caused by the conversion of occupied residential dwellings to the condominium form of ownership, or (4) to establish or maintain the city's eligibility for any federal or state program providing direct or indirect financial assistance to the city.

Any ordinance or charter provision enacted hereunder shall not be effective for a period exceeding one year.

Sec. 515.1-107. [EMINENT DOMAIN.] (a) If a unit is acquired by eminent domain, or if part of a unit is acquired by eminent domain leaving the unit owner with a remnant which may not practically or lawfully be used for any purpose permitted by the declaration, the award shall compensate the unit owner and holders of an interest as security for an obligation in the unit and its common element interest as their interests may appear, whether or not any common element interest is acquired. Upon acquisition, unless the decree otherwise provides, that unit's entire common element interest, votes in the association, and common expense liability are automatically reallocated to the remaining units in proportion to the respective interests, votes, and liabilities of those units prior to the taking, and the association shall promptly prepare, execute, and record an amendment to the declaration reflecting the reallocations. Any remnant of a unit remaining after part of a unit is taken under this subsection is thereafter a common element.

(b) Except as provided in subsection (a), if part of a unit is acquired by eminent domain, the award shall compensate the unit owner and the holders of an interest as security for an obligation as their interests may appear for the reduction in value of the unit and its common element interest. Upon acquisition, unless the apportionment thereof pursuant to the declaration is based upon equality, (1) that unit's common element interest, votes in the association, and common expense liability are reduced in proportion to the reduction in the size of the unit, and (2) the portion of common element interest, votes, and common expense liability divested from the partially acquired unit are automatically reallocated to that unit and the remaining units in proportion to the respective interests, votes, and liabilities of those units prior to the taking, with the partially acquired unit participating in the reallocation on the basis of its reduced interests, votes, and liabilities.

(c) If part of the common elements is acquired by eminent domain, the award shall be paid to the association. The association shall divide any portion of the award not used for any restoration or repair of the remaining common elements among



the unit owners and holders of an interest as security for an obligation as their interests may appear in proportion to their respective interests in the common elements before the taking, but the portion of the award attributable to the acquisition of a limited common element shall be equally divided among the owners of the units to which that limited common element was allocated at the time of acquisition, and the respective holders of an interest as security for an obligation of the units as their interests may appear of the units to which that limited common element was allocated at the time of acquisition, or in such other manner as the declaration may provide.

(d) The court decree shall be recorded in every county in which any portion of the condominium is located.

**Sec. 515.1-108. [SUPPLEMENTAL GENERAL PRINCIPLES OF LAW APPLICABLE.]** The principles of law and equity, including the law of corporations, the law of real property and the law relative to capacity to contract, principal and agent, eminent domain, estoppel, fraud, misrepresentation, duress, coercion, mistake, receivership, substantial performance, or other validating or invalidating cause supplement the provisions of sections 515.1-101 to 515.4-117, except to the extent inconsistent with sections 515.1-101 to 515.4-117. Documents required by sections 515.1-101 to 515.4-117 to be recorded shall in the case of registered land be filed.

**Sec. 515.1-109. [CONSTRUCTION AGAINST IMPLICIT REPEAL.]** Sections 515.1-101 to 515.4-117 being a general act intended as a unified coverage of its subject matter, no part of it shall be construed to be impliedly repealed by subsequent legislation if that construction can reasonably be avoided.

**Sec. 515.1-110. [UNIFORMITY OF APPLICATION AND CONSTRUCTION.]** Sections 515.1-101 to 515.4-117 shall be applied and construed so as to effectuate its general purpose to make uniform the law with respect to the subject of sections 515.1-101 to 515.4-117 among states enacting it.

**Sec. 515.1-111. [SEVERABILITY.]** If any provision of sections 515.1-101 to 515.4-117 or the application thereof to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of sections 515.1-101 to 515.4-117 which can be given effect without the invalid provisions or application, and to this end the provisions of sections 515.1-101 to 515.4-117 are severable.

**Sec. 515.1-112. [UNCONSCIONABLE AGREEMENT OR TERM OF CONTRACT.]** (a) The court, upon finding as a matter of law that a contract or contract clause to which the declarant or the affiliate of a declarant is a party was unconscionable at the time the contract was made, may refuse to enforce the contract, enforce the remainder of the contract without the unconscionable clause, or limit the application of any unconscionable clause in order to avoid an unconscionable result.

(b) Whenever it is claimed, or appears to the court that such

a contract or contract clause is or may be unconscionable, the parties, in order to aid the court in making the determination, shall be afforded a reasonable opportunity to present evidence as to:

(1) the commercial setting of the negotiations;

(2) whether a party has knowingly taken advantage of the inability of the other party reasonably to protect his interests by reason of physical or mental infirmity, illiteracy, or inability to understand the language of the agreement or similar factors;

(3) the effect and purpose of the contract or clause; and

(4) if a sale, any gross disparity, at the time of contracting, between the amount charged for the real estate and the value of the real estate measured by the price at which similar real estate was readily obtainable in similar transactions, but a disparity between the contract price and the value of the real estate measured by the price at which similar real estate was readily obtainable in similar transactions does not, of itself, render the contract unconscionable.

Sec. 515.1-113. [OBLIGATION OF GOOD FAITH.] Every contract or duty governed by sections 515.1-101 to 515.4-117 imposes an obligation of good faith in its performance or enforcement.

Sec. 515.1-114. [REMEDIES TO BE LIBERALLY ADMINISTERED.] (a) The remedies provided by sections 515.1-101 to 515.4-117 shall be liberally administered to the end that the aggrieved party is put in as good a position as though the other party had fully performed, provided that rights of bona fide purchasers shall be protected. However, consequential, special, or punitive damages may not be awarded except as specifically provided in sections 515.1-101 to 515.4-117 or by other rule of law.

(b) Any right or obligation declared by sections 515.1-101 to 515.4-117 is enforceable by judicial proceeding unless the provision declaring it provides otherwise.

Sec. 515.1-115. [NOTICE.] Except as otherwise stated in sections 515.1-101 to 515.4-117 all notices required by sections 515.1-101 to 515.4-117 shall be in writing and shall be effective upon hand delivery or upon mailing if properly addressed with postage prepaid and deposited in the United States mail.

## ARTICLE II

### CREATION, ALTERATION, AND TERMINATION OF CONDOMINIUMS

Sec. 515.2-101. [CREATION OF CONDOMINIUM.] (a) A condominium may be created pursuant to sections 515.1-101 to 515.4-117 only by recording a declaration executed, in the same manner as a deed, by all persons whose interests in the real estate will be conveyed to unit owners, except vendors under contracts for deed, and by every lessor of a lease the expiration or termination

of which will terminate the condominium. The condominium shall not include real estate covered by a lease affecting less than all of the condominiums and the expiration or termination of which will reduce the size of the condominium. The declaration and by-laws shall be recorded in every county in which any portion of the condominium is located. Failure of any party to join in a declaration shall have no effect on the validity of a condominium, provided that after the recording of the declaration the party acknowledges the condominium in a recorded instrument, or the interest of the party is extinguished.

(b) A declaration, or an amendment to a declaration adding units to a condominium, may not be recorded unless all structural components and mechanical systems serving more than one unit of all buildings containing or comprising any units thereby created are substantially completed consistent with the floor plans, as evidenced by a certificate executed by a registered professional engineer or architect and recorded or attached to the floor plans.

(c) No possessory interest in a unit may be conveyed until the unit is substantially completed as evidenced by a recorded certificate of completion executed by a registered professional engineer or architect. For the purpose of this section "substantially completed" means substantially completed consistent with the floor plans. This subsection does not prevent the conveyance prior to substantial completion of all units owned by the declarant to a person who is a transferee of special declarant rights.

(d) The declaration, any amendment or amendments thereof, and every instrument affecting a condominium or any unit shall be entitled to be recorded.

(e) In addition to the records and indexes required to be maintained by the recording officer, the recording officer shall maintain an index or indexes whereby the record of each declaration contains a reference to the record of each conveyance of a unit affected by the declaration.

(f) The recording officer shall upon request assign a number to a condominium to be formed.

(g) The recording officer shall separate the floor plans from the declaration and the floor plans shall be kept by the recording officer in a separate file for each condominium indexed in the same manner as a conveyance entitled to record indicating the number of the condominium.

Sec. 515.2-102. [UNIT BOUNDARIES.] Except as otherwise provided by the declaration:

(1) If walls, floors, or ceilings are designated as boundaries of a unit, all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting any part of the finished surfaces thereof are a part of the unit, and all other portions of the walls, floors, or ceilings are a part of the common elements.

(2) If any chute, flue, duct, pipe, wire, conduit, bearing wall,

bearing column, or any other fixture lies partially within and partially outside of the designated boundaries of a unit, any portion thereof serving only that unit is a limited common element allocated solely to that unit, and any portion thereof serving more than one unit or any portion of the common elements is a part of the common elements.

(3) Subject to the provisions of paragraph (2), all spaces, interior partitions, and other fixtures and improvements within the boundaries of a unit are a part of the unit.

(4) All exterior doors and windows and any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, or other fixtures designed to serve a single unit, but located outside the unit's boundaries, are limited common elements allocated exclusively to that unit.

**Sec. 515.2-103. [CONSTRUCTION AND VALIDITY OF DECLARATION AND BYLAWS.]** (a) All provisions of the declaration and bylaws are severable.

(b) The rule against perpetuities may not be applied to defeat any provision of the declaration or sections 515.1-101 to 515.4-117, or any instrument executed pursuant to the declaration or sections 515.1-101 to 515.4-117.

(c) In the event of a conflict between the provisions of the declaration and the bylaws, the declaration prevails except to the extent that the declaration is inconsistent with sections 515.1-101 to 515.4-117.

**Sec. 515.2-104. [DESCRIPTION OF UNITS.]** After the declaration is recorded, a description of a unit which sets forth the number of the condominium, the county in which the condominium is located, and the identifying number of the unit, is sufficient legal description of that unit and its common element interest whether or not the common element interest is described or referred to therein.

**Sec. 515.2-105. [CONTENTS OF DECLARATION; ALL CONDOMINIUMS.]** The declaration for a condominium shall contain:

(1) the name and number of the condominium, which shall include the word "condominium" or be followed by the words "a condominium";

(2) the name of every county in which any part of the condominium is situated;

(3) a legally sufficient description of the real estate included in the condominium;

(4) a description or delineation of the boundaries of a unit;

(5) the floor plans as required by section 515.2-110;

(6) an allocation to each unit of an undivided interest in the common elements, a portion of the votes in the association, and

a percentage or fraction of the common expenses of the association (section 515.2-108);

(7) a statement of the maximum number of any units which may be created by the subdivision or conversion of units owned by the declarant pursuant to section 515.2-115(c);

(8) an allocation of any limited common elements, as provided in section 515.2-109;

(9) any restrictions on use, occupancy, and alienation of the units;

(10) any other matters the declarant deems appropriate.

Sec. 515.2-106. [CONTENTS OF DECLARATION; FLEXIBLE CONDOMINIUMS.] The declaration for a flexible condominium shall include, in addition to the matters specified in section 515.2-105:

(1) an explicit reservation of any options to add additional real estate;

(2) a statement of any time limit, not exceeding seven years after the recording of the declaration, upon which any option reserved under paragraph (1) will lapse, together with a statement of any circumstances that will terminate the option before the expiration of the time limit. If no time limit is set forth in the declaration, the time limit shall be seven years after the recording of the declaration;

(3) a statement of any limitations on any option reserved under paragraph (1), other than limitations created by or imposed pursuant to law;

(4) legally sufficient descriptions of each portion of additional real estate;

(5) if portions of any additional real estate may be added at different times, a statement to that effect together with a statement fixing the boundaries of those portions and regulating the order in which they may be added or a statement that no assurances are made in those regards;

(6) a statement of (i) the maximum number of units that may be created within any additional real estate and within any portion, the boundaries of which are fixed pursuant to paragraph (5), and (ii) how many of those units will be restricted exclusively to residential use;

(7) a statement that any buildings and units that may be erected upon the additional real estate or a portion thereof will be compatible with the other buildings and units in the condominium in terms of architectural style, quality of construction, principal materials employed in construction, and size, or a statement of any differences with respect to the buildings or units, or a statement that no assurances are made respecting those matters;

(8) a statement that all restrictions in the declaration affecting use, occupancy, and alienation of units will apply to units created in the additional real estate, or a statement of any differentiations that may be made as to those units;

(9) general descriptions of all other improvements and common elements that may be made or created upon or within the additional real estate or each portion thereof;

(10) a statement of the extent to which any assurances made in the declaration regarding additional real estate pursuant to paragraphs (5) to (9) apply in the event any additional real estate is not added to the condominium, or a statement that those assurances do not apply if the real estate is not added to the condominium.

Sec. 515.2-107. [LEASEHOLD CONDOMINIUMS.] (a) Any lease the expiration or termination of which may terminate the condominium shall be recorded and the declaration shall include, in addition to the matters specified in section 515.2-105:

(1) the county of recording and recorder's document number for the lease;

(2) the date on which the lease is scheduled to expire;

(3) any right of the unit owners to purchase the lessor's interest in the real estate and the manner whereby those rights may be exercised, or a statement that they do not have those rights;

(4) any right of the unit owners to remove any improvements within a reasonable time after the expiration or termination of the lease, or a statement that they do not have those rights; and

(5) any rights of the unit owners to renew the lease and the conditions of any renewal, or a statement that they do not have those rights.

(b) After the declaration for a leasehold condominium is recorded, neither the lessor nor his successor in interest may terminate the leasehold interest of a unit owner who makes timely payment of his share of the rent which shall be the same portion thereof as that of his common area expense and who otherwise complies so far as practicable with his share of all other covenants which, if violated, would entitle the lessor to terminate the lease. No unit owner's leasehold interest is affected by failure of any other person to pay rent or fulfill any other covenant.

(c) Acquisition of the leasehold interest of any unit owner by the lessor does not merge the leasehold and fee simple interests and the lessor shall hold the title to the unit subject to the declaration unless the leasehold interests of all unit owners subject to the lease are so acquired.

Sec. 515.2-108. [ALLOCATION OF COMMON ELEMENT INTERESTS, VOTES, AND COMMON EXPENSE LIABILITIES.] (a) The declaration shall allocate a fraction or percentage of the undivided interests in the common elements, common expenses and votes in the association to each unit in such manner

that each of the items is equally allocated or is allocated according to the proportion of the area or volume of each unit to the area or volume of all units, and the items need not be allocated the same for all purposes. The declaration may provide that a portion of each common expense assessment may be allocated on the basis of equality and the remainder on the basis of area or volume of each unit. The sum of the percentages or fractions shall equal 100 percent or 1.

(b) Except in the case of eminent domain (section 515.1-107), expansion of a flexible condominium (section 515.2-111), relocation of boundaries between adjoining units (section 515.2-114), or subdivision of units (section 515.2-115), the common element interest, votes and common expense liability allocated to any unit may not be altered, except as an amendment to the declaration which is signed by all unit owners and first mortgagees, and which complies with section 515.2-119. The common elements are not subject to partition, and any purported conveyance, encumbrance, judicial sale or other voluntary or involuntary transfer of an undivided interest in the common elements without the unit to which the interest is allocated is void.

(c) The association may assess certain common expenses against fewer than all units pursuant to section 515.3-111.

**Sec. 515.2-109. [COMMON ELEMENTS AND LIMITED COMMON ELEMENTS.]** Common elements other than limited common elements may be used in common with all unit owners. Except for the limited common elements described in section 515.2-102(2) and (4), the declaration shall specify to which unit each limited common element is allocated.

**Sec. 515.2-110. [FLOOR PLANS.]** (a) Floor plans are a part of the declaration. The floor plans shall contain a certification by a registered professional engineer, surveyor or architect that the floor plans accurately depict all information required by this section.

(b) Each floor plan shall show:

(1) the number of the condominium, and the boundaries and dimensions of the land included in the condominium;

(2) the dimensions and location of all existing structural improvements and roadways;

(3) the intended location and dimensions of any contemplated common element improvements to be constructed within the condominium labeled either "MUST BE BUILT" or "NEED NOT BE BUILT";

(4) the location and dimensions of any additional real estate, labeled as such;

(5) the extent of any encroachments by or upon any portion of the condominium;

(6) the location and dimensions of all recorded easements within the condominium serving or burdening any portion of the condominium;

(7) the distance between noncontiguous parcels of real estate;

(8) the location and dimensions of limited common elements, including porches, balconies and patios, other than limited common elements described in section 515.2-102(2) and (4);

(9) the location and dimensions of the vertical boundaries of each unit, and that unit's identifying number;

(10) the location and dimensions of the horizontal unit boundaries with reference to established or assumed datum, and that unit's identifying number;

(11) any units which may be converted by the declarant to create additional units or common elements (section 515.2-115) identified separately.

(c) When adding additional real estate (section 515.2-111), the declarant shall record supplemental floor plans for that real estate conforming to the requirements of subsection (b). If less than all additional real estate is being added, the supplemental floor plans shall also show the location and dimensions of the remaining portion.

(d) If a declarant subdivides or converts any units into two or more units, common elements or limited common elements (section 515.2-115), he shall record an amendment to the floor plans showing the location and dimensions of any new units, common elements and limited common elements thus created.

**Sec. 515.2-111. [EXPANSION OF FLEXIBLE CONDOMINIUMS.]** (a) To add additional real estate pursuant to an option reserved under section 515.2-106(1), all persons having an interest in the additional real estate, excepting any holder of an easement or any holder of an interest to secure an obligation which interest was recorded or created subsequent to the recording of the declaration, shall prepare and execute and, after notice as provided in subsection (b), record an amendment to the declaration. The amendment to the declaration shall assign an identifying number to each unit formed in the additional real estate, and reallocate common element interests, votes in the association, and common expense liabilities according to section 515.2-108. The amendment shall describe or delineate any limited common elements formed out of the additional real estate, showing or designating the unit to which each is allocated to the extent required by section 515.2-109 (Limited Common Elements).

(b) The declarant shall serve notice of his intention to add additional real estate as follows:

(1) To the association in the same manner as service of summons in a civil action in district court at least 30 days prior to recording the amendment. The amendment shall be attached to the notice and shall not thereafter be changed so as to materially affect the rights of unit owners.



(2) To the occupants of each unit by notice given in the manner provided in section 515.1-116 not less than 20 days prior to recording the amendment addressed to "Occupant Entitled to Legal Notice" at each unit. Attached to the notice shall be a statement that the amendment has been served on the association.

(3) Proof of service upon the association and the occupants shall be attached to the recorded amendment.

**Sec. 515.2-11. [RESERVED.]**

**Sec. 515.2-113. [ALTERATIONS OF UNITS.]** Subject to the provisions of the declaration and other provisions of law, a unit owner:

(1) may make any improvements or alterations to his unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the condominium;

(2) after acquiring an adjoining unit or an adjoining part of an adjoining unit, may with consent of the association and first mortgagees of the affected units, remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a common element, if those acts do not impair the structural integrity or mechanical system or lessen the support of any portion of the condominium. The adjoining unit owners shall have the exclusive license to use the space occupied by the common elements, but the use shall not create an easement or vested right. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries. The association may reasonably require that the owner or owners of units affected replace or restore any such partition.

**Sec. 515.2-114. [RELOCATION OF BOUNDARIES BETWEEN ADJOINING UNITS.]** (a) Subject to the provisions of the declaration and other provisions of law, the boundaries between adjoining units may be relocated by an amendment to the declaration upon application to the association by the owners of those units. The owners of the adjoining units shall specify the proposed reallocation between their units of their common element interests, votes in the association, and common expense liabilities in the application and in accord with section 515.2-108. Unless the board of directors determines within 60 days after receipt of the application by the association that the proposed amendment is not in the best interests of the condominium, the unit owners shall prepare an amendment which shall identify the units involved, state the reallocation, be executed by those unit owners and by any holder of an interest as security for an obligation, contain words of conveyance between them, contain written consent of the association, and upon recordation be indexed in the name of the grantor and the grantee. The amendment shall include an amended floor plan to show the altered boundaries between the adjoining units and their dimensions and identifying numbers. If a holder of an interest as security for an obligation joins in the amendment pursuant to this section, the extent of the interest and the remedies shall be deemed to

be modified as provided in the amendment. The association shall incur no liability to any party by reason of performing those acts enumerated in this section.

(b) The association may require the owners of the affected units to build a boundary wall and other common elements between the units.

(c) The applicant shall deliver a certified copy of the amendment to the association.

**Sec. 515.2-115. [SUBDIVISION OR CONVERSION OF UNITS.]** (a) If the declaration expressly so permits, (i) a unit may be subdivided into two or more units, or, (ii) if owned by a declarant, a unit may be subdivided or converted into two or more units, limited common elements, common elements, or a combination of units, limited common elements and common elements. Subject to the provisions of the declaration and other provisions of law, the unit owner shall prepare and execute an amendment to the declaration, including the floor plans, subdividing or converting that unit. The amendment to the declaration shall be executed by the unit owner and any holder of an interest as security for an obligation of the unit to be subdivided or converted, assign an identifying number to each unit created, and reallocate the common element interest, votes in the association, and common expense liability formerly allocated to the subdivided unit to the units in accord with section 515.2-108.

(b) The unit owner shall deliver a certified copy of the recorded amendment to the association.

(c) In the case of a unit owned by a declarant, if a declarant converts part or all of a unit to common elements, the amendment to the declaration shall reallocate among the other units the common element interest, votes in the association, and common expense liability formerly allocated to the converted unit or portion thereof on the same basis used for the initial allocation thereof.

(d) If a holder of an interest as security for an obligation joins in the amendment pursuant to this section, the interest and remedies shall be deemed to apply to the units and the common element interests that result from the subdivision or conversion under this section. In the event of enforcement of any remedy, including foreclosure by advertisement, all instruments and notices shall describe the subject property in terms of the amended description.

**Sec. 515.2-116. [MINOR VARIATION IN BOUNDARIES.]** The existing physical boundaries of a unit or of a unit reconstructed in substantial accordance with the floor plans are conclusively presumed to be its boundaries regardless of settling or lateral movement of the building.

**Sec. 515.2-117. [USE FOR SALES PURPOSES.]** If the declaration so provides and specifies the rights of a declarant with regard

to their number, size, location and relocation, a declarant may maintain sales offices, management offices, and models in the condominium. Any sales office, management office, or model not designated a unit by the declaration is a common element, and if a declarant ceases to be a unit owner, he ceases to have any rights with regard thereto unless it is removed promptly from the condominium in accordance with a right to remove reserved in the declaration. Subject to any limitations in the declaration, a declarant may maintain signs on the common elements advertising the condominium.

**Sec. 515.2-118. [EASEMENT TO FACILITATE COMPLETION, CONVERSION, AND EXPANSION.]** Subject to the provisions of the declaration, a declarant has an easement through the common elements as may be reasonably necessary for the purpose of discharging a declarant's obligations or exercising special declarant rights, whether arising under sections 515.1-101 to 515.4-117 or reserved in the declaration.

**Sec. 515.2-119. [AMENDMENT OF DECLARATION.]** (a) Except in cases of amendments which may be executed by a declarant under sections 515.2-110(c) and (d), 515.2-111(a); the association under section 515.1-107(a); or certain unit owners under sections 515.2-114, 515.2-115, or 515.2-129(b), and except as limited by subsection (d), the declaration may be amended by the association only by a vote or written agreement of unit owners to which at least 67 percent of the votes in the association are allocated, and 67 percent of the first mortgagees of the units (each mortgagee having one vote per unit financed) or any larger or smaller majority the declaration specifies. The declaration may specify any percentage if all of the units are restricted exclusively to nonresidential use.

(b) Every amendment to the declaration shall be recorded in every county in which any portion of the condominium is located, and is effective only when recorded.

(c) Except to the extent expressly permitted or required by other provisions of sections 515.1-101 to 515.4-117, no amendment may create or increase special declarant rights, increase the number of units, convert common elements to limited common elements, or change the boundaries of any unit, the common element interest, common expense liability, or voting strength in the association allocated to a unit, or the uses to which any unit is restricted, without the written agreement of at least 80 percent of the holders of an interest as security for an obligation and the absence of any written objection by any unit owner.

(d) Limited common elements shall not be altered without the written agreement of the unit owners and holders of an interest to secure an obligation of the units to which the limited common elements are allocated.

(e) An affidavit of the secretary of the association stating that the votes or agreements required by this section have occurred, shall be attached to the amendment and shall constitute prima facie evidence of the representations contained therein.

**Sec. 515.2-120. [TERMINATION OF CONDOMINIUM.]** (a) Except in the case of a taking of all the units by eminent domain (section 515.1-107), a condominium may be terminated only by agreement of unit owners of units to which at least 80 percent of the votes in the association are allocated, and 80 percent of the first mortgagees of the units (each mortgagee having one vote per unit financed), or any larger percentage the declaration specifies. The declaration may specify a smaller percentage only if all of the units in the condominium are restricted exclusively to nonresidential uses.

(b) An agreement of unit owners and mortgagees to terminate a condominium must be evidenced by their execution of a termination agreement or ratification thereof. If, pursuant to a termination agreement, the real estate constituting the condominium is to be sold following termination, the termination agreement shall set forth the terms of the sale. A termination agreement and all ratifications thereof shall be effective upon recording in every county in which a portion of the condominium is situated.

(c) If the termination agreement provides that the real estate constituting the condominium is to be sold following termination, title to that real estate, upon termination, vests in the association as trustee for the holders of all interests in the units. The association as trustee thereafter has all powers necessary and appropriate to effect the sale. Until the sale has been concluded and the proceeds thereof distributed, the association continues in existence with all powers and responsibilities it had before termination whether under the declaration or otherwise. Unless the termination agreement otherwise provides, proceeds of the sale shall be paid to the association as trustee and shall be distributed to the unit owners and holders of an interest as security for an obligation as their interests may appear and according to the priority enjoyed prior to termination in proportion to the respective interests of unit owners as provided in subsection (f). Any interest as security for an obligation formerly affecting a unit shall constitute a claim against the proceeds in the amount existing at the time of termination plus interest and other amounts accrued until distribution. Except as otherwise specified in the termination agreement, as long as the association as trustee holds title to the real estate, each unit owner and his successors in interest have the right to use the real estate that formerly constituted the common elements and have an exclusive right to occupancy of the portion of the real estate that formerly constituted his unit and limited common elements. During the period of such occupancy, each unit owner and his successors in interest remain liable for all assessments and other obligations imposed on unit owners by sections 515.1-101 to 515.4-117, the declaration, or the termination agreement.

(d) If the real estate constituting the condominium is not to be sold following termination, title to the real estate, upon termination, vests in the unit owners as tenants in common in proportion to their respective interests as provided in subsection (f). Any interests held as security for an obligation and the respective

instruments formerly affecting a unit shall be deemed to be an interest affecting the resulting undivided interest in the same manner as they formerly affected the unit. As long as the tenancy in common exists, each unit owner and his successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted his unit and limited common elements. Unless the termination agreement otherwise provides during the period of tenancy in common, the cotenants and the association shall have the rights and obligations under sections 515.1-101 to 515.4-117, the declaration and bylaws and the termination agreement.

(e) Following termination of the condominium, and after payment of or provision for the claims of the association's creditors, the assets of the association shall be distributed to unit owners and holders of an interest as security for an obligation in proportion to their respective interests as provided in subsection (f). The proceeds of sale described in subsection (c) and held by the association as trustee are not assets of the association.

(f) The respective interests of unit owners referred to in subsections (c), (d), and (e) are as follows:

(1) except as provided in paragraph (2), the respective interests of unit owners are the fair market values of their units, limited common elements, and common element interests immediately before the termination, as determined by one or more independent appraisers selected by the association. The decision of the independent appraisers shall be delivered in the manner provided in section 515.1-116 addressed to "Occupant Entitled to Legal Notice" at each unit and the first mortgagee of each unit at its last known address and becomes final unless disproved within 30 days after delivery by unit owners of units to which 25 percent of the votes in the association are allocated or by 25 percent of the first mortgagees, each mortgagee having one vote per unit financed. The proportion of any unit owner's interest to that of all unit owners is determined by dividing the fair market value of his interest by the total fair market values of the interests of all unit owners.

(2) if any unit is destroyed to the extent that an appraisal of the fair market value thereof prior to destruction cannot be made and there is not satisfactory evidence to afford such an appraisal, the interests of all unit owners are their respective common element interests immediately before the termination.

Sec. 515.2-121. [RIGHTS OF HOLDERS OF AN INTEREST AS SECURITY FOR AN OBLIGATION.] (a) Nothing in sections 515.1-101 to 515.4-117 unless expressly stated diminishes the rights of holders of an interest as security for an obligation or prevents the declaration from requiring that all or a specified number or percentage of holders of an interest as security for an obligation affecting the units approve specified actions of the unit owners or the association as a condition to the effectiveness of those actions, but no requirement for approval may operate to (1) deny or delegate control over the general ad-

ministrative affairs of the association by the unit owners, or (2) prevent the association from commencing, intervening in or settling any litigation or proceeding, or receiving and distributing any insurance proceeds pursuant to section 515.3-109.

(b) Foreclosure or enforcement of an interest as security for an obligation against the entire condominium does not of itself terminate the condominium. Foreclosure or enforcement of an interest as security for an obligation against a portion of the condominium without redemption withdraws that portion from the condominium unless (i) the interest is recorded subsequent to the recording of the declaration or is otherwise subordinate to the declaration, or (ii) the holder or his predecessor has issued a release or deed for a unit.

### ARTICLE III

#### MANAGEMENT OF THE CONDOMINIUM

Section 515.3-101. [ORGANIZATION OF UNIT OWNERS ASSOCIATION.] A unit owners association shall be organized no later than the date the condominium is created. The membership of the association at all times shall consist exclusively of all the unit owners or, following termination of the condominium, of all former unit owners entitled to distributions of proceeds under section 515.2-120, or their heirs, successors, or assigns. The association shall be organized as a profit or nonprofit corporation.

Sec. 515.3-102. [POWERS OF UNIT OWNERS ASSOCIATION.] (a) Unless limited by the provisions of the declaration, the association may:

- (1) adopt and amend rules and regulations;
- (2) adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses from unit owners;
- (3) hire and terminate managing agents and other employees, agents, and independent contractors;
- (4) institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more unit owners on matters affecting the condominium;
- (5) regulate the use, maintenance, repair, replacement and modification of common elements;
- (6) cause improvements to be made as a part of the common elements;
- (7) grant leases, licenses, and concessions not to exceed one year and utility easements through or over the common elements; provided, however, that after conveyance to owners other than the declarant or affiliate of a declarant of units to which more than 50 percent of the voting power is allocated, the association may by resolution of a meeting of the members duly called grant leases, licenses, and concessions in excess of one year and easements through or over the common elements;

(8) impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements other than limited common elements described in section 515.2-102(2) and (4);

(9) impose reasonable charges including reasonable costs and attorneys' fees, for the evaluation, preparation and recordation of amendments to the declaration, resale certificates required by section 515.4-107, or statements of unpaid assessments;

(10) provide for the indemnification of its officers and board and maintain directors' and officers' liability insurance;

(11) impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the declaration, bylaws, and rules and regulations of the association;

(12) exercise any other powers conferred by state law, the declaration, or bylaws.

(b) Notwithstanding subsection (a), the declaration may not impose limitations on the power of the association to deal with the declarant that are more restrictive than the limitations imposed on the power of the association to deal with other persons.

Sec. 515.3-103. [BOARD OF DIRECTORS, MEMBERS AND OFFICERS.] (a) The declaration may provide for a period of declarant control of the association, during which period a declarant, or persons designated by him, may elect the members of the board of directors. Any period of declarant control extends from the date of the first conveyance of a unit to a unit owner other than a declarant for a period not exceeding five years in the case of a flexible condominium or three years in the case of any other condominium. Regardless of the period provided in the declaration, a period of declarant control terminates upon surrender of control by the declarant or no later than 60 days after conveyance of 75 percent of the units to unit owners other than a declarant.

(b) Not later than 60 days after conveyance of 50 percent of the units to unit owners other than a declarant not less than 33 $\frac{1}{3}$  percent of all of the members of the board of directors shall be elected by unit owners other than the declarant.

(c) Not later than the termination of the period of declarant control and thereafter the unit owners shall elect a board of directors of at least three members, at least a majority of whom shall be unit owners or the individual nominees of unit owners other than individuals. The board of directors shall elect the officers. The persons elected shall take office upon election.

(d) In determining whether the period of declarant control has terminated under subsection (a), or whether unit owners other than a declarant are entitled to elect members of the board of directors under subsection (b), the percentage of the units which has been conveyed is presumed to be that percentage which would have been conveyed if all the units which the declarant has built

or reserved the right to build in the declaration were included in the condominium.

**Sec. 515.3-104. [TRANSFER OF SPECIAL DECLARANT RIGHTS.]** (a) No special declarant rights (section 515.1-103(18)) created or reserved under sections 515.1-101 to 515.4-117 may be transferred except by an instrument evidencing the transfer recorded in every county where any portion of the condominium is located. The instrument shall be recordable and is not effective unless executed by the transferor and transferee. If additional real estate is transferred by the declarant, the transferee shall be deemed to receive all special declarant rights with respect thereto and shall be subject to any obligations imposed by the declaration respecting the additional real estate so transferred.

(b) Upon transfer of any special declarant right, the liability of a transferor declarant is as follows:

(1) a transferor is not relieved of any obligation or liability which arose before the transfer, and remains liable for warranty obligations imposed on him by sections 515.1-101 to 515.4-117. Lack of privity does not deprive any unit owner of standing to bring an action to enforce any obligation of the transferor;

(2) if a transferor retains any special declarant right, or if a successor to any special declarant right is an affiliate of a declarant (section 515.1-103(2)), the transferor is subject to liability for all obligations and liabilities imposed on a declarant by sections 515.1-101 to 515.4-117 or by the declaration arising after the transfer and is jointly and severally liable with the successor for the liabilities and obligations of the successor which relate to the condominium; and

(3) a transferor who retains no special declarant right has no liability for any act or omission or any breach of a contractual or warranty obligation arising from the exercise of a special declarant right by a successor declarant who is not an affiliate of the transferor.

(c) In case of foreclosure of a mortgage or cancellation of a contract for deed or sale under the bankruptcy act or receivership proceeding or the foreclosure of any other lien against any unit owned by a declarant in the condominium, a person first acquiring title to all the units being cancelled, foreclosed or sold, succeeds to all then existing special declarant rights except the special declarant rights with respect to additional real estate, unless the mortgage or other instrument or proceeding also covers additional real estate.

(d) The liabilities and obligations of persons who succeed to special declarant rights are as follows:

(1) A successor to any special declarant right who is an affiliate of a declarant is subject to all the obligations and liabilities imposed on any declarant by sections 515.1-101 to 515.4-117 or by the declaration.

(2) A successor to any special declarant right, other than a



successor described in paragraphs (3) or (4) of this subsection, who is not an affiliate of a declarant, is subject to all obligations and liabilities imposed on a declarant by sections 515.1-101 to 515.4-117 or the declaration, except that he is not subject to liability for misrepresentations or warranty obligations on improvements made by any previous declarant, or made before the condominium was created, or for a breach of fiduciary obligation by any previous declarant.

(3) A successor to only a right reserved in the declaration to maintain models, sales offices, and signs (section 515.2-117), if he is not an affiliate of a declarant, may not exercise any other special declarant right, and is not subject to any liability or obligation as a declarant, except the obligation to provide a disclosure statement and any liability arising as a result thereof.

(4) A successor to all special declarant rights, who is not an affiliate of a declarant and who succeeded to those rights pursuant to a deed in lieu of foreclosure or by reason of subsection (c), may declare his intention in a recorded instrument to hold those rights solely for transfer to another person. Thereafter, until transferring all special declarant rights to any person acquiring title to any unit owned by the successor, or until recording an instrument permitting exercise of all those rights, that successor may not exercise any of those rights other than the right to control the board of directors in accordance with the provisions of section 515.3-103 for the duration of any period of declarant control, and any attempted exercise of those rights is void. So long as any successor declarant may not exercise special declarant rights under this subsection, he is not subject to any liability or obligation as a declarant other than liability for his acts and omissions under section 515.3-103.

(e) Nothing in this section subjects any successor to a special declarant right to any claims against or other obligations of a transferor declarant, other than claims and obligations arising under sections 515.1-101 to 515.4-117 or the declaration.

**Sec. 515.3-105. [TERMINATION OF CONTRACTS AND LEASES OF DECLARANT.]** If entered into prior to expiration of the period of declarant control pursuant to section 515.3-103, (1) any management contract, employment contract, or lease of recreational or parking areas or facilities, (2) any other contract or lease binding the association or any unit owner other than the declarant or an affiliate of the declarant to which a declarant or an affiliate of a declarant is a party, or (3) any contract or lease binding the association or any unit owner other than the declarant or an affiliate of the declarant which is not bona fide or which was unconscionable to the unit owners at the time entered into under the circumstances then prevailing, may be terminated without penalty by the association at any time after the expiration of declarant control upon not less than 90 days notice to the other party. This section does not apply to any lease the termination of which would terminate the condominium.

**Sec. 515.3-106. [BYLAWS.]** The bylaws and any amendments thereto must be recorded to be effective and shall provide:

(a) The meeting of the members shall be held at least once each year and shall specify an officer who shall, at least 21 days in advance of any annual or regularly scheduled meeting and at least seven days in advance of any other meeting, send to each unit owner notice of the time, place and complete agenda of the meeting. The notice shall be given to all unit owners at the address of the respective units and to other addresses as any of them may have designated to the officer.

(b) No vote in the association of unit owners shall be deemed to inure to any unit during the time when the unit owner is the association.

(c) For a mechanism to resolve disputes regarding voting among more than one unit owner of a unit in such a way that the vote allocated to the unit is not split or otherwise cast separately by the several unit owners.

(d) An annual report be prepared by the association and a copy of the report be provided to each unit owner and the report contain a minimum of the following:

(1) A statement of any capital expenditures in excess of two percent of the current budget or \$5,000 whichever is the greater anticipated by the association during the current year or succeeding two fiscal years.

(2) A statement of the status and amount of any reserve or replacement fund and portion of the fund designated for any specified project by the board of directors.

(3) A copy of the statement of financial condition for the association for the last fiscal year.

(4) A statement of the status of any pending suits or judgments to which the association is a party.

(5) A statement of the insurance coverage provided by the association.

(6) A statement of any unpaid assessments by the association on individual units identifying the unit number and the amount of the unpaid assessment.

Sec. 515.3-107. [UPKEEP OF THE CONDOMINIUM.] Except to the extent otherwise provided by the declaration or section 515.3-112(d), the association is responsible for maintenance, repair, and replacement of the common elements and each unit owner is responsible for maintenance, repair, and replacement of his unit. Each unit owner shall afford to the association and the other unit owners, and to their agents or employees, access through his unit reasonably necessary for those purposes.

If damage is inflicted on the common elements or any unit through which access is taken, the unit owner responsible for the damage, or the association if it is responsible, is liable for the prompt repair thereof.

Sec. 515.3-108. [RESERVED.]

**Sec. 515.3-109. [RESERVED.]**

**Sec. 515.3-110. [RESERVED].**

**Sec. 515.3-111. [TORT AND CONTRACT LIABILITY.]** (a) If a tort or breach of contract occurred during any period of declarant control (section 515.3-103), the declarant shall indemnify the association for all liability insured by the association as a result of that tort or breach of contract, including legal fees. Any statute of limitation affecting the association's right of action under this section is tolled until the period of declarant control terminates.

(b) No unit owner shall have tort liability arising out of his ownership of the common elements provided that the association has liability insurance coverage on the occurrence in an amount not less than \$1,000,000.

**Sec. 515.3-112. [INSURANCE.]** (a) Commencing not later than the time of the first conveyance of a unit to a unit owner other than a declarant, the association shall maintain, to the extent reasonably available:

(1) Property insurance on the common elements and units, exclusive of land, excavations, foundations, and other items normally excluded from property policies, insuring against all risks of direct physical loss. The total amount of insurance after application of any deductibles shall be not less than 80 percent of the full insurable replacement cost of the insured property. The association or its authorized agent may enter a unit at reasonable times upon reasonable notice for the purpose of making appraisals for insurance purposes.

(2) Comprehensive general liability insurance, in an amount determined by the board of directors but not less than any amount specified in the declaration, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the common elements.

(b) If the insurance described in subsection (a) is not maintained, the association shall immediately cause notice of that fact to be given to all unit owners at their respective units and other addresses provided to the association. The declaration may require the association to carry any other insurance, and the association in any event may carry any other insurance it deems appropriate to protect the association or the unit owners.

(c) Insurance policies carried pursuant to subsection (a) shall provide that:

(1) Each unit owner and holder of a vendor's interest in a contract for deed is an insured person under the policy with respect to liability arising out of his ownership of an undivided interest in the common elements;

(2) The insurer waives its right to subrogation under the policy against any unit owner of the condominium or members of his household and against the association and members of the board of directors;

(3) No act or omission by any unit owner or holder of an interest as security for an obligation, unless acting within the scope of his authority on behalf of the association, shall void the policy or be a condition to recovery under the policy; and

(4) If, at the time of a loss under the policy, there is other insurance in the name of a unit owner covering the same property covered by the policy, the policy is primary insurance not contributing with the other insurance.

(d) Any loss covered by the property policy under subsection (a)(1) shall be adjusted with the association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the association. The insurance trustee or the association shall hold any insurance proceeds in trust for unit owners and holders of an interest as security for an obligation as their interests may appear. The proceeds shall be disbursed first for the repair or restoration of the damaged common elements and units, and unit owners and holders of an interest as security for an obligation are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the common elements and units have been completely repaired or restored, or the condominium is terminated.

(e) An insurance policy issued to the association does not prevent a unit owner from obtaining insurance for his own benefit.

(f) An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance, upon request, to any unit owner, or holder of an interest as security for an obligation. The insurance may not be cancelled until 30 days after notice of the proposed cancellation has been mailed to the association and to each unit owner and holder of an interest as security for an obligation to whom certificates of insurance have been issued.

(g) Any portion of the condominium damaged or destroyed shall be promptly repaired or replaced by the association unless (1) the condominium is terminated and the association votes not to repair or replace all or part thereof, (2) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (3) 80 percent of the unit owners, including every owner and first mortgagee of a unit or assigned limited common element which will not be rebuilt, vote not to rebuild. The cost of repair or replacement of a unit or the common area in excess of insurance proceeds and reserves shall be a common expense. If less than the entire condominium is repaired or replaced, (1) the insurance proceeds attributable to the damaged common elements shall be used to restore the damaged area to a condition compatible with the remainder of the condominium, (2) the insurance proceeds attributable to units and limited common elements which are not rebuilt shall be distributed to the owners of those units and the holders of an interest as security for an obligation of those units and the owners and holders of an interest as security for an obligation of the units to which those limited common elements

were assigned, as their interests may appear and (3) the remainder of the proceeds shall be distributed to all the unit owners and holders of an interest as security for an obligation as their interests may appear in proportion to their common element interest. In the event the unit owners vote not to rebuild a unit, that unit's entire common element interest, votes in the association, and common expense liability are automatically reallocated upon the vote as if the unit had been condemned under section 515.1-107(a), and the association shall promptly prepare, execute and record an amendment to the declaration reflecting the reallocations. Notwithstanding the provisions of this subsection, if the condominium is terminated, insurance proceeds not used for repair or replacement shall be distributed in the same manner as sales proceeds pursuant to section 515.2-120.

(h) The provisions of this section may be varied or waived in the case of a condominium all of the units of which are restricted to nonresidential use.

Sec. 515.3-113. [SURPLUS FUNDS.] Unless otherwise provided in the declaration, any surplus funds of the association remaining after payment of or provision for common expenses and any prepayment of reserves shall be credited to the unit owners to reduce their future common expense assessments.

Sec. 515.3-114. [ASSESSMENTS FOR COMMON EXPENSES.] (a) Until the association levies a common expense assessment, the declarant shall pay all accrued expenses of the condominium. After any assessment has been levied by the association, assessments shall be levied at least annually and shall be based on a budget adopted at least annually by the association.

(b) Except for assessments under subsection (c) and (d), common expenses shall be assessed against all the units in accordance with the common expense liability allocated to each unit (section 515.2-108). Any past due assessment or installment thereof shall bear interest at the rate established by the association not exceeding the rate of interest provided in section 549.09.

(c) Except as provided by the declaration any common expense associated with the maintenance, repair, or replacement of a limited common element shall be assessed against the unit or in equal shares against the units to which that limited common element was assigned at the time the expense was incurred.

(d) If the declaration so provides, the association may assess any common expense benefiting less than all of the units against the units benefited. In that case the common expense shall be allocated among units benefited in proportion to their common expense liability.

Sec. 515.3-115. [LIEN FOR ASSESSMENTS.] (a) The association has a lien on a unit for any assessment levied against that unit from the time the assessment becomes payable. The association's lien may be foreclosed as provided by the laws of this state as if it were a lien under a mortgage containing a power of sale. The rights of the parties shall be the same as those provided by

law except that the period of redemption for unit owners shall be six months from the date of sale. Unless the declaration otherwise provides, fees, charges, late charges, and interest charges pursuant to section 515.3-102(8), (9) and (12) are enforceable as assessments under this section.

(b) A lien under this section is prior to all other liens and encumbrances on a unit except (1) liens and encumbrances recorded before the recordation of the declaration, (2) any recorded mortgage on the unit securing a first mortgage holder, and (3) liens for real estate taxes and other governmental assessments or charges against the unit. This subsection does not affect the priority of mechanics' or materialmen's liens.

(c) Recording of the declaration constitutes record notice and perfection of the lien, and no further recordation of any claim of lien for assessment under this section is required.

(d) Proceedings to enforce an assessment must be instituted within three years after the last installment of the assessment becomes payable.

(e) Unit owners at the time an assessment is payable are personally liable to the association for payment of the assessments.

(f) A foreclosure sale, judgment or decree in any action, proceeding or suit brought under this section shall include costs and reasonable attorney's fees for the prevailing party.

(g) The association shall furnish to a unit owner or his authorized agent upon written request of the unit owner or his authorized agent a recordable statement setting forth the amount of unpaid assessments currently levied against his unit. The statement shall be furnished within ten business days after receipt of the request and is binding on the association and every unit owner.

Sec. 515.3-116. [ASSOCIATION RECORDS.] The association shall keep financial records sufficiently detailed to enable the association to comply with section 515.4-107. All financial records shall be made reasonably available for examination by any unit owner and his authorized agents.

Sec. 515.3-117. [ASSOCIATION AS TRUSTEE.] With respect to a third person dealing with the association in the association's capacity as a trustee, the existence of trust powers and their proper exercise by the association may be assumed without inquiry. A third person is not bound to inquire whether the association has power to act as trustee or is properly exercising trust powers and a third person, without actual knowledge that the association is exceeding its powers or improperly exercising them, is fully protected in dealing with the association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the association in its capacity as trustee.

## ARTICLE IV

### PROTECTION OF PURCHASERS

**Section 515.4-101. [APPLICABILITY; WAIVER.]** (a) This article applies to all units subject to sections 515.1-101 to 515.4-117 except as provided in subsection (b) and section 515.4-113 or as modified or waived by agreement of purchasers of units in a condominium in which all units are restricted to nonresidential use.

(b) A disclosure statement need not be prepared in case of:

- (1) a gratuitous transfer of a unit;
- (2) a disposition pursuant to court order;
- (3) a disposition by a government or governmental agency;
- (4) a disposition by foreclosure or deed in lieu of foreclosure and subsequent disposition by the purchaser at mortgage foreclosure sale, or grantee in the deed in lieu of foreclosure;
- (5) a transfer to which section 515.4-107 (Resales of Units) applies.

**Sec. 515.4-102. [DISCLOSURE STATEMENT; GENERAL PROVISIONS.]** A disclosure statement shall fully disclose:

(a) The name and principal address of the declarant and the address and the name, if any, and number, if available, of the condominium;

(b) A general description of the condominium; including without limitation the types and number of all buildings, units and amenities, and declarant's proposed schedule of commencement and completion of construction thereof;

(c) The total number of additional units that may be included in the condominium;

(d) A copy of the declaration other than the floor plans, floor plans for the particular unit, bylaws, articles of incorporation, rules and regulations, and any contracts and leases to which the unit owners or association will be subject and which may not be cancelled upon 30 days notice by the association;

(e) Any current balance sheet and a projected budget for the association for the first full or partial year during which a unit is conveyed to a unit owner other than a declarant and any projected budget for future years which the association has adopted, and a statement of who prepared the balance sheet, projected budget or budget. The budget or projected budget shall include, without limitation:

(1) a statement of the amount, or a statement that there is no amount, included in the budget as a reserve for repairs and replacement;

(2) a statement of any other reserves;

(3) the projected common expense assessment by category of expenditures for the association;

(4) the projected monthly common expense assessment for each type of unit;

(f) Any supplies and services not reflected in the budget or projected budget which the declarant provides, or expenses which he pays, and which he expects may become at any subsequent time a common expense of the association and the projected common expense assessment attributable to each of those services or expenses for the association and for each type of unit;

(g) Any initial or special fee due from the purchaser to the declarant or the association at closing, together with a description of the purpose and method of calculating the fee;

(h) A description of any liens, defects, or encumbrances on or affecting the title to the condominium after the contemplated conveyance;

(i) A description of any financing offered by the declarant;

(j) The terms of any warranties provided by the declarant, including the warranties set forth in sections 515.4-111 and 515.4-112, and limitations imposed by the declarant on the enforcement thereof;

(k) A statement that:

(1) within 15 days after receipt of a disclosure statement, a purchaser may, prior to conveyance, cancel any purchase agreement of a unit from a declarant;

(2) if a purchaser received the disclosure statement more than 15 days before he signs a purchase agreement, he cannot cancel the agreement;

(l) A statement of any judgments against the association, the status of any pending suits to which the association is a party, and of which the declarant or an affiliate of a declarant has actual knowledge;

(m) A statement that any earnest money paid in connection with the purchase of a unit will be held in an escrow account until closing and will be returned to the purchaser if the purchaser cancels the purchase agreement pursuant to section 515.4-106;

(n) A description of the insurance coverage to be provided for the benefit of unit owners;

(o) Any current or expected fees or charges to be paid by unit owners for the use of the common elements and other facilities related to the condominium; and

(p) Whether financial arrangements have been provided for completion of all improvements labeled "MUST BE BUILT" pursuant to section 515.4-117 (Declarant's Obligation to Complete and Restore).



**Sec. 515.4-103. [RESERVED.]****Sec. 515.4-104. [SAME; CONVERSION CONDOMINIUMS.]**

The disclosure statement of a conversion condominium the units of which may be used for residential purposes shall contain, in addition to the information required by section 515.4-102:

(a) A professional opinion prepared by an architect licensed in this state or registered professional engineer licensed in this state, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the condominium to the extent reasonably ascertainable without disturbing the improvements or dismantling the equipment and without operating equipment during seasons of the year when the equipment is not normally in operation;

(b) A statement by the declarant of the expected useful life of each item reported on in subsection (a) or a statement that no representations are made in this regard;

(c) A list of any outstanding notices of uncured violations of building code or other municipal regulations, which will be outstanding at the time of the first conveyance of a unit, together with the estimated cost of curing those violations.

**Sec. 515.4-105. [RESERVED.]****Sec. 515.4-106. [PURCHASER'S RIGHT TO CANCEL.] (a)**

Unless delivery of a disclosure statement is not required under section 515.4-101(b), a declarant shall provide at least one of the purchasers of a unit with a copy of a disclosure statement not later than the date of any purchase agreement. Unless a purchaser is given the disclosure statement more than 15 days prior to execution of a purchase agreement for the unit, the purchaser may, prior to the conveyance, cancel the agreement within 15 days after receiving the disclosure statement.

If the conveyance occurs within 15 days after the date of the execution of the purchase agreement by the purchaser, any purchaser may waive in writing all rights to receive a disclosure statement under this section.

(b) If a purchaser elects to cancel a purchase agreement pursuant to subsection (a), he may do so by hand delivering notice thereof to the declarant or by mailing notice thereof by postage prepaid United States mail to the declarant or to his agent for service of process. Cancellation is without penalty, and all payments made by the purchaser pursuant to the purchase agreement shall be refunded promptly.

(c) The disclosure statement and any information furnished in connection therewith may be amended prior to conveyance if the amendment is delivered to the purchaser to whom the disclosure statement was delivered. If the amendment materially adversely affects a purchaser, then the purchaser shall have 15 days after delivery of the amendment to cancel the purchase agreement in accordance with this section.

**Sec. 515.4-107. [RESALES OF UNITS.]** (a) In the event of a resale of a unit by a unit owner other than a declarant, the unit owner shall furnish to a purchaser before execution of any purchase agreement for a unit, or otherwise before conveyance, a copy of the declaration other than the floor plans, the bylaws, the rules and regulations of the association, and any amendments thereto, and a certificate dated not more than 90 days prior to the date of the purchase agreement or otherwise before conveyance, containing:

(1) a statement disclosing any right of first refusal or other restraint on the free alienability of the unit contained in the declaration, bylaws, rules and regulations, or any amendment thereof;

(2) a statement setting forth the amount of periodic installments of common expense assessments and special assessments and any unpaid common expense or special assessment currently payable;

(3) a statement of any other fees payable by unit owners;

(4) a statement that a copy of the floor plans and any amendments thereof are available in the office of the association for inspection;

(5) the most recent regularly prepared balance sheet and income and expense statement, if any of the association;

(6) the current budget of the association;

(7) a statement of any judgments against the association and the status of any pending suits to which the association is a party;

(8) a statement describing any insurance coverage provided for the benefit of unit owners.

(b) The association shall, within seven days after a request by a unit owner or his authorized agent, furnish a certificate containing the information necessary to enable the unit owner to comply with this section. A unit owner without actual knowledge providing a certificate pursuant to subsection (a) shall have no liability to the purchaser for any erroneous information provided by the association and included in the certificate.

(c) A purchaser is not liable for any unpaid assessment or fee existing as of the date of the certificate greater than the amount set forth in the certificate prepared by the association. A unit owner is not responsible to a purchaser for the failure or delay of the association to provide the certificate in a timely manner.

**Sec. 515.4-1075. [PURCHASER'S RIGHT TO CANCEL.]** (a) The information required to be delivered by section 515.4-107 shall be delivered to a purchaser not later than the date of any purchase agreement. Unless a purchaser is given the information more than 15 days prior to the execution of the purchase agreement for the unit the purchaser may, prior to the conveyance, cancel the agreement within 15 days after receiving the information.

(b) If a purchaser elects to cancel a purchase agreement pursuant to subsection (a), he may do so by hand delivering notice thereof to the seller or his agent or by mailing notice thereof by postage prepaid United States mail to the seller or his agent. Cancellation is without penalty and all payments made by the purchaser shall be refunded promptly.

Sec. 515.4-108. [ESCROW OF DEPOSITS.] Any earnest money paid in connection with the purchase or reservation of a unit from a declarant shall be escrowed and held in this state in an account, savings deposit or certificate of deposit designated solely for that purpose in an institution whose accounts are insured by a governmental agency or instrumentality until (1) delivered to the declarant at closing; (2) delivered to the declarant because of purchaser's default under the purchase agreement or reservation; or (3) delivered to the purchaser.

Sec. 515.4-109. [RELEASE OF INTERESTS AS SECURITY FOR AN OBLIGATION.] (a) Before conveying a unit to a purchaser other than a declarant, the seller shall furnish to the purchaser releases for that unit and its common element interest of all interests as security for an obligation affecting more real estate than that unit and its common element interest, if the purchaser expressly agrees, a policy of title insurance insuring against loss or damage by reason of such interests. Failure to furnish the releases does not of itself invalidate the lien or the conveyance. This subsection does not apply to conveyance of all of the units in the condominium or to deeds in lieu of foreclosure.

(b) Whether perfected before or after creation of the condominium, if a lien other than a mortgage, including a lien attributable to work performed or materials supplied before creation of the condominium, becomes effective against two or more units, the unit owner of such a unit may pay to the lienholder the amount of the lien attributable to his unit, and the lienholder, upon receipt of payment, shall promptly deliver a release of the lien covering that unit and its common element interest. The amount of the payment shall be proportionate to the ratio which that unit owner's common expense liability bears to the common expense liabilities of all unit owners whose units are subject to the lien. After payment, the association may not assess or have a lien against that unit owner's unit for any portion of the common expenses incurred in connection with that lien.

(c) Labor performed or materials furnished for the common elements, if duly authorized by the association, shall be deemed to be performed or furnished with the express consent of each unit owner and shall be the basis for the filing of a lien pursuant to the lien law against each of the units and shall be subject to the provisions of subsection (b) of this section.

Sec. 515.4-110. [CONVERSION CONDOMINIUMS.] (a) A declarant of a conversion condominium shall give each of the tenants and any subtenant in possession of buildings subject to sections 515.1-101 to 515.4-117 notice of the conversion or the intent to convert no later than 180 days before the declarant will require

them to vacate. The notice shall set forth generally the rights conferred by this section and shall have attached thereto a form of purchase agreement setting forth the terms of sale contemplated by subsection (b) and a statement of any significant restrictions on the use and occupancy of the unit to be imposed by the declarant and shall be hand delivered or mailed by postage prepaid United States mail to "The Tenant and Subtenant" at the address of the unit. The notice shall be contained in an envelope upon which the following words shall be boldly printed: "Notice of Condominium Conversion". No tenant or subtenant may be required by the declarant to vacate upon less than 180 days notice, except by reason of nonpayment of rent, waste, or conduct which disturbs other tenants' peaceful enjoyment of the premises, and the terms of the tenancy may not be altered during that period. Failure of a declarant to give notice as required by this section constitutes a defense to an action for possession.

(b) For 60 days after delivery or mailing of the notice described in subsection (a), the holder of the lessee's interest for each unit on the date the notice is delivered or mailed shall have an option to purchase that unit on the terms set forth in the purchase agreement attached to the notice. The purchase agreement shall contain no terms or conditions preventing the purchase of the unit by the holder because of the age of the holder or persons residing with the holder. If the holder fails to exercise the option during that 60 day period, the declarant may not offer to dispose of an interest in that unit during the following 180 days at a price or on terms more favorable to the offeree than the price or terms offered to the holder. This subsection does not apply to any unit in a conversion condominium if that unit will be restricted exclusively to non-residential use or if the boundaries of the converted unit do not substantially conform to the dimensions of the residential unit before conversion.

(c) If a declarant, in violation of subsection (b), conveys a unit to a purchaser for value who has no knowledge of the violation, delivery of the deed conveying the unit extinguishes any right which a holder of a lessee's interest not in possession may have under subsection (b) to purchase that unit, but does not affect the right of the holder to recover damages from the declarant for a violation of subsection (b).

(d) Nothing in this section permits termination of a lease by a declarant in violation of its terms.

Sec. 515.4-111. [EXPRESS WARRANTIES.] (a) Express warranties made by any declarant to a purchaser of a unit if reasonably relied upon by the purchaser, are created as follows:

(1) any affirmation of fact or promise which relates to the unit, its use, or rights appurtenant thereto, area improvements to the condominium that would directly benefit the unit, or the right to use or have the benefit of facilities not located in the condominium, creates an express warranty that the unit and related rights and uses will conform to the affirmation or promise;

(2) any model or description of the physical characteristics of the condominium, including plans and specifications of or for improvements, creates an express warranty that the condominium will conform to the model, or description. A notice prominently displayed on a model or description shall prevent a purchaser from reasonably relying upon the model or description to the extent of disclaimer set forth on the notice;

(3) any description of the quantity or extent of the real estate comprising the condominium, including plats or surveys, creates an express warranty that the condominium will conform to the description, subject to customary tolerance.

(b) Neither formal words, such as "warranty" or "guarantee", nor a specific intention to make a warranty, are necessary to create an express warranty. A statement purporting to be merely an opinion or commendation of the real estate or its value does not create a warranty.

(c) Any conveyance of a unit transfers to the purchaser all express warranties made by a declarant.

Sec. 515.4-112. [IMPLIED WARRANTIES.] (a) A declarant warrants to a purchaser that a unit will be in at least as good condition at the earlier of the time of the conveyance or delivery of possession as it was at the time of contracting, reasonable wear and tear excepted.

(b) A declarant warrants to a purchaser that a unit and the common elements in the condominium are structurally suitable for the ordinary uses of real estate of its type and that any improvements or repairs made or contracted for by him or made by any person in contemplation of the creation of the condominium, will be:

(1) free from defective materials; and

(2) constructed in accordance with applicable law, according to sound engineering and construction standards, and in a workmanlike manner.

(c) A declarant warrants to a purchaser of a unit which may be used for residential use that the residential use does not violate applicable law at the earlier of the time of conveyance or delivery of possession.

(d) Warranties imposed by this section may be excluded or modified as specified in section 515.4-113.

(e) For purposes of this section, improvements made or contracted for by an affiliate of a declarant (section 515.1-103(2)) are made or contracted for by the declarant.

(f) Any conveyance of a unit transfers to the purchaser all of any declarant's implied warranties.

Sec. 515.4-113. [EXCLUSION OR MODIFICATION OF IMPLIED WARRANTIES.] (a) Except as limited by subsection (b) implied warranties:

(1) may be excluded or modified by agreement of the parties; and

(2) are excluded by expression of disclaimer, such as "as is", "with all faults", or other language which in common understanding calls the buyer's attention to the exclusion of warranties.

(b) with respect to a purchaser of a unit which may be occupied for residential use, no general disclaimer of implied warranties is effective, but a declarant may disclaim liability in an instrument signed by the purchaser for a specified defect or specified failure to comply with applicable law, if the defect or failure entered into and became a part of the basis of the bargain.

Sec. 515.4-114. [STATUTE OF LIMITATIONS FOR WARRANTIES.] (a) A judicial proceeding for breach of any obligation arising under section 515.4-111 or 515.4-112 must be commenced within six years after the cause of action accrues, but the parties may reduce the period of limitation to not less than two years. With respect to a unit which may be occupied for residential use, an agreement to reduce the period of limitation shall be evidenced by a separate instrument executed by the purchaser.

(b) Subject to subsection (c), a cause of action under section 515.4-111 or 515.4-112, regardless of the purchaser's lack of knowledge of the breach, accrues:

(1) as to a unit, when the purchaser to whom the warranty is first made enters into possession after a conveyance of a possessory interest if a possessory interest is conveyed or otherwise at the time of acceptance of the instrument of conveyance if a nonpossessory interest was conveyed; and

(2) as to each common element, the later of (i) the time the common element is completed, (ii) the time the first unit in the condominium is conveyed to a bona fide purchaser, or (iii) as to a common element within any additional real estate or portion thereof the time the first unit therein is conveyed to a bona fide purchaser.

(c) If a warranty under section 515.4-111 or 515.4-112 explicitly extends to future performance or duration of any improvement or component of the condominium, the cause of action accrues at the time the breach is discovered or at the end of the period for which the warranty explicitly extends, whichever is earlier.

Sec. 515.4-115. [EFFECT OF VIOLATIONS ON RIGHTS OF ACTION; ATTORNEYS' FEES.] If a declarant or any other person subject to sections 515.1-101 to 515.4-117 violates any provision thereof or any provision of the declaration or bylaws, any person or class of persons adversely affected by the violation has a claim for appropriate relief. Punitive damages may be awarded in the case of a willful violation of sections 515.1-101 to 515.4-117. The court, in an appropriate case, may award reasonable attorneys' fees.

Sec. 515.4-116. [LABELING OF PROMOTIONAL MATERIAL.] If any improvement contemplated in a condominium is re-

quired by section 515.2-110(b)(3) to be labeled "NEED NOT BE BUILT" on the floor plan, no promotional material may be displayed or delivered to prospective purchasers which describes or depicts that improvement unless the description or depiction of the improvement is conspicuously labeled or identified as "NEED NOT BE BUILT".

**Sec. 515.4-117. [DECLARANT'S OBLIGATION TO COMPLETE AND RESTORE.]** (a) The declarant shall complete all improvements labeled "MUST BE BUILT" on the floor plans prepared pursuant to section 515.2-110.

(b) The declarant is subject to liability for the prompt repair and restoration to a condition compatible with the remainder of the condominium of any portion of the condominium affected by the exercise of rights reserved pursuant to or created by sections 515.2-111, 515.2-117, and 515.2-118."

And when so amended the bill do pass.

Mr. Coleman moved the adoption of the foregoing committee report. The motion prevailed. Amendments adopted. Report adopted.

Without objection, the Senate reverted to the Order of Business of Second Reading of Senate Bills.

#### SECOND READING OF SENATE BILLS

S. F. No. 140 was read the second time and referred to the Subcommittee on Bill Scheduling of the Committee on Rules and Administration.

Without objection, the Senate reverted to the Order of Business of Motions and Resolutions.

#### MOTIONS AND RESOLUTIONS

Mr. Strand moved that his name be added as co-author to S. F. No. 2231. The motion prevailed.

Mr. Davies moved that S. F. No. 2203 and the committee report thereon be taken from the table. The motion prevailed.

Mr. Davies moved that the foregoing committee report be now adopted. The motion prevailed. Report adopted.

Mr. Davies moved that S. F. No. 2203 be re-referred to the Committee on Judiciary. The motion prevailed.

#### RECONSIDERATION

Mr. Olhoft moved that the vote whereby S. F. No. 1732 failed to pass the Senate on March 12, 1980, be now reconsidered. The motion prevailed.

Mr. Olhoft moved that S. F. No. 1732, on the Calendar, be stricken and placed at the top of General Orders. The motion prevailed.

**MOTIONS AND RESOLUTIONS—CONTINUED**

Mr. Coleman moved that the Senate do now adjourn until 12:00 o'clock noon, Friday, March 14, 1980. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate