

THIRTY-FIRST DAY

St. Paul, Minnesota, Thursday, April 9, 1987

The Senate met at 2:00 p.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Willet imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Monsignor Terrence J. Murphy.

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

Adkins	Davis	Knaak	Moe, R.D.	Schmitz
Anderson	DeCramer	Kroening	Morse	Solon
Beckman	Dicklich	Laidig	Novak	Spear
Belanger	Diessner	Langseth	Olson	Storm
Benson	Frank	Lantry	Pehler	Stumpf
Berg	Frederick	Larson	Peterson, D.C.	Taylor
Berglin	Frederickson, D.J.	Lessard	Peterson, R.W.	Vickerman
Bernhagen	Frederickson, D.R.	Luther	Piper	Waldorf
Bertram	Freeman	Marty	Pogemiller	Wegscheid
Brandl	Gustafson	McQuaid	Purfeerst	Willet
Brataas	Hughes	Mehrkens	Ramstad	
Chmielewski	Johnson, D.E.	Merriam	Reichgott	
Cohen	Johnson, D.J.	Metzen	Renneke	
Dahl	Jude	Moe, D.M.	Samuelson	

The President declared a quorum present.

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

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received and referred to the committees indicated.

January 14, 1987

The Honorable Jerome M. Hughes
President of the Senate

Dear Sir:

The following appointment as Commissioner of the Department of Natural Resources is hereby respectfully submitted to the Senate for confirmation as required by law:

Joseph Alexander, 931 Kennard, St. Paul, Ramsey County, has been

appointed by me, effective January 5, 1987, for a term expiring the first Monday in January, 1991.

(Referred to the Committee on Environment and Natural Resources.)

April 7, 1987

The Honorable Jerome M. Hughes
President of the Senate

Dear Sir:

The following appointments to the Waste Management Board are hereby respectfully submitted to the Senate for confirmation as required by law:

Howard A. Andersen, 1072 Plummer Ln., Rochester, Olmsted County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1988.

John E. Boland, 2443 E. Larpenteur Ave., Maplewood, Ramsey County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1991.

Laurence E. Hunter, 807 W. 2nd St., Hastings, Dakota County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1990.

Edith Kelly, 1022 Elm, Alexandria, Douglas County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1988.

(Referred to the Committee on Environment and Natural Resources.)

April 7, 1987

The Honorable Jerome M. Hughes
President of the Senate

Dear Sir:

The following appointments to the Waste Management Board are hereby respectfully submitted to the Senate for confirmation as required by law:

William G. Kirchner, 6830 Newton Ave. S., Richfield, Hennepin County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1990.

Ernest Lund, Box 149A, Gheen, St. Louis County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1989.

Mary A. Robinson, 422 Oak Ave., Delano, Wright County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1991.

Linda Peck, R.R. 4, St. Cloud, Stearns County, has been appointed by me, effective June 3, 1986, for a term expiring the first Monday in January, 1989.

(Referred to the Committee on Environment and Natural Resources.)

Sincerely,

Rudy Perpich, Governor

April 7, 1987

The Honorable Jerome M. Hughes
President of the Senate

Dear Sir:

I have the honor of informing you that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 97, 137, 306, 529 and received and deposited S.F. No. 653.

Sincerely,

Rudy Perpich, Governor

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, herewith returned: S.F. No. 457.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 8, 1987

Mr. President:

I have the honor to inform the Senate that, pursuant to House Concurrent Resolution No. 3, the House of Representatives invites the Senate to meet with the House in Joint Convention in the Chamber of the House of Representatives at 1:00 p.m. on Wednesday, April 15, 1987, to elect members to the Board of Regents of the University of Minnesota.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 8, 1987

Mr. Moe, R.D. moved that the Senate accede to the request of the House of Representatives to meet in Joint Convention in the House Chamber at 1:00 p.m., Wednesday, April 15, 1987, to elect members to the Board of Regents of the University of Minnesota. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 26, 235, 602, 656, 816, 946, 137, 1073 and 1105.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 8, 1987

FIRST READING OF HOUSE BILLS

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

H.F. No. 26: A bill for an act relating to workers' compensation; providing for the organization and powers of the state compensation insurance fund; amending Minnesota Statutes 1986, sections 11A.24, subdivision 4; 176A.02, subdivisions 1 and 2; and 176A.04.

Referred to the Committee on Finance.

H.F. No. 235: A bill for an act relating to education; allowing certain districts to mail summaries of the school board proceedings rather than publish them; amending Minnesota Statutes 1986, section 123.33, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 24, now on General Orders.

H.F. No. 602: A bill for an act relating to health; creating an exception to the nursing home moratorium for a facility operated on the Red Lake Indian Reservation; amending Minnesota Statutes 1986, section 144A.071, subdivision 3.

Referred to the Committee on Health and Human Services.

H.F. No. 656: A bill for an act relating to public safety; regulating high pressure piping and pipefitters; providing penalties; amending Minnesota Statutes 1986, sections 326.461, subdivision 2; 326.47, subdivision 3; 326.48, subdivision 1; 326.50; 326.51; proposing coding for new law in Minnesota Statutes, chapter 326.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 736, now on General Orders.

H.F. No. 816: A bill for an act relating to drivers' licenses; traffic regulations; requiring courts to furnish information relating to previous convictions without charge in gross misdemeanor prosecutions of the driving while under the influence law; imposing a penalty on person who violates conditions attached to limited driver's license; amending Minnesota Statutes 1986, sections 169.121, subdivision 3; 171.17; and 171.30, by adding a subdivision.

Referred to the Committee on Judiciary.

H.F. No. 946: A bill for an act relating to employment; prohibiting residency requirements for employees; proposing coding for new law in Minnesota Statutes, chapter 181.

Referred to the Committee on Employment.

H.F. No. 137: A bill for an act relating to criminal procedure; providing a procedure for ordering joint or separate trials for jointly charged defendants; permitting the prosecution to offer a rebuttal closing argument; allowing the prosecution and the defense an equal number of peremptory challenges when the offense charged is not punishable by life imprisonment; amending Minnesota Statutes 1986, section 631.07; proposing coding for new law in Minnesota Statutes, chapter 631.

Referred to the Committee on Judiciary.

H.F. No. 1073: A bill for an act relating to occupations and professions;

providing advertising restrictions for plumbers; imposing penalties; amending Minnesota Statutes, section 326F75.

Referred to the Committee on Employment.

H.F. No. 1105: A bill for an act relating to retirement; Minneapolis police relief association service pensions and survivor benefits; amending Laws 1949, chapter 406, section 4, subdivisions 2 and 3, as amended, section 5, subdivisions 1 and 3, as amended, and section 6, subdivision 1; and Laws 1980, chapter 607, article 15, section 9.

Referred to the Committee on Governmental Operations.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted, with the exception of the reports on S.F. Nos. 898 and 1 and reports pertaining to appointments. The motion prevailed.

Mr. Spear from the Committee on Judiciary, to which was referred

S.F. No. 578: A bill for an act relating to business corporations; regulating the organization and operation of business corporations; providing for indemnification; providing voting rights; providing for the value, issuance, pledging, and acquisition of shares; and providing for payment on the return of shares; amending Minnesota Statutes 1986, sections 302A.011, subdivision 40; 302A.111, subdivisions 2 and 3; 302A.137; 302A.161, subdivision 22; 302A.201, subdivision 2; 302A.255, subdivision 1; 302A.405, subdivisions 1 and 2; 302A.409, subdivision 3; 302A.413, subdivision 5; 302A.433, subdivision 3; 302A.435, subdivision 2; 302A.437, subdivision 2; 302A.447, subdivision 7; 302A.455; 302A.457, subdivisions 1 and 2; 302A.473, subdivisions 1, 5, 6, and 7; 302A.501, subdivision 1; 302A.521, subdivisions 1, 8, and by adding a subdivision; and 302A.553, subdivision 1.

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

Page 1, after line 20, insert:

"Section 1. Minnesota Statutes 1986, section 300.08, subdivision 1, is amended to read:

Subdivision 1. [ENUMERATED POWERS.] (a) A corporation formed under the provisions of this chapter may:

(1) be known by its corporate name for the time stated in its certificate of incorporation;

(2) sue and be sued in any court;

(3) have, use, and alter a common seal;

(4) acquire, by purchase or otherwise, and hold, enjoy, improve, lease, encumber, and convey all real and personal property necessary for the purposes of its organization, subject to the limitations hereafter declared;

(5) elect or appoint in any manner it determines all necessary or proper officers, agents, boards, and committees, to fix their compensation, and to define their powers and duties;

(6) make and amend consistently with law bylaws providing for the

management of its property and the regulation and government of its affairs; and

(7) wind up and liquidate its business in the manner provided by law.

(b) A corporation formed under this chapter shall indemnify those persons identified in section 300.083 against certain expenses and liabilities only as provided in section 300.083 and may indemnify other persons.

Sec. 2. Minnesota Statutes 1986, section 300.083, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Corporation" includes a domestic or foreign corporation that was the predecessor of the corporation referred to in this section in a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(c) "Official capacity" means (1) with respect to a director, the position of director in a corporation, (2) with respect to a person other than a director, the elective or appointive office or position held by an officer, member of a committee of the board, or the employment ~~or agency~~ relationship undertaken by an employee ~~or agent~~ of the corporation, and (3) with respect to a director, officer, ~~or employee, or agent~~ of the corporation who, while a director, officer, ~~or employee, or agent~~ of the corporation, is or was serving at the request of the corporation or whose duties in that position involve or involved service as a director, officer, partner, trustee, ~~employee, or agent~~ of another organization or employee benefit plan, the position of that person as a director, officer, partner, trustee, employee, or agent, as the case may be, of the other organization or employee benefit plan.

(d) "Proceeding" means a threatened, pending, or completed civil, criminal, administrative, arbitration, or investigative proceeding, including a proceeding by or in the right of the corporation.

(e) "Special legal counsel" means counsel who has not represented the corporation or a related corporation, or a director, officer, ~~member of a committee or board, or employee, or agent~~ whose indemnification is in issue.

Sec. 3. Minnesota Statutes 1986, section 300.083, subdivision 4, is amended to read:

Subd. 4. [PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES.] The articles or bylaws either may prohibit indemnification or advances of expenses otherwise required by this section or may impose conditions on indemnification or advances of expenses in addition to the conditions contained in subdivisions 2 and 3 including, without limitation, monetary limits on indemnification or advances of expenses, if the conditions apply equally to all persons or to all persons within a given class. *A prohibition or limit on indemnification or advances may not apply to or affect the right of a person to indemnification or advances of expenses with respect to any acts or omissions of the person occurring prior to the effective date of a provision in the articles or the date of adoption of a provision in the bylaws establishing the prohibition or limit on indemnification or advances.*

Sec. 4. Minnesota Statutes 1986, section 300.083, subdivision 8, is

amended to read:

Subd. 8. [DISCLOSURE.] A corporation that indemnifies or advances expenses to a person in accordance with this section in connection with a proceeding by or on behalf of the corporation shall report *to the shareholders in writing* the amount of the indemnification or advance and to whom and on whose behalf it was paid ~~to the shareholders in an annual report covering the period when the indemnification or advance was paid or accrued under the accounting method of the corporation not later than the next meeting of shareholders.~~

Sec. 5. Minnesota Statutes 1986, section 300.083, is amended by adding a subdivision to read:

Subd. 10. [INDEMNIFICATION OF OTHER PERSONS.] *Nothing in this section shall be construed to limit the power of the corporation to indemnify other persons by contract or otherwise."*

Page 5, after line 11, insert:

"Sec. 9. Minnesota Statutes 1986, section 302A.133, is amended to read:

302A.133 [PROCEDURE FOR AMENDMENT BEFORE ISSUANCE OF SHARES.]

Before the issuance of shares by a corporation, the articles may be amended pursuant to section 302A.171 by the incorporators or by the board. *The articles may be amended by the board to change a statement pursuant to section 302A.401, subdivision 3, establishing or fixing the rights and preferences of a class or series of shares before the issuance of any shares of that class or series.*

Sec. 10. Minnesota Statutes 1986, section 302A.135, subdivision 4, is amended to read:

Subd. 4. [APPROVAL BY SHAREHOLDERS.] (a) The proposed amendment is adopted when approved by the affirmative vote of the holders of a majority of the voting power of the shares present and entitled to vote, except as provided in paragraphs (b) and (c) *and subdivision 5.*

(b) For a closely held corporation, if the articles provide for a specified proportion or number equal to or larger than the majority necessary to transact a specified type of business at a meeting, or if it is proposed to amend the articles to provide for a specified proportion or number equal to or larger than the majority necessary to transact a specified type of business at a meeting, the affirmative vote necessary to add the provision to, or to amend an existing provision in, the articles is the larger of:

(1) The specified proportion or number or, in the absence of a specific provision, the affirmative vote necessary to transact the type of business described in the proposed amendment at a meeting immediately before the effectiveness of the proposed amendment; or

(2) The specified proportion or number that would, upon effectiveness of the proposed amendment, be necessary to transact the specified type of business at a meeting.

(c) For corporations other than closely held corporations, if the articles provide for a larger proportion or number to transact a specified type of business at a meeting, the affirmative vote of that larger proportion or

number is necessary to amend the articles to decrease the proportion or number necessary to transact the business.

Sec. 11. Minnesota Statutes 1986, section 302A.135, is amended by adding a subdivision to read:

Subd. 5. [CERTAIN RESTATEMENTS.] An amendment that merely restates the existing articles, as amended, may be authorized by a resolution approved by the board and may, but need not, be submitted to and approved by the shareholders as provided in subdivisions 2, 3, and 4."

Page 6, after line 12, insert:

"Sec. 13. Minnesota Statutes 1986, section 302A.139, is amended to read:

302A.139 [ARTICLES OF AMENDMENT.]

When an amendment has been adopted, articles of amendment shall be prepared that contain:

(a) The name of the corporation;

(b) The amendment adopted;

(c) The date of the adoption of the amendment by the shareholders, or by the incorporators or the board where no shares have been issued; *or the date of adoption of the amendment by the board if:*

(1) the amendment merely restates the existing articles, as amended, and the amendment was not submitted to and approved by the shareholders, in which case the articles of amendment must contain a statement that the amendment restating the articles correctly sets forth without change the corresponding provisions of the articles as previously amended; or

(2) the amendment is to a statement establishing or fixing the rights and preferences of a class or series of shares before the issuance of shares of that class or series;

(d) If the amendment provides for but does not establish the manner for effecting an exchange, reclassification, or cancellation of issued shares, a statement of the manner in which it will be effected; and

(e) If the amendment restates the articles in their entirety, a statement that the restated articles supersede the original articles and all amendments to them.

Sec. 14. Minnesota Statutes 1986, section 302A.141, is amended by adding a subdivision to read:

Subd. 3. [EFFECT OF AMENDMENTS RESTATING ARTICLES.] When effective under section 302A.153, an amendment restating the articles in their entirety supersedes the original articles and all amendments to the original articles."

Page 7, line 27, strike "a"

Page 7, line 28, strike "majority" and insert "two-thirds"

Page 8, after line 9, insert:

"Sec. 18. Minnesota Statutes 1986, section 302A.401, subdivision 3, is amended to read:

Subd. 3. [PROCEDURE FOR FIXING TERMS.] (a) Subject to any

restrictions in the articles, the power granted in subdivision 2 may be exercised by a resolution approved by the affirmative vote of a majority of the directors present establishing a class or series, setting forth the designation of the class or series, and fixing the relative rights and preferences of the class or series.

(b) A statement setting forth the name of the corporation and the text of the resolution and certifying the adoption of the resolution and the date of adoption shall be filed with the secretary of state before the issuance of any shares for which the resolution creates rights or preferences not set forth in the articles; *provided, however, where the shareholders have received notice of the creation of shares with rights or preferences not set forth in the articles before the issuance of the shares, the statement may be filed any time within one year after the issuance of the shares.* The resolution is effective when the statement has been filed with the secretary of state; *or, if it is not required to be filed with the secretary of state before the issuance of shares, on the date of its adoption by the directors.*"

Page 9, line 2, delete "such" and insert "the"

Page 13, line 27, delete "thereon"

Page 14, lines 28 and 30, delete "thereon"

Page 15, lines 6, 29 and 34, delete "thereon"

Page 16, line 20, reinstate the stricken "two-thirds" and delete "a majority"

Page 17, after line 21, insert:

"Sec. 36. Minnesota Statutes 1986, section 302A.521, subdivision 4, is amended to read:

Subd. 4. [PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES.] The articles or bylaws either may prohibit indemnification or advances of expenses otherwise required by this section or may impose conditions on indemnification or advances of expenses in addition to the conditions contained in subdivisions 2 and 3 including, without limitation, monetary limits on indemnification or advances of expenses, if the conditions apply equally to all persons or to all persons within a given class. *A prohibition or limit on indemnification or advances may not apply to or affect the right of a person to indemnification or advances of expenses with respect to any acts or omissions of the person occurring prior to the effective date of a provision in the articles or the date of adoption of a provision in the by-laws establishing the prohibition or limit on indemnification or advances.*"

Page 18, after line 15, insert:

"Sec. 40. Minnesota Statutes 1986, section 302A.727, is amended to read:

302A.727 [NOTICE TO CREDITORS AND CLAIMANTS.]

Subdivision 1. [WHEN PERMITTED; HOW GIVEN.] When a notice of intent to dissolve has been filed with the secretary of state, the corporation may give notice of the filing to each known creditor of and claimant against the corporation ~~at the last known address of each known or unknown, present, or future, or and contingent or non-contingent claimant.~~ The corporation may give published notice to known creditors or claimants whose address is unknown and to unknown present, future, or contingent

~~creditors and claimants. If notice to creditors and claimants is given, it must be given by publishing the notice once each week for four successive weeks in a legal newspaper in the county or counties where the registered office and the principal executive office of the corporation are located and by giving written notice to known creditors and claimants pursuant to section 302A.011, subdivision 17.~~

Subd. 2. [CONTENTS.] The notice to creditors and claimants shall contain:

(a) A statement that the corporation is in the process of dissolving;

(b) A statement that the corporation has filed with the secretary of state a notice of intent to dissolve;

(c) The date of filing the notice of intent to dissolve;

(d) The address of the office to which written claims against the corporation must be presented; and

(e) The date by which all the claims must be received, which shall be the later of 90 days after the ~~notice of intent to dissolve was filed with the secretary of state published notice~~ or, with respect to a particular known creditor or claimant, 90 days after the date on which written notice was given to that creditor or claimant. *Published notice is deemed given on the date of first publication for the purpose of determining this date.*

Sec. 41. Minnesota Statutes 1986, section 302A.729, is amended to read:

302A.729 [CLAIMS IN DISSOLUTION.]

~~Subdivision 1. [PROCEDURE.]~~ If the corporation gives proper notice to creditors and claimants pursuant to section 302A.727:

(a) ~~The claim of a creditor or claimant to whom notice is given who fails to file a claim according to the procedures set forth by the corporation on or before the date set forth in the notice is subject to the provisions of section 302A.781;~~

~~(b) The corporation has 30 days from the receipt of each claim filed according to the procedures set forth by the corporation on or before the date set forth in the notice to accept or reject the claim by giving written notice to the person submitting it; a claim not expressly rejected in this manner is deemed accepted; and~~

~~(c) (b) A creditor or claimant to whom notice is given and whose claim is rejected by the corporation has 60 days from the date of rejection, or 180 days from the date the corporation filed with the secretary of state the notice of intent to dissolve, or 90 days after the date on which notice was given to the creditor or claimant, whichever is longer, to pursue any other remedies with respect to the claim. If the creditor or claimant does not initiate legal, administrative, or arbitration proceedings with respect to the claim during that period, the claim is subject to the provisions of section 302A.781.~~

Subd. 2. [STATUTE OF LIMITATIONS.] The claim of a creditor or claimant to whom notice is not given and for whom payment of any debt is not made or provided for and who does not initiate legal, administrative, or arbitration proceedings concerning the claim within two years after the date of filing the notice of intent to dissolve is thereafter subject to the

provisions of 302A.781.

Sec. 42. [302A.730] [STATUTE OF LIMITATIONS.]

Subdivision 1. [CORPORATIONS THAT GIVE NOTICE.] If the corporation gives notice to creditors and claimants pursuant to section 302A.727:

(1) the claim of a creditor or claimant to whom notice is given who fails to file a claim according to the procedures set forth by the corporation on or before the date set forth in the notice is subject to the provisions of section 302A.781;

(2) the claim of a creditor or claimant that is rejected by the corporation in accordance with section 302A.729 is subject to the provisions of section 302A.781 if the creditor or claimant does not initiate legal, administrative, or arbitration proceedings with respect to the claim during the period set forth in section 302A.729, clause (b).

Subd. 2. [OTHER CORPORATIONS.] If the corporation does not give notice to creditors and claimants pursuant to section 302A.727, the claim of a creditor or claimant who does not initiate legal, administrative, or arbitration proceedings concerning the claim within two years after the date of filing the notice of intent to dissolve is subject to the provisions of section 302A.781.

Sec. 43. Minnesota Statutes 1986, section 302A.733, subdivision 1, is amended to read:

Subdivision 1. [ARTICLES; WHEN FILED.] Articles of dissolution for a corporation dissolving pursuant to section 302A.721 shall be filed with the secretary of state after:

(a) The payment of claims of all known creditors and claimants has been made or provided for;

(b) ~~The longer of the periods described in section 302A.729, subdivision 1, clause (e) has expired, if the corporation has given notice to creditors and claimants of the corporation in the manner described in section 302A.727; or, in all other cases, If the corporation has given notice to creditors and claimants in the manner provided in section 302A.727: (1) the 90-day period in section 302A.727, subdivision 2, clause (e), has expired and the payment of claims of all creditors and claimants filing a claim within that period has been made or provided for; or (2) the longer of the periods described in section 302A.729, clause (b), has expired; or, in all other cases,~~

(c) The two year period described in section ~~302A.729, subdivision 2~~ 42 has expired.

Sec. 44. Minnesota Statutes 1986, section 302A.733, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF ARTICLES.] The articles of dissolution shall state:

(a) Whether notice has been given to all creditors and claimants of the corporation in the manner provided in section 302A.727, and, if notice has been given, the last date on which the notice was given and: (1) *that the payment of all creditors and claimants filing a claim within the 90-day period set forth in section 302A.727, subdivision 2, clause (e), has been made or provided for; or (2) the date on which the longer of the periods*

described in section 302A.729, ~~subdivision 1,~~ clause (e) (b), expired; or

(b) If notice was not given *and articles of dissolution are being filed pursuant to section 302A.733, subdivision 1, clause (a)*, that all debts, obligations, and liabilities of the corporation have been paid and discharged or that adequate provisions have been made therefor; and

(c) That the remaining property, assets, and claims of the corporation have been distributed among its shareholders in accordance with section 302A.551, subdivision 4, or that adequate provision has been made for that distribution; and

(d) That there are no pending legal, administrative, or arbitration proceedings by or against the corporation, or that adequate provision has been made for the satisfaction of any judgment, order, or decree that may be entered against it in a pending proceeding; ~~and that all other claims are barred under section 302A.781.~~

Sec. 45. Minnesota Statutes 1986, section 302A.781, is amended to read:

302A.781 [CLAIMS BARRED; EXCEPTIONS.]

Subdivision 1. [CLAIMS BARRED.] A person who is or becomes a creditor or claimant at any time before, during, or following the conclusion of dissolution proceedings, who does not file a claim or pursue a remedy in a legal, administrative, or arbitration proceeding within the time provided in section ~~302A.729~~ 42, 302A.741, 302A.751, or 302A.759, or has not initiated a legal, administrative, or arbitration proceeding before the commencement of the dissolution proceedings, and all those claiming through or under the creditor or claimant, are forever barred from suing on that claim or otherwise realizing upon or enforcing it, except as provided in this section.

Subd. 2. [CLAIMS REOPENED.] At any time within one year after articles of dissolution have been filed with the secretary of state *pursuant to section 302A.733, subdivision 1, clause (b) or (c)*, or a decree of dissolution has been entered, a creditor or claimant who shows good cause for not having previously filed the claim may apply to a court in this state to allow a claim:

(a) Against the corporation to the extent of undistributed assets; or

(b) If the undistributed assets are not sufficient to satisfy the claim, against a shareholder, whose liability shall be limited to a portion of the claim that is equal to the portion of the distributions to shareholders in liquidation or dissolution received by the shareholder.

Subd. 3. [CLAIMS PERMITTED.] All debts, obligations, and liabilities incurred during dissolution proceedings shall be paid *or provided for* by the corporation before the distribution of assets to a shareholder. A person to whom this kind of debt, obligation, or liability is owed but not paid may pursue any remedy against the officers, directors, and shareholders of the corporation before the expiration of the applicable statute of limitations. This subdivision does not apply to dissolution under the supervision or order of a court.

Sec. 46. [EFFECTIVE DATE.]

Notwithstanding Minnesota Statutes, section 645.21, section 13 is effective retroactive to January 1, 1984."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 8, after "sections" insert "300.08, subdivision 1; 300.083, subdivisions 1, 4, 8, and by adding a subdivision;"

Page 1, line 9, after the first semicolon, insert "302A.133; 302A.135, subdivision 4, and by adding a subdivision;" and after the second semicolon, insert "302A.139; 302A.141, by adding a subdivision;"

Page 1, line 10, after the third semicolon, insert "302A.401, subdivision 3;"

Page 1, line 17, after the first comma, insert "4, and" and after the semicolon, delete "and"

Page 1, line 18, before the period, insert "; 302A.727; 302A.729; 302A.733, subdivisions 1 and 2; and 302A.781; proposing coding for new law in Minnesota Statutes, chapter 302A"

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

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

S.F. No. 607: A bill for an act relating to traffic regulations; peace officers; authorizing peace officers to inspect for regulated tires; amending Minnesota Statutes 1986, section 169.725.

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 1986, section 169.725, is amended to read:

169.725 [ENFORCEMENT.]

Any officer of the Minnesota state patrol, at any time, upon If a peace officer has reasonable cause to believe that a passenger automobile is equipped with tires in violation of sections 169.721 to 169.727, or of the rules promulgated hereunder adopted under section 169.722, the officer may require the operator of the passenger automobile to stop and submit the passenger automobile to an inspection. If the inspection discloses that the tires of the passenger automobile are in violation, the officer may issue a citation for such the violation, and such the defect shall must be corrected forthwith as soon as possible. For purposes of this section, "peace officer" means a state trooper, a county sheriff, a deputy sheriff, and a municipal police officer."

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

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

S.F. No. 1137: A bill for an act relating to insurance; regulating cancellations of insurance agency contracts; proposing coding for new law in Minnesota Statutes, chapter 60A.

Reports the same back with the recommendation that the bill be amended

as follows:

Delete everything after the enacting clause and insert:

"Section 1. [60A.172] [INSURANCE AGENCY CONTRACTS; CANCELLATION.]

(a) An insurer may not cancel a written agreement with an agent or reduce or restrict an agent's underwriting authority with respect to property or casualty insurance based on loss ratio experience on that agent's book of business:

(1) if the insurer required the agent to submit the application for underwriting approval, if all material information on the application was fully completed, and if the agent has not omitted or altered any information provided by the applicant; or

(2) if the insurer accepted, without prior approval, policies issued by the agent, if all material information on the application or on the insurer's copy of any policy issued by the agent was fully completed, and if the agent has not omitted or altered any information provided by the applicant.

(b) For purposes of this section, "loss ratio experience" means the ratio of premiums paid divided by the claims paid during a two-year period.

(c) This section applies only to agents who write insurance business exclusively for one company or agents in the direct employ of the company.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment."

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

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

S.F. No. 292: A bill for an act relating to insurance; health and accident; requiring coverage for scalp hair prostheses in certain circumstances; amending Minnesota Statutes 1986, section 62E.06, subdivision 1; and proposing coding for new law in Minnesota Statutes, chapter 62A.

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

Page 1, line 14, delete "64A" and insert "64B"

Page 1, line 23, delete "an"

Page 1, line 24, delete everything before the period and insert "*alopecia areata*"

Page 1, after line 24, insert:

"The coverage required by this section is subject to a policy's copayment requirement and is limited to a maximum of \$350 in any benefit year, exclusive of any deductible."

Page 3, line 1, delete "an illness"

Page 3, line 2, delete everything before the semicolon and insert "*alopecia areata*"

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

adopted.

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

S.F. No. 1335: A bill for an act relating to unemployment compensation; limiting recovery of overpayments due to agency error; limiting amount of setoff from current benefit amount; amending Minnesota Statutes 1986, section 268.18, 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 1986, section 268.18, subdivision 1, is amended to read:

Subdivision 1. [ERRONEOUS PAYMENTS.] Any claimant for benefits who, by reason of the claimant's own mistake or through the error of any individual engaged in the administration of sections 268.03 to 268.24 or because of a determination or redetermination issued pursuant to section 268.10, subdivision 2, has received any sum as benefits to which the claimant was not entitled under these sections, shall promptly return such benefits in cash to the nearest office of the Minnesota department of jobs and training. If such claimant fails to return such benefits, the department of jobs and training shall, as soon as it discovers such erroneous payment, determine the amount thereof and notify said individual to return the same. Unless the claimant files a written appeal with the department of jobs and training within 15 days after the mailing of the notice of determination to the claimant's last known address or personal delivery of the notice, the determination shall become final. If the claimant files an appeal with the department in writing within the time aforesaid the matter shall be set for hearing before a referee of the department and heard as other benefit matters are heard in accordance with section 268.10 with the same rights of review as outlined for benefit cases in that section. The commissioner of the department of jobs and training is hereby authorized to deduct from any future benefits payable to the claimant under these sections in either the current or any subsequent benefit year an amount equivalent to the overpayment determined or the overpayment may be collected without interest by civil action in the name of the commissioner, *except that an overpayment which is due to an error, other than a computation error, of any individual engaged in the administration of sections 268.03 to 268.24 is recovered only by deduction from future benefits payable.* If a claimant has been overpaid benefits under the law of another state and that state certifies to the department the facts involved and that the individual is liable under its law to repay the benefits and requests the department to recover the overpayment, the commissioner is authorized to deduct from future benefits payable to the claimant in either the current or any subsequent benefit year an amount equivalent to the amount of overpayment determined by that state. *Recovery of an overpayment by deduction from future benefits payable is limited to 25 percent each week of a claimant's weekly benefit.* Benefits paid for weeks more than three years prior to the discovery of error are not erroneous payments."

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

Mr. Lessard from the Committee on General Legislation and Public Gaming, to which was referred

S.F. No. 326: A bill for an act relating to public safety; authorizing executive council, under federal law, to repair state property damaged by major disaster; dedicating receipts from criminal justice datacommunications network billings; appropriating video gaming license fees to commissioner of public safety for disbursement to municipalities; amending Minnesota Statutes 1986, sections 9.061, subdivision 1; 299C.48; and 349.52, subdivisions 2 and 3.

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

Mr. Frank from the Committee on Economic Development and Housing, to which was referred

S.F. No. 765: A bill for an act relating to local government; granting the city of Cannon Falls the authority to establish a port authority; authorizing the port authority to exercise the power of a municipal housing and redevelopment authority; authorizing the city to impose restrictions and limitations upon the powers and procedures of the port authority; permitting the city to choose the name of the port authority; providing for removal of port authority commissioners; requiring local approval.

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

Page 1, line 25, delete everything after the period

Page 1, delete lines 26 to 28

Page 2, line 1, delete "*purposes.*"

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. Frank from the Committee on Economic Development and Housing, to which was referred

S.F. No. 898: A bill for an act relating to economic development; creating the rural initiatives program; providing for a mineral development program; creating the greater Minnesota corporation and providing for its powers and duties; creating the rural initiatives revolving funds program; providing for grants to displaced workers; extending the interest rate buy-down programs; providing mediation services for rural small businesses; providing for rural telecommunications grants; appropriating money; amending Minnesota Statutes 1986, sections 256D.051, subdivision 4; 583.22, subdivision 2, and by adding a subdivision; 583.24, subdivision 2; Laws 1986, chapter 398, article 23, section 1, subdivisions 5 and 6; proposing coding for new law in Minnesota Statutes, chapters 84; 129B; and 268; proposing coding for new law as Minnesota Statutes, chapter 116N.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

MINERAL, GAME, AND TIMBER RESOURCES

Section 1. [84.96] [MINERAL RESOURCES PROGRAM.]

Subdivision 1. [FINDINGS.] The legislature finds that there has been a disinvestment in mineral and timber resources of the state. To provide a diversified economic base in the state, it is necessary to stimulate investment in the state's natural resources. Mineral exploration by the private sector must be encouraged and assisted. The long-term health of the state will be aided by a diverse state economy that includes productive natural resource industries. A forestry management plan that will improve the efficient use of the state's forest resources is already mandated but needs to be implemented. The great benefits from the state's mineral resources will not be realized without state stimulation of research and investment, which can be achieved through a program coordinated by the department of natural resources to accelerate geological mapping and mineral deposit evaluation, to provide analytical support to the mineral and timber industries, and to provide incentives for product development and research for the mineral industry. This participation by the state will lead to active participation by private industry in healthy Minnesota timber and mineral resources industries.

Subd. 2. [PROGRAM.] The commissioner of natural resources shall create a written plan providing for a ten-year mineral development program. The program shall be designed to:

- (1) accelerate geological mapping of the state;*
- (2) accelerate evaluation of the state's mineral potential and other natural resources;*
- (3) provide analytical support and research incentives for participants in the mineral industry; and*
- (4) provide resource evaluation support and incentives for product development for participants in the industrial mineral industry.*

The plan created by the commissioner shall contain procedure and criteria to determine the priority for mineral development projects to receive funding approved by the commissioner. A committee is created composed of representatives of the department of natural resources, the Minnesota geological survey, the Minnesota resources research center and the natural resources research institute. The committee shall coordinate the mineral development program provided for in this subdivision.

Sec. 2. [APPROPRIATION; MINERAL RESOURCES PLAN.]

\$15,000,000 is appropriated from the general fund to the commissioner of natural resources to implement section 1, to be available until June 30, 1989.

Sec. 3. [APPROPRIATION; FORESTRY MANAGEMENT.]

\$23,700,000 is appropriated from the general fund to the commissioner of natural resources to implement the forestry management plan required in section 89.011, and for grants to counties or groups of counties for county forestry assistance programs, to be available until June 30, 1989. \$4,000,000 of this amount shall be used by the commissioner for grants to counties under the forest road access program of the department of

natural resources.

\$1,300,000 is appropriated from the general fund to the University of Minnesota natural resources research institute composite wood products center.

\$400,000 is appropriated from the general fund to the University of Minnesota natural resources institute to conduct an assessment of the state's aspen and cottonwood resource.

Sec. 4. [APPROPRIATION; FISH AND GAME MANAGEMENT AND STREAM IMPROVEMENT.]

\$10,000,000 is appropriated from the general fund to the commissioner of natural resources for game habitat management, construction and operation of fish hatcheries and rearing ponds, aquaculture, and for lake and stream improvement, to be available until June 30, 1989.

ARTICLE 2

GREATER MINNESOTA CORPORATION

Section 1. [116N.01] [CITATION.]

Sections 1 to 12 may be cited as the "greater Minnesota corporation act."

Sec. 2. [116N.02] [PURPOSE.]

It is the intent of this legislation to ensure the development of new products, processes, and services that have the potential to contribute to the state's economy, particularly in nonmetropolitan areas. For these purposes, the greater Minnesota corporation is established to foster economic growth in Minnesota through cooperative research and development and investments in new products and businesses. It is the intention of the legislature to create the greater Minnesota corporation as a public corporation.

It is found and declared that the contribution to the state's economy to be made by the greater Minnesota corporation is a governmental function and a public purpose without which the state's economy will be irreparably harmed.

Sec. 3. [116N.03] [DEFINITIONS.]

Subdivision 1. [SCOPE.] The definitions in this section apply to this chapter.

Subd. 2. [BOARD.] "Board" means the board of directors of the greater Minnesota corporation.

Subd. 3. [CORPORATION.] "Corporation" means the greater Minnesota corporation established by section 4.

Subd. 4. [FUND.] "Fund" means the greater Minnesota fund established by section 9.

Sec. 4. [116N.04] [CORPORATION CREATED; BOARD OF DIRECTORS; POWERS.]

Subdivision 1. [CREATION; NAME.] The greater Minnesota corporation is created as a public corporation of the state of Minnesota and is not a state agency. All business of the corporation must be conducted under its name.

Subd. 2. [BOARD OF DIRECTORS.] The corporation is governed by a board of 11 directors appointed by the governor. Terms and removal of members of the board is as provided in section 15.059. One director must be appointed from each of the state's congressional districts. Directors may be compensated as determined by the board.

Subd. 3. [ARTICLES AND BYLAWS.] The board of directors shall adopt articles of incorporation and bylaws necessary to conduct the business of the corporation, consistent with sections 1 to 12.

Subd. 4. [PLACES OF BUSINESS.] The board shall locate and maintain the corporation's places of business within the state.

Subd. 5. [MEETINGS AND ACTIONS OF THE BOARD.] The board shall meet at least twice a year and may hold additional meetings upon giving whatever notice the bylaws of the corporation provide. Board meetings are not subject to section 471.705.

Sec. 5. [116N.05] [CORPORATE PERSONNEL.]

Subdivision 1. [GENERALLY.] The board shall appoint and set the compensation for a president and may appoint subordinate officers. The president's salary may not exceed 95 percent of the governor's salary. The board may designate the president as its general agent. Subject to the control of the board, the president shall employ employees and agents as the president deems necessary. The board shall define the duties and designate the titles of the employees and agents.

Subd. 2. [STATUS OF EMPLOYEES.] Employees, officers, and directors of the corporation are not state employees, but, at the option of the board, may participate in the state retirement plan for employees in the unclassified service.

Sec. 6. [116N.06] [POWERS OF THE CORPORATION.]

In addition to other powers granted by this chapter, the corporation may

- (1) sue, and be sued;*
- (2) have a seal and alter it at will;*
- (3) acquire and dispose of personal property, including inchoate and intellectual property, royalties, stock, and stock warrants;*
- (4) enter into contracts or agreements with any federal or state agency, person, business, or other organization;*
- (5) acquire and dispose of real property or an interest in real property;*
- (6) purchase insurance;*
- (7) sell, at public or private sale, any note, mortgage, or other instrument or obligation;*
- (8) consent to the modification of a contract or agreement to which the corporation is a party;*
- (9) provide general consultative and technical services to businesses to which loans or grants may be made;*
- (10) develop, buy, and possess financial and technical information, including, but not limited to, credit reports and financial statements, free from any restriction or regulation in chapter 13;*

(11) accept gifts, grants, and bequests and use or dispose of them for its purposes;

(12) receive payments in the form of royalties, dividends, or other proceeds in connection with the ownership, license, or lease of products or businesses;

(13) make grants from the greater Minnesota fund to the rural initiative funds created under section 12; and

(14) spend money from the greater Minnesota fund, and other money appropriated without restriction by the legislature, for any lawful purpose, including, but not limited to, expenses for the food, lodging, and travel of consultants and speakers hired by the board; publications; advertising; and promotional activities.

Sec. 7. [116N.07] [FINANCING.]

Subdivision 1. [BORROWING.] The corporation may borrow money to carry out its purposes and may issue its negotiable bonds or notes as evidence of 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 bonds and notes may be issued under a trust indenture that is substantially identical to a resolution under which the authority issues bonds and notes as provided in sections 462A.08 to 462A.13, 462A.16, and 462A.17, except that the corporation may pledge money and securities to a trustee for the security of the holders of bonds and notes. The corporation may refund bonds and notes and may guarantee or insure its bonds and notes in whole or in part with money from the funds or an account created by the corporation for that purpose. The aggregate principal amount of the corporation'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 accounts for them and amounts used to make loans guaranteed or insured by the federal government or a department, an agency or instrumentality of the federal government or by a private insurer or guarantor authorized to do business in the state of Minnesota and acceptable to the corporation, shall not exceed \$50,000,000.

Subd. 2. [BONDS AND NOTES; RESERVES.] The corporation may issue and sell bonds, notes, and other obligations payable solely from particular money, assets, or revenues derived from its programs, or any loan, notwithstanding section 462A.08, subdivision 3. Obligations issued to participate in making or purchasing loans shall be payable solely from revenues derived by the corporation from repayments of these loans and from enforcement of the security for them, or from a debt service reserve account or accounts, or from a general reserve account or from a segregated portion of it, or from other money or security specifically pledged by the corporation, irrevocably pledged and appropriated to pay principal and interest due, for which other money is not available. A general reserve account is created within the greater Minnesota fund and is eligible to receive direct appropriations from the state treasury or a transfer from any of the accounts as the corporation may provide by resolution. The corporation may irrevocably pledge and appropriate all or a segregated portion of the general reserve account to pay principal and interest due on all or one or more series of its obligations for which other money is not available, under the terms and conditions that the corporation shall

determine. Until so pledged and appropriated by the corporation the general reserve account shall not be available to pay principal and interest on the corporation's obligations. The corporation may at its option provide by resolution that obligations issued to participate in making or purchasing loans be secured at the time of issuance in whole or in part by a debt service reserve account or accounts, a portion of the general reserve account segregated to secure one or more series of bonds, or the portion of the general reserve account not segregated to secure one or more series of bonds. The operation of the debt service reserve account or accounts or a segregated portion of the general reserve account and other relevant terms or provisions shall be determined by resolution or indenture of the corporation. Obligations issued to make or purchase loans may be issued pursuant to an indenture of trust or a resolution of the corporation. It may pledge to holders of obligations, or to a trustee, repayments from the loans, any security or collateral for them, contract rights with respect to them, and any other money or security specifically pledged by the authority for them.

Subd. 3. [SALE.] The corporation may sell any of its obligations at public or private sale, at the price or prices as the corporation shall determine, notwithstanding the limitation on sale price in the fourth sentence of section 462A.09, and notwithstanding whether or not the interest on any of its obligations is subject to federal income taxes.

Subd. 4. [COLLECTION OF CHARGES.] The corporation may establish and collect reasonable interest and amortization payments on loans, and in connection with loans may establish and collect or authorize the collection of reasonable fees and charges or require money 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 of them, 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.

Subd. 5. [INVESTMENT.] The corporation may cause any money not required for immediate disbursement, including the general reserve account, 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 and in the investments described in section 11A.24, subdivision 4, except clause (d) of subdivision 4. It may deposit money in excess of the amount insured with security as provided in chapter 118. Notwithstanding the foregoing, it may invest and deposit money into accounts established pursuant to resolutions or indentures securing its bonds or notes in investments and deposit accounts or certificates, and with security, as may be agreed with the holders or a trustee for the holders.

Sec. 8. [116N.08] [ACTIVITIES.]

Subdivision 1. [PUBLIC GRANTS.] The corporation may make matching grants for applied research and development from the greater Minnesota fund to any campus of the University of Minnesota, a state uni-

versity, a community college, a Minnesota private college or university, or an area vocational technical institute.

Subd. 2. [PRIVATE GRANTS AND LOANS.] *The corporation may make grants or loans or both from the greater Minnesota fund to corporations, partnerships, sole proprietorships, or other business entities to promote development in the state of new products, or processes with potential commercial value.*

Subd. 3. [EQUITY INVESTMENTS.] *The corporation may acquire an interest in any product or in any private business entity located or intending to locate in an enterprise zone as defined in section 273.1312 or a distressed county as defined in section 297A.257.*

Subd. 4. [PRIVATE CAPITAL.] *The corporation may solicit and obtain private capital to be available for the duties specified in subdivisions 1 to 3.*

Subd. 5. [CONSULTING AND TECHNICAL SERVICES.] *The corporation may provide general consultative and technical services to colleges or universities or to businesses and set fees or charges for the services.*

Subd. 6. [RESEARCH.] *The corporation may identify opportunities for scientific research and technological innovation and advise colleges and universities of the research needs of private business.*

Sec. 9. [116N.09] [GREATER MINNESOTA FUND.]

The greater Minnesota fund is created as a separate account in the state treasury. The fund consists of all appropriations made to the corporation; all fees and charges collected by the corporation; income from investments and purchases; all revenues from the sale of bonds, and from loans, rentals, royalties, dividends, and other proceeds collected in connection with lawful corporate purposes; and all gifts, donations, and bequests made to the corporation. The board may create separate accounts within the fund for use in accordance with the fund's purposes. Any money in the fund may be deposited in an institution designated as a depository for state funds under section 9.031. Money in the fund not needed for the immediate purposes of the corporation may be invested by the corporation in any way authorized by section 11A.24. Money in the fund may be used only as provided in this chapter.

Sec. 10. [116N.10] [AUDITS.]

The board shall contract with a certified public accounting firm to audit the corporation and any subsidiary annually in accordance with generally accepted accounting standards.

Sec. 11. [116N.11] [REPORTS.]

The corporation shall report to the legislature and the governor on its activities by January 1 of each year. The report must include at least, a description of projects supported by the fund, an account of all loans and grants made by the fund during the calendar year, the source and amount of all money collected and distributed by the fund, the fund's assets and liabilities, an explanation of administrative expenses, and any amendments to the development plan. Reports must be made to the legislature as required by section 3.195.

Sec. 12. [116N.12] [RURAL INITIATIVE REVOLVING FUNDS PROGRAM.]

Subdivision 1. [ORGANIZATION.] The rural initiative revolving funds program provides subordinated loans to new and existing businesses to promote economic development in rural Minnesota. The corporation shall establish the program as follows:

(a) The corporation shall divide the state, excluding the seven county metropolitan area, into six regions. The regions' boundaries must be co-terminous with the boundaries of one or more of the development regions established under section 462.385.

(b) The corporation shall establish a regional rural initiative revolving fund in each of the six regions. Each revolving fund must receive an appropriation from the council of up to \$500,000 over a period of three years and must be administered by a nonprofit corporation selected by the corporation under criteria set forth in subdivision 2. The organizations responsible for administering revolving funds shall use the money appropriated to them by the corporation to provide subordinated loans to promote economic development in areas including, but not limited to, technologically innovative industries, value added manufacturing, agriprocessing, information industries, and agricultural marketing. Money from the revolving funds may not be used for any retail development project.

(c) In making a loan, an organization responsible for administering a revolving fund shall give priority to proposed borrowers who are not likely to undertake the project without assistance from the revolving fund. Loans may be used for capital assets, equity, and working capital. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving fund loan. The minimum revolving fund loan is \$2,500 and the maximum is \$50,000. With the approval of the corporation, a revolving fund loan may be used to provide up to 50 percent of the private investment required to qualify for grants from the economic recovery fund. A revolving fund loan may not exceed ten percent of the total capital investment of an individual project.

(d) The corporation shall establish a minimum interest rate for regional rural initiative revolving fund loans to ensure that necessary management costs are covered.

(e) No more than four percent of the revolving fund appropriation to a nonprofit corporation may be used for administrative expenses.

(f) Money repaid to the revolving funds must remain in the funds for further distribution according to paragraph (c). Administrative expenses shall be paid out of the interest earned on revolving fund loans.

(g) The corporation may make rules to implement this section.

Subd. 2. [QUALIFICATIONS.] The corporation shall select the organizations responsible for administering the revolving funds and shall enter into grant agreements with those organizations. In order for an organization to qualify to administer a revolving fund, it must be a nonprofit corporation and prove that:

(1) its board of directors contains representatives from the banking industry, citizens experienced in rural development, and representatives from the different geographic areas in the revolving fund region, including the commissions;

(2) it can provide at least an equal match to the state appropriation to

the revolving fund through nonstate sources;

(3) it has the capability to close loans in a timely manner and to provide ongoing loan service;

(4) it has the technical skills to analyze projects;

(5) it is familiar with other available public and private funding sources and economic development programs; and

(6) it has the capability to package economic development projects.

Subd. 3. [REVOLVING FUND DUTIES.] *The organization responsible for administering a revolving fund shall:*

(1) submit an annual report to the corporation by January 15 of each year that includes, at least, a description of projects supported by the fund, an account of all loans made by the fund during the calendar year, the source and amount of all money collected and distributed by the fund, the fund's assets and liabilities, and an explanation of administrative expenses; and

(2) provide for an annual audit and submit a copy of each annual audit report to the corporation.

Subd. 4. [APPLICATION FOR GRANTS.] *The organization responsible for administering a revolving fund may also apply to the corporation under rules or bylaws as the corporation may adopt, for grants to be made by the organization to promote economic development within its region to similar kinds of businesses to which loans may be made.*

Sec. 13. [DEVELOPMENT PLAN.]

The board of directors of the greater Minnesota corporation shall prepare a comprehensive development plan and submit it to the governor and the legislature by November 15, 1986. The development plan must include at least the following:

(1) operating procedures;

(2) accounting procedures;

(3) grant procedures;

(4) loan procedures;

(5) personnel procedures;

(6) investment procedures; and

(7) board conduct and ethics.

In addition, the development plan must include a budget proposal and a five-year plan. It must identify sources and amounts of available non-governmental money and the purposes for which that money may be used, and it must suggest any further legislation that may be necessary to carry out the development plan.

Sec. 14. [APPROPRIATION; GREATER MINNESOTA CORPORATION.]

\$5,000,000 is appropriated from the general fund to the greater Minnesota fund created by section 9 for use by the greater Minnesota corporation for the purposes of sections 1 to 12, to be available until expended. The appropriation shall be repaid by the corporation to the general fund, without interest, within five years of the effective date of this section.

ARTICLE 3

WORK READINESS PROGRAM

Section 1. Minnesota Statutes 1986, section 256D.051, subdivision 4, is amended to read:

Subd. 4. [~~TWO-MONTH LENGTH OF ASSISTANCE.~~] The local agency shall terminate a registrant after ~~two~~ 12 months in the work readiness program in a distressed county, as defined in section 297A.257, and after ~~six months in the work readiness program in all other counties~~ if the local agency determines that registrant is not eligible for assistance under subdivision 5. During the ~~second 12th or 6th month, as applicable,~~ of work readiness assistance, the local agency must assess the registrant's eligibility under subdivision 5 and inform the registrant of the outcome of the assessment. A registrant who is not eligible under subdivision 5 is eligible for a maximum of ~~two~~ 12 months of work readiness assistance in a distressed county and six months of work readiness assistance in all other counties in any consecutive 24-month period.

Sec. 2. [APPROPRIATION.]

\$6,000,000 is appropriated from the general fund to the commissioner of human services for allocation to local agencies for the purposes of the work readiness program authorized by section 256D.051, to be available until June 30, 1989.

ARTICLE 4

GRANTS TO DISPLACED RURAL WORKERS

Section 1. [268.97] [SUPPLEMENTAL GRANTS TO DISPLACED RURAL WORKERS.]

Subdivision 1. [PROGRAM; ELIGIBILITY.] The commissioner of jobs and training shall establish and administer the state supplemental education grant program to assist displaced workers in rural Minnesota areas to pay the costs of attending public post-secondary educational institutions located in the development regions in which the displaced workers reside. Minnesota residents who are enrolled full time or part time in a nonbaccalaureate occupational program designed to train people for employment are eligible to apply for grants under this section.

Applicants who meet the criteria established by this section and by the commissioner may receive grant payments for six months. Applicants shall demonstrate financial need in accordance with policies and procedures established by the commissioner. In developing eligibility policies, the commissioner shall consider criteria for participation in state and federal programs designed to serve economically dislocated workers. The commissioner shall develop policies and procedures for the administration of grants, including the allocation of funds to eligible institutions as defined in section 136A.101. The development of policies and procedures in accordance with this subdivision is not covered by chapter 14.

Subd. 2. [PART-TIME GRANTS.] Displaced workers in rural Minnesota areas are eligible to be considered for a part-time grant under section 136A.132. In awarding grants during the 1987-1989 biennium, participating post-secondary institutions shall consider the needs of displaced rural workers.

Subd. 3. [PUBLIC INFORMATION.] The commissioner shall provide

information to displaced workers in rural areas about post-secondary education opportunities and financial assistance to help them pay for their education including existing state and federal programs and the state supplemental education grant program. The commissioner shall develop and communicate the information in cooperation with financial aid administrators, the agriculture extension service, and representatives of public and private post-secondary education institutions.

Sec. 2. [APPROPRIATION.]

\$4,000,000 is appropriated from the general fund to the commissioner of jobs and training for the purposes of section 1, to be available until June 30, 1989.

Sec. 3. [\$125,000 FOR TRI-COUNTY TELECOMM PROJECT.]

\$125,000 is appropriated in fiscal year 1988 from the general fund to the department of education to make a grant to the fiscal agent for the Tri-County Telecomm Project.

ARTICLE 5

EXTENSION OF INTEREST RATE BUY-DOWN

Section 1. Laws 1986, chapter 398, article 23, section 1, subdivision 5, is amended to read:

Subd. 5. [ELIGIBLE BORROWER.] "Eligible borrower" means a farmer who applies to a lender for a farm operating loan between the dates January 1, 1986, and December 30, ~~1986~~ 1987, and who meets all qualifications established in section 2 and any further qualifications that may be established in the program guidelines adopted by the commissioner under section 4, subdivision 1.

Sec. 2. Laws 1986, chapter 398, article 23, section 1, subdivision 6, is amended to read:

Subd. 6. [FARM OPERATING LOAN.] "Farm operating loan" means an original, extended, or renegotiated loan or line of credit obtained by a farmer from a lender for the purpose of financing the operations of a farm. A farm operating loan includes an open line of credit even though the maximum principal amount of the line of credit may not be drawn at any one time. A farm operating loan eligible for interest rate buy-down must have a maturity date of June 30, ~~1987~~ 1988, or earlier.

Sec. 3. [APPROPRIATION.]

\$15,000,000 is appropriated from the general fund to the commissioner of commerce for purposes of the interest rate buy-down program in Laws 1986, chapter 398, article 23, to be available from the effective date of this act until July 1, 1988.

ARTICLE 6

MEDIATION FOR RURAL SMALL BUSINESSES

Section 1. Minnesota Statutes 1986, section 583.22, subdivision 2, is amended to read:

Subd. 2. [AGRICULTURAL PROPERTY.] "Agricultural property" means real property that is principally used for farming as defined in section 500.24, subdivision 2, paragraph (a), and raising poultry, and personal property that is used as security to finance a farm operation or used as part

of a farm operation including equipment, crops, livestock, and proceeds of the security. "Agricultural property" also means real property that is principally used for a rural small business and personal property that is used as security to finance a rural small business or is used as part of a rural small business. "Agricultural property" does not include personal property that is subject to a possessory lien under sections 514.18 to 514.22.

Sec. 2. Minnesota Statutes 1986, section 583.22, is amended by adding a subdivision to read:

Subd. 7c. [RURAL SMALL BUSINESS.] "Rural small business" means a small business, as defined in section 645.445, located in a distressed county, as defined in section 297A.257.

Sec. 3. Minnesota Statutes 1986, section 583.24, subdivision 2, is amended to read:

Subd. 2. [DEBTORS.] (a) Except as provided in paragraph (b) the farmer-lender mediation act applies to a debtor who is:

(1) a person operating a family farm as defined in section 500.24, subdivision 2;

(2) a family farm corporation as defined in section 500.24, subdivision 2; ~~or~~

(3) an authorized farm corporation as defined in section 500.24, subdivision 2; ~~or~~

(4) *a person operating a rural small business.*

(b) *Except as provided in paragraph (a), clause (4), the farmer-lender mediation act does not apply to a debtor who owns and leases less than 60 acres with less than \$20,000 in gross sales of agricultural products the preceding year.*

Sec. 4. [APPROPRIATION.]

\$1,000,000 is appropriated from the general fund to the University of Minnesota agricultural extension service for purposes of providing mediation services to rural small businesses, as defined in section 583.22, under the farmer-lender mediation act in Minnesota Statutes, sections 583.20 to 583.32, to be available until June 30, 1989.

ARTICLE 7

RURAL TELECOMMUNICATION GRANTS

Section 1. [129B.361] [RURAL TELECOMMUNICATION GRANTS.]

Subdivision 1. [DEFINITIONS.] The definitions in section 129B.36 apply to this section.

Subd. 2. [LIMITATIONS.] Grants up to \$75,000 per school district are available to consortiums of certain school districts in accordance with this section for the completion of two-way interactive telecommunications systems between those school districts.

Subd. 3. [APPLICATION.] School districts located in distressed counties, as defined in section 297A.257, with high schools at least 15 miles apart shall apply for grants on forms provided by the commissioner of education for that purpose. The districts shall submit the following documents with the application:

(1) a joint powers agreement between the districts submitting the application, specifying how the telecommunications system would be operated by the districts;

(2) an educational plan stating the educational needs of the district and specifying how the desired telecommunications system will help the district meet those needs;

(3) a feasibility study showing the cost of the desired telecommunications system, necessary personnel, and materials, and the proportion of those costs that are available to the districts from funding and in-kind contributions by private sources; and

(4) a fiscal plan detailing how the costs of the telecommunications system, personnel, and materials will be allocated among the districts in the consortium on the basis of the number of students in each class using the system.

Subd. 4. [PURPOSES.] The purposes of the two-way telecommunications system must be:

(1) to offer an expanded curriculum to member schools including courses for the academically talented;

(2) to allow the districts to be in compliance with proposed department of education curriculum requirements;

(3) to allow these districts to retain their independence and continue to enjoy the benefits that a school adds to the community;

(4) to provide a convenient method of sharing teachers and other resources across school district boundary lines without the waste of time and expense of teacher or student travel;

(5) to provide a vehicle for in-service opportunities for teachers, other professionals, business leaders including farmers, and public officials; and

(6) to serve as a model for other school district cooperatives who may be interested in the construction and implementation of a similar system.

Subd. 5. [APPROVAL.] The application and related documents shall be evaluated by the commissioner and approved if they satisfy criteria adopted by the commissioner. The criteria shall include the successfulness of the technology or system to be used and the reasonableness of its price, and are exempt from chapter 14. A district to which a grant is awarded shall work cooperatively with the department of education, higher education institutions in the area and business and industry, as appropriate.

Subd. 6. [PRIVATE FUNDING.] A district applying for a grant under this section shall seek private funding and in-kind contributions from private sources to supplement grant funds.

Subd. 7. [EVALUATION OF SITES.] The commissioner shall evaluate the use of grant funds by each consortium of counties.

Sec. 2. [APPROPRIATION.]

\$2,000,000 is appropriated from the general fund to the commissioner of education for the purposes of section 1, to be available until June 30, 1989.

ARTICLE 8

WAGE SUBSIDY AND BUSINESS MANAGEMENT PROGRAMS

Section 1. [APPROPRIATION.]

\$20,000,000 is appropriated from the general fund to the commissioner of jobs and training for the purposes of wage subsidies, to be available until June 30, 1989.

Sec. 2. [APPROPRIATION.]

Subdivision 1. [FARM BUSINESS MANAGEMENT.] \$1,000,000 is appropriated from the general fund to the state board of vocational technical education for additional farm business management programs and workshops, to be available until June 30, 1989.

Subd. 2. [SMALL BUSINESS MANAGEMENT.] \$1,000,000 is appropriated from the general fund to the state board of vocational technical education for additional small business management programs and workshops, to be available until June 30, 1989."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Mr. Davis questioned the reference thereon and, under Rule 35, the bill was referred to the Committee on Rules and Administration.

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

S.F. No. 862: A bill for an act relating to public safety; school buses; requiring training for school bus drivers; providing for transitional requirements; appropriating money; amending Minnesota Statutes 1986, section 171.321, subdivision 2, and by adding subdivisions.

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 1986, section 171.321, subdivision 1, is amended to read:

Subdivision 1. *(a) Except as provided in this subdivision, no person shall drive a school bus when transporting school children to or from school or upon a school related trip or activity without:*

(1) having a valid Class B or Class A license with a school bus endorsement except that; and

(2) certifying to the person's employer that the initial training required by subdivision 2 has been completed.

(b) A person possessing a valid driver's license but not a school bus endorsement may drive a vehicle with a seating capacity of ten or less persons used as a school bus but not outwardly equipped or identified as a school bus. A person who has not completed the training required by subdivision 2, but has completed at least four hours of classroom training and two hours of behind-the-wheel training, may operate a school bus as provided in this subdivision only if the person has a valid school bus endorsement and is accompanied on the school bus by a driver who has met the training requirement of subdivision 2.

Sec. 2. Minnesota Statutes 1986, section 171.321, subdivision 2, is

amended to read:

Subd. 2. (a) ~~The commissioner, in consultation with the commissioner of education, of public safety shall prescribe rules governing the qualifications of individuals to drive school buses.~~

(b) The commissioner of public safety, in conjunction with the commissioner of education, shall adopt a training program for school bus drivers. Adoption of the program is not subject to chapter 14. The program must provide for the initial classroom and behind-the-wheel training, and the annual in-service training, required by subdivision 3. The program must provide training in defensive driving, human relations, emergency and accident procedures, vehicle maintenance, traffic laws, and use of safety equipment. The program must provide that the training will be conducted by the contract operator for a school district, the school district, the department of education, a licensed driver training school, or by another person or entity approved by both commissioners.

Sec. 3. Minnesota Statutes 1986, section 171.321, is amended by adding a subdivision to read:

Subd. 3. (a) A person who is issued a school bus endorsement may not operate a school bus as provided in subdivision 1, paragraph (a), until the person has certified to the person's employer that the person has completed eight hours of classroom training and six hours of behind-the-wheel training. Training completed to qualify for a school bus endorsement may be counted toward the training required under this subdivision.

(b) To be employed as a school bus driver, a person must annually certify to the person's employer that the person has completed not less than three hours of in-service training. In-service training includes periodic safety meetings conducted by the school district or contract operator.

(c) An employer of a school bus driver must retain in the driver's file the certification that the driver has completed the required initial training and the required annual training.

Sec. 4. [TRANSITION.]

The department of public safety must adopt the training program required under section 2 by March 1, 1988. A school bus driver who holds a valid school bus endorsement on August 1, 1988, must complete the annual in-service training required under section 3 by August 1, 1989.

Sec. 5. [APPROPRIATION.]

\$535,000 is appropriated from the general fund to the commissioner of public safety to administer sections 1 and 2, \$280,000 to be available for the fiscal year ending June 30, 1988, and \$255,000 to be available for the fiscal year ending June 30, 1989.

Sec. 6. [EFFECTIVE DATE.]

Sections 2 and 4 are effective the day following final enactment. Sections 1 and 3 are effective August 1, 1988."

Amend the title as follows:

Page 1, line 6, delete "subdivision" and insert "subdivisions 1 and" and delete "subdivisions" and insert "a subdivision"

And when so amended the bill do pass and be re-referred to the Com-

mittee on Finance. Amendments adopted. Report adopted.

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

S.F. No. 1108: A bill for an act relating to transportation; providing for standards for special transportation service; requiring standards for special transportation service in the metropolitan area; amending Minnesota Statutes 1986, sections 174.30, subdivisions 1, 2, 4, 6, 7, and by adding subdivisions; 473.386, subdivisions 1, 2, 3, 4, 6, and by adding subdivisions; repealing Minnesota Statutes 1986, section 473.386, subdivision 7.

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 1986, section 174.30, subdivision 1, is amended to read:

Subdivision 1. [APPLICABILITY LIMITATIONS; BY TYPE OF PROVIDER; BY SOURCE OF FUNDS.] The operating standards for special transportation service adopted under this section do not apply to *special* transportation provided by:

(a) A common carrier operating on fixed routes and schedules;

(b) ~~A taxi;~~

(~~e~~) A volunteer driver using a private automobile;

(~~d~~) (c) A school bus as defined in section 169.01, subdivision 6; or

(~~e~~) (d) An emergency ambulance regulated under chapter 144.

The operating standards adopted under this section only apply to providers of special transportation service who receive grants or other financial assistance from either the state or the federal government, or both, to provide or assist in providing that service; except that the operating standards adopted under this section do not apply to any nursing home licensed under section 144A.02, to any board and care facility licensed under section 144.50, or to any day care or group home facility licensed under sections 245.781 to 245.812 unless the facility or program provides transportation to nonresidents on a regular basis and the facility receives reimbursement, other than per diem payments, for that service under rules promulgated by the commissioner of human services.

Sec. 2. Minnesota Statutes 1986, section 174.30, subdivision 2, is amended to read:

Subd. 2. [AUTHORITY TO ADOPT; PURPOSE AND CONTENT; RULE-MAKING.] The commissioner of transportation shall adopt by rule standards for the operation of vehicles used to provide special transportation service which are reasonably necessary to protect the health and safety of individuals using that service. The commissioner, as far as practicable, consistent with the purpose of the standards, shall avoid adoption of standards that unduly restrict any public or private entity or person from providing special transportation service because of the administrative or other cost of compliance.

Standards adopted under this section ~~may~~ *must* include but are not limited

to:

(a) Qualifications of drivers and attendants, including driver training requirements *that must be met before a driver provides special transportation*;

(b) Safety ~~equipment required for~~ of vehicles and necessary safety equipment;

(c) General requirements concerning *inspection and maintenance of vehicles, replacement vehicles, standard vehicle equipment of vehicles, and specialized equipment necessary to ensure vehicle usability and safety for disabled persons*; and

(d) Minimum insurance requirements.

The commissioner shall consult with the state council for the handicapped before making a decision on a variance from the standards.

Sec. 3. Minnesota Statutes 1986, section 174.30, is amended by adding a subdivision to read:

Subd. 2a. [VEHICLE AND EQUIPMENT SAFETY; PROVIDER RESPONSIBILITIES.] *(a) Every special transportation service provider shall systematically inspect, repair, and maintain, or cause to be inspected, repaired, and maintained, the vehicles and equipment subject to the control of the provider. Each vehicle and its equipment must be inspected daily. A vehicle may not be operated in a condition that is likely to cause an accident or breakdown of the vehicle. Equipment, including specialized equipment necessary to ensure vehicle usability and safety for disabled persons, must be in proper and safe operating condition at all times.*

(b) Each special transportation provider shall maintain the following records for each vehicle:

(1) an identification of the vehicle, including make, serial number, and year, and, if the vehicle is not owned by the provider, the name and address of the person furnishing the vehicle;

(2) a schedule of inspection and maintenance operations to be performed;

(3) a record of inspections, repairs, and maintenance showing the date and nature;

(4) a lubrication record; and

(5) a record of tests conducted to ensure that emergency doors or windows and wheelchair lifts function properly.

Sec. 4. Minnesota Statutes 1986, section 174.30, subdivision 4, is amended to read:

Subd. 4. [CERTIFICATE OF COMPLIANCE VEHICLE AND EQUIPMENT INSPECTION; PROCEDURES.] *(a) The commissioner shall inspect or provide for the inspection of vehicles at least annually. In addition to scheduled annual inspections and reinspections scheduled for the purpose of verifying that deficiencies have been corrected, unannounced inspections of any vehicle may be conducted. The commissioner shall provide for the unannounced inspection quarterly of at least five percent of the vehicles operated by providers certified by the commissioner.*

(b) On determining that a vehicle or vehicle equipment is in a condition that is likely to cause an accident or breakdown, the commissioner shall require the vehicle to be taken out of service immediately. The commis-

sioner of transportation shall issue an annual certificate of compliance for each vehicle used to provide special transportation service which complies with the standards adopted under this section. The commissioner shall issue a certificate of compliance to a vehicle subject to subdivision 3 only if the vehicle also complies with sections 299A.11 to 299A.18 require that vehicles and equipment not meeting standards be repaired and brought into conformance with the standards and shall require written evidence of compliance from the operator before allowing the operator to return the vehicle to service.

(c) The commissioner shall provide in the rules procedures for inspecting vehicles, removing unsafe vehicles from service, determining and requiring compliance and issuing the certificates. The procedures may include inspection of vehicles and examination of drivers, and reviewing driver qualifications.

Sec. 5. Minnesota Statutes 1986, section 174.30, is amended by adding a subdivision to read:

Subd. 4a. [CERTIFICATION OF SPECIAL TRANSPORTATION PROVIDERS.] The commissioner shall annually evaluate or provide for the evaluation of each provider of special transportation service regulated under this section and certify that the provider is in compliance with the standards under this section.

Sec. 6. Minnesota Statutes 1986, section 174.30, subdivision 6, is amended to read:

Subd. 6. [PREEMPTION OF OTHER REQUIREMENTS.] Notwithstanding any other law, ordinance or resolution to the contrary, an operator of special transportation service that has been issued a current certificate of compliance under subdivision 4 4a for a vehicle vehicles used to provide that service is not required to obtain any other state or local permit, license or certificate as a condition of operating the vehicle vehicles for that purpose. This subdivision does not exempt any vehicle from the requirements imposed on vehicles generally as a condition of using the public streets and highways.

Sec. 7. Minnesota Statutes 1986, section 174.30, subdivision 7, is amended to read:

Subd. 7. [ENFORCEMENT.] No state agency, political subdivision or other public agency shall provide any capital or operating assistance to or reimbursement for services rendered by any operator of special transportation service unless current certificates of compliance have been issued under subdivision 4 for the vehicles used by the operator to provide operator providing the service has a current certificate of compliance issued under section 5.

Sec. 8. Minnesota Statutes 1986, section 473.386, subdivision 1, is amended to read:

Subdivision 1. [PROJECT SERVICE OBJECTIVES.] The transit board shall implement a project to coordinate special transportation service, as defined in section 174.29, in the metropolitan area. The project service has the following objectives:

(a) to provide greater access to transportation for the elderly, handicapped, and others with special transportation needs in the metropolitan area;

(b) to develop an integrated system of special transportation service providing transportation tailored to meet special individual needs in the most cost-efficient manner; and

(c) to use existing public and, private, and private nonprofit providers of service wherever possible, to supplement rather than replace existing service, and to increase the productivity of all special transportation vehicles available in the area.

Sec. 9. Minnesota Statutes 1986, section 473.386, subdivision 2, is amended to read:

Subd. 2. ~~[FINANCING; IMPLEMENTATION SERVICE CONTRACTS; MANAGEMENT AND; ADVISORY GROUPS COMMITTEE.]~~ (a) The board shall contract for services necessary for the ~~project's operation~~ *provision of special transportation*. All transportation service ~~provided through the project~~ must be provided under a contract between the board and the provider which specifies the service to be provided, ~~the standards that must be met,~~ and the rates for ~~providing it operating and providing special transportation services.~~

(b) The board shall establish management policies for the ~~project service~~ but shall contract with a service administrator for day-to-day administration and management of the service. The contract must delegate to the service administrator clear authority to administer and manage the delivery of the service pursuant to board management policies and must establish performance and compliance standards for the service administrator.

(c) The board shall ensure that the service administrator establishes a system for registering and expeditiously responding to complaints by users, informing users of how to register complaints, and requiring providers to report on incidents that impair the safety and well-being of users or the quality of the service. The board shall annually report to the commissioner of transportation and the legislature on complaints and provider reports, the response of the service administrator, and steps taken by the board and the service administrator to identify causes and provide remedies to recurring problems.

(d) Within 90 days following the effective date of this act, the board shall hold a public hearing on standards for provider eligibility, selection, performance, compliance, and evaluation; the terms of provider contracts and the contract with the service administrator and related contract management policies and procedures of the board; fare policies; service areas, hours, standards, and procedures; and similar matters relating to implementation of the service. Each year before renewing contracts with providers and the service administrator, the board shall provide an opportunity for the advisory committee, users, and other interested persons to testify before the board concerning providers, contract terms, and other matters relating to board policies and procedures for implementing the service.

(e) The board shall establish an advisory committee of ~~individuals representing the~~ *The advisory committee must include elderly, and handicapped persons, and other users of special transportation service provided by the project,* representatives of persons contracting to provide special transportation services ~~for the project,~~ and representatives of appropriate agencies for elderly and handicapped persons to advise the board on management policies for the ~~project service~~. At least half the committee members must be disabled or elderly persons or the representatives of disabled

or elderly persons. Two of the appointments to the advisory committee shall be made by the state council for the handicapped in consultation with the chair of the regional transit board.

Sec. 10. Minnesota Statutes 1986, section 473.386, subdivision 3, is amended to read:

Subd. 3. [DUTIES OF BOARD.] In implementing the ~~project~~ *special transportation service* the board shall:

(a) encourage participation in the ~~project service~~ by public ~~and~~, private, ~~and private nonprofit~~ providers of special transportation ~~service~~ currently receiving capital or operating assistance from a public agency;

(b) contract with public ~~and~~, private, ~~and private nonprofit~~ providers that have demonstrated their ability to effectively provide service at a reasonable cost;

(c) encourage individuals using ~~service provided through the project~~ *special transportation* to use the type of service most appropriate to their particular needs;

(d) ensure that all persons providing *special transportation service* ~~through the project~~ receive equitable treatment in the allocation of the ridership;

(e) encourage shared rides to the greatest extent practicable;

(f) encourage public agencies that provide transportation to eligible individuals as a component of human services and educational programs to coordinate with ~~the project this service~~ and to allow reimbursement for ~~services transportation~~ provided through the ~~project service~~ at rates that reflect the public cost of providing ~~these services that transportation~~; ~~and~~

(g) establish criteria to be used in determining individual eligibility for special transportation services;

(h) *consult with the advisory committee in a timely manner before changes are made in the provision of special transportation services, including, but not limited to, changes in policies affecting the matters subject to hearing under section 9;*

(i) *provide for effective administration and enforcement of board policies and standards; and*

(j) *annually evaluate providers of special transportation service to ensure compliance with the standards established for the program.*

Sec. 11. Minnesota Statutes 1986, section 473.386, subdivision 4, is amended to read:

Subd. 4. [COORDINATION REQUIRED.] The board may not grant any financial assistance to any recipient that proposes to use any part of the grant to provide special transportation service in the metropolitan area unless the program is coordinated with the ~~project board's special transportation service~~ in the manner determined by the board.

Sec. 12. Minnesota Statutes 1986, section 473.386, subdivision 6, is amended to read:

Subd. 6. [OPERATING AND SERVICE STANDARDS.] ~~A vehicle providing special transportation service which is subject to the operating standards adopted pursuant to section 174.30 may not be allowed to provide service through the project unless a current certificate of compliance has~~

~~been issued to the vehicle.~~ A person operating or assisting the operation of a vehicle may leave the vehicle to enter premises in order to help a passenger who does not require emergency ambulance service. Operators and assistants shall provide the help necessary for door-through-door service, including help in entering and leaving the vehicle and help through the exterior entrance and over any exterior steps at either departure or destination buildings, provided that both the steps and the wheelchair are in good repair. If an operator or assistant refuses help because of the condition of the steps or the wheelchair, the operator of the service shall send letters to the *service administrator designated by the board and the, who shall notify the person denied service* describing the corrective measures necessary to qualify for service.

Sec. 13. [REPEALER.]

Minnesota Statutes 1986, section 473.386, subdivision 7, is repealed.

Sec. 14. [APPLICATION.]

Sections 8 to 12 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington."

Delete the title and insert:

"A bill for an act relating to transportation; providing for standards for special transportation service; requiring changes in the administration of special transportation service in the metropolitan area; amending Minnesota Statutes 1986, sections 174.30, subdivisions 1, 2, 4, 6, 7, and by adding subdivisions; 473.386, subdivisions 1, 2, 3, 4, and 6; repealing Minnesota Statutes 1986, section 473.386, subdivision 7."

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

Mr. Dicklich from the Committee on Public Utilities and Energy, to which was referred

S.F. No. 1029: A bill for an act relating to utilities; establishing program to provide communication-impaired people with devices enabling their use of telephones; creating advisory committee and requiring report; providing for payment of costs of program; proposing coding for new law in Minnesota Statutes, chapter 237.

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

Delete everything after the enacting clause and insert:

"Section 1. [237.50] [DEFINITIONS.]

Subdivision 1. [SCOPE.] The terms used in sections 1 to 8 have the meanings given them in this section.

Subd. 2. [COMMUNICATION-IMPAIRED.] "Communication-impaired" means certified as deaf, severely hearing-impaired, hard-of-hearing, speech-impaired, or deaf and blind.

Subd. 3. [COMMUNICATION DEVICE.] "Communication device" means a device that when connected to a telephone enables a communication-impaired person to communicate with another person utilizing the telephone system. A "communication device" includes a ring-signaler, an am-

plification device, and a telebraille unit.

Subd. 4. [THIRD-PARTY MESSAGE RELAY.] "Third-party message relay" means a central statewide service through which a communication-impaired person, using a communication device, may send and receive messages to and from a noncommunication-impaired person whose telephone is not equipped with a communication device and through which a noncommunication-impaired person may, by using voice communication, send and receive messages to and from a communication-impaired person.

Sec. 2. [237.51] [COMMUNICATION-IMPAIRED PROGRAM.]

The commission shall require the telephone company providing local exchange service to the largest number of customers in the state to establish and operate a program to provide communication devices and a message relay system for eligible communication-impaired persons. The company designated under this subdivision shall retain the services of a program administrator knowledgeable about the needs of communication-impaired people and experienced in administration to administer the communication-impaired program.

Sec. 3. [237.52] [COMMUNICATION DEVICES.]

Subdivision 1. [APPLICATION.] A person applying for a communication device under this section must apply to the program administrator retained under section 2, on a form prescribed by the administrator.

Subd. 2. [ELIGIBILITY.] To be eligible to obtain a communication device under this section, a person must be:

- (1) at least 18 years of age;*
- (2) communication-impaired;*
- (3) a resident of the state; and*

(4) a resident in a household that has a median income at or below the median household income in the state, except a deaf or blind person applying for a telebraille unit may reside in a household that has a median income no more than 150 percent of the median household income in the state.

Subd. 3. [DISTRIBUTION.] The company designated to operate the program under section 2 shall purchase and distribute to each telephone company providing local exchange service sufficient communication devices so that each eligible household receives an appropriate device. Each telephone company providing local exchange service shall be responsible for installing the communication devices free of charge, in each eligible household in its service area as directed by the administrator of the program. The initial distribution of the devices shall be on a priority basis as determined by the advisory committee under section 5.

Subd. 4. [TRAINING; MAINTENANCE.] The company providing local exchange service to an eligible household shall maintain the communication devices and provide training, without charge, to first-time users of the devices.

Subd. 5. [WIRING INSTALLATION.] If a communication-impaired person is not served by telephone service and is subject to economic hardship as determined by the advisory committee under section 5, the telephone company providing local service shall at the direction of the ad-

ministrator of the program install necessary outside and inside wiring without charge to the household.

Subd. 6. [OWNERSHIP.] All communication devices purchased by a company under this section shall be property of the company operating the program and are excluded from the company's rate base for the purpose of establishing rates under section 237.075.

Subd. 7. [STANDARDS.] The communication devices distributed under this section must comply with the electronic industries association standards and approved by the Federal Communications Commission. The company designated under section 2 must provide each eligible person a choice of several models of devices, the retail value of which may not exceed \$600 for a communication device for the deaf and a retail value of \$7,000 for a telebraille device.

Subd. 8. [REIMBURSEMENT.] The company designated under section 2 shall reimburse telephone companies for the cost of providing any service required to be provided under this section from moneys in the special account established under section 7.

Sec. 4. [237.53] [MESSAGE RELAY SERVICE.]

Subdivision 1. [ESTABLISHMENT.] The company designated under section 2 shall establish a third-party message relay service with an "800" number to enable telecommunication between communication-impaired persons and noncommunication-impaired persons. The advisory committee shall determine a base number of calls per month available without charge to users of the service.

Subd. 2. [CONTRACT FOR SERVICE.] The company designated under section 2 shall contract with a local consumer organization that serves communication-impaired persons for operation of the message relay system. The operator of the system shall keep all messages confidential, shall train personnel in the unique needs of communication-impaired people, and shall inform communication-impaired persons and the public of the availability and use of the system. The operator shall not relay a message unless it originates or terminates through a communication device for the deaf or a telebraille device.

Sec. 5. [237.54] [ADVISORY COMMITTEE.]

Subdivision 1. [CREATION.] An 11-member advisory committee is established to assist in establishing and administering the communication-impaired program.

Subd. 2. [MEMBERS.] The membership of the committee must include:

- (1) the commissioner of the department of human services or the commissioner's designee;
- (2) the director of the department of public service or the director's designee;
- (3) six communication-impaired persons appointed by the governor;
- (4) one person chosen by the company required to manage the program;
- (5) one member of the Minnesota telephone association chosen by the governor to represent other affected telephone companies; and
- (6) one person appointed by the governor who is a professional in the

area of communications disabilities.

Subd. 3. [REMOVAL; VACANCY.] The removal of members and filling of vacancies shall be handled as provided under section 15.059, subdivision 4.

Subd. 4. [EXPENSES.] Members of the advisory committee may be reimbursed for expenses incurred in attending meetings as authorized by the commissioner's plan adopted under section 43A.18, subdivision 2.

Subd. 5. [MEETINGS.] The advisory committee shall meet at least monthly until December 31, 1988, and at least quarterly thereafter, to assist in establishing and implementing the program.

Subd. 6. [DUTIES.] The advisory committee's duties include:

(1) defining economic hardship household, special needs, telebraille device, and telecommunication devices for the deaf;

(2) establishing criteria for eligibility to receive communication devices, including establishing priority criteria based on economic hardship, household criteria, and special needs;

(3) establishing the base number of free calls per month available per line through the message relay service;

(4) approving the initial report required in section 6 that contains the plans for program operation and each annual report that follows; and

(5) studying the potential economic impact of the program on local communication device retailers and dispensers and developing guidelines for the purchase of some communication devices from local retailers and dispensers if the study determines that otherwise they will be economically harmed by implementation of sections 1 to 7.

Sec. 6. [237.55] [REPORTS; PLANS.]

The program administrator shall prepare a report for presentation to the commission not later than December 31, 1987, to include plans for distributing communication devices and establishing a third-party message relay service and an accounting of money received and disbursed to date. The provision of service required under sections 1 to 7 may begin when the plan is approved by the commission or March 1, 1988, whichever is earlier. Beginning in 1988, the program administrator must prepare a report for presentation to the commission by December 31 of each year through the year 1992. Each report must review the accessibility of the telephone system to communication-impaired persons, review the ability of noncommunication-impaired persons to communicate with communication-impaired persons via the telephone system, describe services provided, account for money received and disbursed annually for each aspect of the program to date, and include predicted future operation until the final report. The final report must, in detail, describe program operation and make recommendations for the funding and service level for necessary ongoing services. The commission may recommend changes in the program throughout its operation and shall make a recommendation to the legislature by February 1, 1993, for the future provision and maintenance of the services.

Sec. 7. [237.56] [SURCHARGE; ACCOUNT.]

Subdivision 1. [ASSESSMENT.] The program administrator, in consul-

tation with the department and the company designated to operate the program, shall annually recommend to the commission an adequate and appropriate mechanism to implement sections 1 to 7. The commission shall annually determine the funding mechanism to be used within 60 days of receipt of the recommendation of the program administrator and shall order the imposition of surcharges effective on the earliest practicable date. The commission shall establish a monthly charge no greater than 10 cents per average access line. The commission shall determine average access lines by using private branch exchange equivalents.

Subd. 2. [ACCOUNT.] Every telephone company providing local service in this state shall collect the charges established by the commission under subdivision 1 and monthly transfer the money received to the company designated to operate the program under section 2. The company operating the program must deposit money collected from its customers for charges under this section and money received by other companies under this subdivision into a separate account to be managed separately from other company accounts.

Subd. 3. [EXPENDITURES.] Money in the account established in this section may only be used for:

(1) administering the program including personnel cost, public relations, planning, advisory committee members' expenses, and other reasonable expenses, not to exceed 20 percent of total program expenditures;

(2) purchasing, distributing, and maintaining communication devices for eligible persons;

(3) creating, operating, and maintaining the third-party message relay system;

(4) installing wiring for telephone service in economic hardship households; and

(5) reimbursing telephone companies for services rendered under section 3.

Sec. 8. [237.57] [ADEQUATE SERVICE.]

The services required to be provided under sections 1 to 6 may be enforced under section 237.081 upon a complaint of at least two communication-impaired persons within the service area of any one telephone company, provided that if only one person within the service area of a company is receiving service under sections 1 to 6, the commission may proceed upon a complaint from that person.

Sec. 9. [EFFECTIVE DATE.]

Sections 1 to 8 are effective July 1, 1987, and are repealed effective June 30, 1993."

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

Mr. Spear from the Committee on Judiciary, to which was referred

S.F. No. 286: A bill for an act relating to crimes; reclassifying the crimes of damage to property into degrees, including creating a new gross misdemeanor crime of damage to property; reclassifying the crimes relating to forgery into degrees, including creating the crime of uttering a forged

check; increasing the maximum fine for petty misdemeanor violations; increasing the maximum bail allowable for designated misdemeanor and gross misdemeanor violations; prescribing penalties; amending Minnesota Statutes 1986, sections 609.02, subdivision 4a; 609.224, subdivision 2; 609.52, subdivision 3; 609.595; 609.625; 609.63; 629.47; proposing coding for new law in Minnesota Statutes, chapters 609 and 629.

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 1986, section 171.07, subdivision 1a, is amended to read:

Subd. 1a. [PHOTOGRAPHIC NEGATIVES; FILING; DATA CLASSIFICATION.] The department shall file, or contract to file, all photographic negatives obtained in the process of issuing driver licenses or Minnesota identification cards. The negatives shall be private data pursuant to section 13.02, subdivision 12. Notwithstanding section 13.04, subdivision 3, the department shall not be required to provide copies of photographic negatives to data subjects. The use of the files is restricted to the issuance and control of driver licenses and for law enforcement purposes in the investigation and prosecution of felonies and violations of section 13, 169.09, 169.121, 169.123, 169.129, 171.22, 171.24, 171.30, ~~or 609.41~~, 609.487, subdivision 3, *or 609.821*.

Sec. 2. Minnesota Statutes 1986, section 487.25, subdivision 10, is amended to read:

Subd. 10. [PROSECUTING ATTORNEYS.] Except as otherwise provided by law, violations of state law that are petty misdemeanors or misdemeanors must be prosecuted by the attorney of the statutory or home rule charter city where the violation is alleged to have occurred. The statutory or home rule charter city may enter into an agreement with the county board and the county attorney to provide prosecution services for any criminal offense. All other petty misdemeanors and misdemeanors must be prosecuted by the county attorney of the county in which the alleged violation occurred. All violations of a municipal ordinance, charter provision, rule, or regulation must be prosecuted by the attorney for the governmental unit that promulgated the municipal ordinance, charter provision, rule, or regulation or by the county attorney with whom it has contracted to prosecute these matters.

In the counties of Anoka, Carver, Dakota, Scott, and Washington, violations of state law that are petty misdemeanors, misdemeanors, or gross misdemeanors except as provided in section 388.051, subdivision 2, must be prosecuted by the attorney of the statutory or home rule charter city where the violation is alleged to have occurred. *In addition to those counties, in cities of the first, second, and third class, the city attorney responsible for prosecuting misdemeanor violations of chapter 609 is responsible for prosecuting gross misdemeanor violations of sections 609.52, 609.595, section 13, and 609.821.* The statutory or home rule charter city may enter into an agreement with the county board and the county attorney to provide prosecution services for any criminal offense. All other petty misdemeanors, misdemeanors, or gross misdemeanors must be prosecuted by the county attorney of the county in which the alleged violation occurred. All violations of a municipal ordinance, charter provision, rule, or regu-

lation must be prosecuted by the attorney for the governmental unit that promulgated the municipal ordinance, charter provision, rule, or regulation or by the county attorney with whom it has contracted to prosecute these matters.

Sec. 3. Minnesota Statutes 1986, section 609.02, subdivision 4a, is amended to read:

Subd. 4a. [PETTY MISDEMEANOR.] "Petty misdemeanor" means a petty offense which is prohibited by statute, which does not constitute a crime and for which a sentence of a fine of not more than ~~\$100~~ \$200 may be imposed.

Sec. 4. [609.0331] [INCREASED MAXIMUM PENALTIES FOR PETTY MISDEMEANORS.]

Except as provided in this section, a law of this state that provides, on or after August 1, 1987, for a maximum penalty of \$100 for a petty misdemeanor is considered to provide for a maximum fine of \$200. However, a petty misdemeanor under section 152.15, subdivision 2, clause (5), or chapter 168 or 169 remains subject to a maximum fine of \$100, except that a violation of chapter 168 or 169 that was originally charged as a misdemeanor and is being treated as a petty misdemeanor under section 6 or the rules of criminal procedure is subject to a maximum fine of \$200.

Sec. 5. [609.0332] [INCREASED MAXIMUM PENALTY FOR PETTY MISDEMEANOR ORDINANCE VIOLATIONS.]

Subdivision 1. [INCREASED FINE.] From August 1, 1987, if a state law or municipal charter sets a limit of \$100 or less on the fines that a statutory or home rule charter city, town, county, or other political subdivision may prescribe for an ordinance violation that is defined as a petty misdemeanor, that law or charter is considered to provide that the political subdivision has the power to prescribe a maximum fine of \$200 for the petty misdemeanor violation.

Subd. 2. [EXCEPTION.] Notwithstanding subdivision 1, no fine of more than \$100 may be imposed for a petty misdemeanor ordinance violation which conforms in substantial part to a petty misdemeanor provision contained in section 152.15, subdivision 2, clause (5), or chapter 168 or 169.

Sec. 6. [609.131] [CERTIFICATION OF MISDEMEANOR AS PETTY MISDEMEANOR.]

Subdivision 1. [GENERAL RULE.] Except as provided in subdivision 2, an alleged misdemeanor violation must be treated as a petty misdemeanor if the prosecuting attorney believes that it is in the interest of justice that the defendant not be imprisoned if convicted and certifies that belief to the court at or before the time of arraignment or pretrial hearing, and the court approves of the certification motion. The defendant's consent to the certification is not required. When an offense is certified as a petty misdemeanor under this section, the defendant's eligibility for court-appointed counsel must be evaluated as though the offense were a misdemeanor.

Subd. 2. [CERTAIN VIOLATIONS EXCEPTED.] Subdivision 1 does not apply to a misdemeanor violation of section 169.121, 609.224, 609.324, subdivision 3, or 617.23, or an ordinance that conforms in substantial part to any of those sections. A violation described in this subdivision must be treated as a misdemeanor unless the defendant consents to the certification of the violation as a petty misdemeanor.

Subd. 3. [USE OF CONVICTION FOR ENHANCEMENT.] Notwithstanding any other law, a conviction for a violation that was originally charged as a misdemeanor and was treated as a petty misdemeanor under subdivision 1 or the rules of criminal procedure may not be used as the basis for charging a subsequent violation as a gross misdemeanor rather than a misdemeanor.

Sec. 7. Minnesota Statutes 1986, section 609.224, subdivision 2, is amended to read:

Subd. 2. [GROSS MISDEMEANOR.] (a) Whoever violates the provisions of subdivision 1 against the same victim within five years of a previous conviction under subdivision 1 or sections 609.221 to ~~609.223~~ 609.2231 may be sentenced to imprisonment for not more than one year or to a payment of a fine of not more than \$3,000, or both.

(b) *Whoever violates the provisions of subdivision 1 within two years of a previous conviction under subdivision 1 or sections 609.221 to 609.2231 may be sentenced to imprisonment for not more than one year or to payment of a fine of not more than \$3,000, or both.*

Sec. 8. Minnesota Statutes 1986, section 609.52, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] In this section:

(1) "Property" means all forms of tangible property, whether real or personal, without limitation including documents of value, electricity, gas, water, corpses, domestic animals, dogs, pets, fowl, and heat supplied by pipe or conduit by municipalities or public utility companies and articles, as defined in clause (4), representing trade secrets, which articles shall be deemed for the purposes of Extra Session Laws 1967, chapter 15 to include any trade secret represented by the article.

(2) "Movable property" is property whose physical location can be changed, including without limitation things growing on, affixed to or found in land.

(3) "Value" means the retail market value at the time of the theft, or if the retail market value cannot be ascertained, the cost of replacement of the property within a reasonable time after the theft, or in the case of a theft or the making of a copy of an article representing a trade secret, where the retail market value or replacement cost cannot be ascertained, any reasonable value representing the damage to the owner which the owner has suffered by reason of losing an advantage over those who do not know of or use the trade secret. For a theft committed within the meaning of subdivision 2, clause (5), (a) and (b), if the property has been restored to the owner, "value" means the value of the use of the property or the damage which it sustained, whichever is greater, while the owner was deprived of its possession, but not exceeding the value otherwise provided herein.

(4) "Article" means any object, material, device or substance, including any writing, record, recording, drawing, sample specimen, prototype, model, photograph, microorganism, blueprint or map, or any copy of any of the foregoing.

(5) "Representing" means describing, depicting, containing, constituting, reflecting or recording.

(6) "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(7) "Copy" means any facsimile, replica, photograph or other reproduction of an article, and any note, drawing or sketch made of or from an article while in the presence of the article.

(8) "Property of another" includes property in which the actor is coowner or has a lien, pledge, bailment, or lease or other subordinate interest, and property of a partnership of which the actor is a member, unless the actor and the victim are husband and wife. It does not include property in which the actor asserts in good faith a claim as a collection fee or commission out of property or funds recovered, or by virtue of a lien, set-off, or counterclaim.

(9) "Services" include but are not limited to labor, professional services, transportation services, electronic computer services, the supplying of hotel accommodations, restaurant services, entertainment services, advertising services, telecommunication services, and the supplying of equipment for use.

(10) "Financial transaction card" means any instrument or device, whether known as a credit card, credit plate, charge plate, courtesy card, bank services card, banking card, check guarantee card, debit card, or by any other name, issued with or without fee by an issuer for the use of the cardholder in obtaining credit, money, goods, services, or anything else of value.

Sec. 9. Minnesota Statutes 1986, section 609.52, subdivision 2, is amended to read:

Subd. 2. [ACTS CONSTITUTING THEFT.] Whoever does any of the following commits theft and may be sentenced as provided in subdivision 3:

(1) intentionally and without claim of right takes, uses, transfers, conceals or retains possession of movable property of another without the other's consent and with intent to deprive the owner permanently of possession of the property; or

(2) having a legal interest in movable property, intentionally and without consent, takes the property out of the possession of a pledgee or other person having a superior right of possession, with intent thereby to deprive the pledgee or other person permanently of the possession of the property; or

(3) obtains for the actor or another the possession, custody or title to property of or performance of services by a third person by intentionally deceiving the third person with a false representation which is known to be false, made with intent to defraud, and which does defraud the person to whom it is made. "False representation" includes without limitation:

(a) the issuance of a check, draft, or order for the payment of money, *except a forged check as defined in section 13*, or the delivery of property knowing that the actor is not entitled to draw upon the drawee therefor or

to order the payment or delivery thereof; or

(b) a promise made with intent not to perform. Failure to perform is not evidence of intent not to perform unless corroborated by other substantial evidence; or

(c) ~~the unauthorized use of a financial transaction card; or the number thereof; or other identification device issued by an organization to a person for use in purchasing goods or services on credit; or~~

(d) the preparation or filing of a claim for reimbursement, a rate application, or a cost report used to establish a rate or claim for payment for medical care provided to a recipient of medical assistance under chapter 256B, which intentionally and falsely states the costs of or actual services provided by a vendor of medical care; or

(4) by swindling, whether by artifice, trick, device, or any other means, obtains property or services from another person; or

(5) intentionally commits any of the acts listed in this subdivision but with intent to exercise temporary control only and;

(a) the control exercised manifests an indifference to the rights of the owner or the restoration of the property to the owner; or

(b) the actor pledges or otherwise attempts to subject the property to an adverse claim; or

(c) the actor intends to restore the property only on condition that the owner pay a reward or buy back or make other compensation; or

(6) finds lost property and, knowing or having reasonable means of ascertaining the true owner, appropriates it to the finder's own use or to that of another not entitled thereto without first having made reasonable effort to find the owner and offer and surrender the property to the owner; or

(7) intentionally obtains property or services, offered upon the deposit of a sum of money or tokens in a coin or token operated machine or other receptacle, without making the required deposit or otherwise obtaining the consent of the owner; or

(8) intentionally and without claim of right converts any article representing a trade secret, knowing it to be such, to the actor's own use or that of another person or makes a copy of an article representing a trade secret, knowing it to be such, and intentionally and without claim of right converts the same to the actor's own use or that of another person. It shall be a complete defense to any prosecution under this clause for the defendant to show that information comprising the trade secret was rightfully known or available to the defendant from a source other than the owner of the trade secret; or

(9) leases or rents personal property under a written instrument and who with intent to place the property beyond the control of the lessor conceals or aids or abets the concealment of the property or any part thereof, or any lessee of the property who sells, conveys or encumbers the property or any part thereof without the written consent of the lessor, without informing the person to whom the lessee sells, conveys, or encumbers that the same is subject to such lease and with intent to deprive the lessor of possession thereof. Evidence that a lessee used a false or fictitious name or address in obtaining the property or fails or refuses to return the property

to lessor within five days after written demand for the return has been served personally in the manner provided for service of process of a civil action or sent by certified mail to the last known address of the lessee, whichever shall occur later, shall be evidence of intent to violate this clause. Service by certified mail shall be deemed to be complete upon deposit in the United States mail of such demand, postpaid and addressed to the person at the address for the person set forth in the lease or rental agreement, or, in the absence of the address, to the person's last known place of residence; or

(10) alters, removes or obliterates numbers or symbols placed on movable property for purpose of identification by the owner or person who has legal custody or right to possession thereof with the intent to prevent identification, if the person who alters, removes or obliterates the numbers or symbols is not the owner and does not have the permission of the owner to make the alteration, removal or obliteration; or

(11) with the intent to prevent the identification of property involved, so as to deprive the rightful owner of possession thereof, alters or removes any permanent serial number, permanent distinguishing number or manufacturer's identification number on personal property or possesses, sells or buys any personal property with knowledge that the permanent serial number, permanent distinguishing number or manufacturer's identification number has been removed or altered; or

(12) intentionally deprives another of a lawful charge for cable television service by

(i) making or using or attempting to make or use an unauthorized external connection outside the individual dwelling unit whether physical, electrical, acoustical, inductive or other connection, or by

(ii) attaching any unauthorized device to any cable, wire, microwave, or other component of a licensed cable communications system as defined in chapter 238. Nothing herein shall be construed to prohibit the electronic video rerecording of program material transmitted on the cable communications system by a subscriber for fair use as defined by Public Law Number 94-553, section 107; or

(13) except as provided in paragraphs (12) and (14), obtains the services of another with the intention of receiving those services without making the agreed or reasonably expected payment of money or other consideration; or

(14) intentionally deprives another of a lawful charge for telecommunications service by:

(i) making, using, or attempting to make or use an unauthorized connection whether physical, electrical, by wire, microwave, radio or other means to a component of a local telecommunication system as provided in chapter 237; or

(ii) attaching an unauthorized device to a cable, wire, microwave, radio or other component of a local telecommunication system as provided in chapter 237.

The existence of an unauthorized connection is prima facie evidence that the occupier of the premises:

(i) made or was aware of the connection; and

(ii) was aware that the connection was unauthorized; or

(15) with intent to defraud, diverts corporate property other than in accordance with general business purposes or for purposes other than those specified in the corporation's articles of incorporation; or

(16) with intent to defraud, authorizes or causes a corporation to make a distribution in violation of section 302A.551, or any other state law in conformity with it.

Sec. 10. Minnesota Statutes 1986, section 609.52, subdivision 3, is amended to read:

Subd. 3. [SENTENCE.] Whoever commits theft may be sentenced as follows:

(1) To imprisonment for not more than ten years or to payment of a fine of not more than \$20,000, or both, if the value of the property or services stolen exceeds \$2,500, or if the property stolen was a controlled substance listed in schedule 1 or 2 pursuant to section 152.02 with the exception of marijuana; or

(2) To imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both, if:

(a) the value of the property or services stolen is more than ~~\$250~~ \$500 but not more than \$2,500; or

(b) if the property stolen was a controlled substance listed in schedule 3, 4, or 5 pursuant to section 152.02; or

(c) the value of the property or services stolen is more than \$200 but not more than \$500 and the person has been convicted within the preceding five years for an offense under this section, section 13, or sections 609.24; 609.245; 609.53; 609.582, subdivision 1, 2, or 3; 609.625; 609.63; and 609.821, or a statute from another state in conformity with any of those sections, and the person received a felony or gross misdemeanor sentence for the offense, or a sentence that was stayed under section 609.135 if the offense to which a plea was entered would allow imposition of a felony or gross misdemeanor sentence; or

(3) To imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both, notwithstanding the value of the property or services stolen is not more than ~~\$250~~ \$200, if any of the following circumstances exist:

(a) The property is taken from the person of another or from a corpse, or grave or coffin containing a corpse; or

(b) The property is a record of a court or officer, or a writing, instrument or record kept, filed or deposited according to law with or in the keeping of any public officer or office; or

(c) The property is taken from a burning building or upon its removal therefrom, or from an area of destruction caused by civil disaster, riot, bombing, or the proximity of battle; or

(d) The property consists of public funds belonging to the state or to any political subdivision or agency thereof; or

(e) The property is a firearm; or

(4) To imprisonment for not more than ten years or to payment of a fine

of not more than \$20,000, or both, if the property stolen is an article representing a trade secret; or if the property stolen is an explosive or an incendiary device; or

(5) *To imprisonment for not more than one year or to payment of a fine of not more than \$3,000, or both, if the value of the property or services stolen is more than \$200 but not more than \$500; or*

(6) In all other cases where the value of the property or services stolen is ~~\$250~~ \$200 or less, to imprisonment for not more than 90 days or to payment of a fine of not more than \$700, or both, provided, however, in any prosecution under clauses (1), (2), (3), (4), and (13) of subdivision 2 the value of the money or property or services received by the defendant in violation of any one or more of the above provisions within any six-month period may be aggregated and the defendant charged accordingly in applying the provisions of this subdivision; provided that when two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the offenses was committed for all of the offenses aggregated under this paragraph.

The attorney in the jurisdiction in which the violation occurred who is responsible for prosecution of misdemeanor violations of this section is also responsible for prosecution of gross misdemeanor violations of this section.

Sec. 11. Minnesota Statutes 1986, section 609.595, is amended to read:

609.595 [DAMAGE TO PROPERTY.]

Subdivision 1. [~~AGGRAVATED CRIMINAL DAMAGE TO PROPERTY IN THE FIRST DEGREE.~~] Whoever intentionally causes damage to physical property of another without the latter's consent may be sentenced to imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both, if:

(1) the damage to the property caused a reasonably foreseeable risk of bodily harm; or

(2) The property damaged belongs to a public utility or a common carrier and the damage impairs the service to the public rendered by them; or

(3) the damage reduces the value of the property by more than ~~\$300~~ \$500 measured by the cost of repair and replacement; or

(4) *the damage reduces the value of the property by more than \$250 measured by the cost of repair and replacement and the defendant has been convicted within the preceding three years of an offense under this subdivision or subdivision 2.*

In any prosecution under clause (3), the value of any property damaged by the defendant in violation of that clause within any six-month period may be aggregated and the defendant charged accordingly in applying the provisions of this section; provided that when two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the offenses was committed for all of the offenses aggregated under this paragraph.

Subd. 2. [CRIMINAL DAMAGE TO PROPERTY IN THE SECOND DEGREE.] (a) Whoever intentionally ~~so~~ causes ~~such~~ damage ~~under any other circumstances is guilty of a misdemeanor to another person's physical property without the other person's consent may be sentenced to impris-~~

onment for not more than one year or to payment of a fine of not more than \$3,000, or both, if the damage reduces the value of the property by more than \$250 but not more than \$500 as measured by the cost of repair and replacement.

(b) In any prosecution under paragraph (a), the value of property damaged by the defendant in violation of that clause within any six-month period may be aggregated and the defendant charged accordingly in applying this section. When two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the offenses was committed for all of the offenses aggregated under this paragraph.

(c) The attorney in the jurisdiction in which the violation occurred who is responsible for prosecution of misdemeanor violations of this section is also responsible for prosecution of gross misdemeanor violations of this section.

Subd. 3. [CRIMINAL DAMAGE TO PROPERTY IN THE THIRD DEGREE.] Whoever intentionally causes damage described in subdivision 2 under any other circumstances is guilty of a misdemeanor.

Sec. 12. Minnesota Statutes 1986, section 609.625, is amended to read:

609.625 [AGGRAVATED FORGERY.]

Subdivision 1. [MAKING OR ALTERING WRITING OR OBJECT.] Whoever, with intent to defraud, falsely makes or alters a writing or object of any of the following kinds so that it purports to have been made by another or by the maker or alterer under an assumed or fictitious name, or at another time, or with different provisions, or by authority of one who did not give such authority, is guilty of aggravated forgery and may be sentenced to imprisonment for not more than ten years or to payment of a fine of not more than \$20,000, or both:

(1) a writing or object whereby, when genuine, legal rights, privileges, or obligations are created, terminated, transferred, or evidenced, or any writing normally relied upon as evidence of debt or property rights, *other than a check as defined in section 13 or a financial transaction card as defined in section 609.821*; or

(2) an official seal or the seal of a corporation; or

(3) a public record or an official authentication or certification of a copy thereof; or

(4) an official return or certificate entitled to be received as evidence of its contents; or

(5) a court order, judgment, decree, or process; or

(6) the records or accounts of a public body, office, or officer; or

(7) the records or accounts of a bank or person, with whom funds of the state or any of its agencies or subdivisions are deposited or entrusted, relating to such funds; or

~~(8) a financial transaction card as defined in section 609.52.~~

Subd. 2. [MEANS FOR FALSE REPRODUCTION.] Whoever, with intent to defraud, makes, engraves, possesses or transfers a plate or instrument for the false reproduction of a writing or object mentioned in subdivision

1, a check as defined in section 13, or a financial transaction card as defined in section 609.821, may be sentenced as provided in subdivision 1.

Subd. 3. [UTTERING OR POSSESSING.] Whoever, with intent to defraud, utters or possesses with intent to utter any forged writing or object mentioned in subdivision 1, *not including a check as defined in section 13 or a financial transaction card as defined in section 609.821*, knowing it to have been so forged, may be sentenced as provided in subdivision 1.

Sec. 13. [609.631] [CHECK FORGERY; OFFERING A FORGED CHECK.]

Subdivision 1. [DEFINITIONS.] (a) The definitions in this subdivision apply to this section.

(b) "Check" means a check, draft, order of withdrawal, or similar negotiable or nonnegotiable instrument.

(c) "Property" and "services" have the meanings given in section 609.52.

Subd. 2. [CHECK FORGERY; ELEMENTS.] A person who, with intent to defraud, falsely makes or alters a check so that it purports to have been made by another or by the maker under an assumed or fictitious name, or at another time, or with different provisions, or by the authority of one who did not give authority, is guilty of check forgery and may be sentenced as provided in subdivision 4.

Subd. 3. [OFFERING A FORGED CHECK; ELEMENTS.] A person who, with intent to defraud, offers, or possesses with intent to offer, a forged check, whether or not it is accepted, is guilty of offering a forged check and may be sentenced as provided in subdivision 4.

Subd. 4. [SENTENCING.] A person who is convicted under subdivision 2 or 3 may be sentenced as follows:

(1) to imprisonment for not more than ten years or to payment of a fine of not more than \$20,000, or both, if the forged check or checks are used to obtain or in an attempt to obtain, property or services of more than \$2,500 or the aggregate amount of the forged check or checks is more than \$2,500;

(2) to imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both, if:

(a) the forged check or checks are used to obtain or in an attempt to obtain, property or services of more than \$200 but not more than \$2,500, or the aggregate face amount of the forged check or checks is more than \$200 but not more than \$2,500; or

(b) the forged check or checks are used to obtain or in an attempt to obtain, property or services of no more than \$200, or have an aggregate face value of no more than \$200, and the person has been convicted within the preceding five years for an offense under this section, sections 609.24; 609.245; 609.52; 609.53; 609.582, subdivision 1, 2, or 3; 609.625; 609.63; or 609.821, or a statute from another state in conformity with any of those sections, and the person received a felony or gross misdemeanor sentence for the offense, or a sentence that was stayed under section 609.135 if the offense to which a plea was entered would allow imposition of a felony or gross misdemeanor sentence; and

(3) to imprisonment for not more than one year or to a fine of not more than \$3,000, or both, if the forged check or checks are used to obtain or in an attempt to obtain, property or services of no more than \$200, or the aggregate face amount of the forged check or checks is no more than \$200.

In any prosecution under this subdivision, the value of the checks forged or offered by the defendant in violation of this subdivision within any six-month period may be aggregated and the defendant charged accordingly in applying the provisions of this section. When two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the checks was forged or offered for all of the offenses aggregated under this paragraph.

Sec. 14. Minnesota Statutes 1986, section 609.821, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For the purposes of this section, the following terms have the meanings given them:

(a) "Financial transaction card" or "~~card~~" ~~has the meaning given in section 609.52~~ means any instrument or device, whether known as a credit card, credit plate, charge plate, courtesy card, bank services card, banking card, check guarantee card, debit card, or by any other name, issued with or without fee by an issuer for the use of the cardholder in obtaining credit, money, goods, services, or anything else of value, and includes the account or identification number or symbol of a financial transaction card.

(b) "Cardholder" means a person in whose name a card is issued.

(c) "Issuer" means a person or firm, or a duly authorized agent, that issues a financial transaction card.

(d) "Property" includes money, goods, services, or anything else of value.

Sec. 15. Minnesota Statutes 1986, section 609.821, subdivision 2, is amended to read:

Subd. 2. [VIOLATIONS; PENALTIES.] A person who does any of the following commits financial transaction card fraud:

(1) without the consent of the cardholder, and knowing that the cardholder has not given consent, uses or attempts to use a card to obtain the property of another;

(2) uses or attempts to use a card knowing it to be forged, false, fictitious, or obtained in violation of clause (6);

(3) sells or transfers a card knowing that the cardholder and issuer have not authorized the person to whom the card is sold or transferred to use the card, or that the card is forged, false, fictitious, or was obtained in violation of clause (6);

(4) without a legitimate business purpose, and without the consent of the cardholders, receives or possesses, with intent to use, or with intent to sell or transfer in violation of clause (3), two or more cards issued in the name of another, or two or more cards knowing the cards to be forged, false, fictitious, or obtained in violation of clause (6);

(5) being authorized by an issuer to furnish money, goods, services, or anything else of value, knowingly and with an intent to defraud the issuer or the cardholder:

(i) furnishes money, goods, services, or anything else of value upon presentation of a financial transaction card knowing it to be forged, expired, or revoked, or knowing that it is presented by a person without authority to use the card; or

(ii) represents in writing to the issuer that the person has furnished money, goods, services, or anything else of value which has not in fact been furnished;

(6) upon applying for a financial transaction card to an issuer:

(i) knowingly gives a false name or occupation; or

(ii) knowingly and substantially overvalues assets or substantially undervalues indebtedness for the purpose of inducing the issuer to issue a financial transaction card; or

(7) with intent to defraud, falsely notifies the issuer or any other person of a theft, loss, disappearance, or nonreceipt of a financial transaction card;
or

(8) without the consent of the cardholder and knowing that the cardholder has not given consent, falsely alters, makes, or signs any written document pertaining to a card transaction to obtain or attempt to obtain the property of another.

Sec. 16. Minnesota Statutes 1986, section 609.821, subdivision 3, is amended to read:

Subd. 3. [SENTENCE.] A person who commits financial transaction card fraud may be sentenced as follows:

(1) for a violation of clause (1), (2) ~~or~~, (5), or 8 of subdivision 2, ~~in the manner provided in section 609.52, subdivision 3:~~

(i) to imprisonment for not more than ten years or to payment of a fine of not more than \$20,000, or both, if the value of the property the person obtained or attempted to obtain was more than \$2,500, or the aggregate amount of the transactions under this subdivision was more than \$2,500;
or

(ii) to imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both, if the value of the property the person obtained or attempted to obtain was more than \$200 but not more than \$2,500, or the aggregate amount of the transactions under this subdivision was more than \$200 but not more than \$2,500; or

(iii) to imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both, if the value of the property the person obtained or attempted to obtain was not more than \$200, or the aggregate amount of the transactions under this subdivision was not more than \$200, and the person has previously been convicted within the preceding five years for an offense under this section, sections 609.24; 609.245; 609.52; 609.53; 609.582, subdivision 1, 2, or 3; 609.625; 609.63; or section 13, or a statute from another state in conformity with any of those sections, and the person received a felony or gross misdemeanor sentence for the offense, or a sentence that was stayed under section 609.135 if the offense to which a plea was entered would allow imposition of a felony or gross misdemeanor sentence; or

(iv) to imprisonment for not more than one year or to payment of a fine

of not more than \$3,000, or both, if the value of the property the person obtained or attempted to obtain was not more than \$200, or the aggregate amount of the transactions under this subdivision was not more than \$200; and

(v) in any prosecution under clauses (i) to (iv) of this subdivision, the value of the transactions made or attempted within any six-month period may be aggregated and the defendant charged accordingly in applying the provisions of this section. When two or more offenses are committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the card transactions occurred for all of the transactions aggregated under this paragraph;

(2) for a violation of clause (3) or (4) of subdivision 2, to imprisonment for not more than three years or to payment of a fine of not more than \$5,000, or both; or

(3) for a violation of clause (6) or (7) of subdivision 2;

~~(a)~~ (i) if no property, other than a financial transaction card, has been obtained by the defendant by means of the false statement or false report, to imprisonment for not more than ~~90 days~~ one year or to payment of a fine of not more than ~~\$300~~ \$3,000, or both; or

~~(b)~~ (ii) if property, other than a financial transaction card, is so obtained, in the manner provided in ~~section 609.52, subdivision 3 clause (1) of this subdivision.~~

Sec. 17. Minnesota Statutes 1986, section 626A.05, subdivision 2, is amended to read:

Subd. 2. [OFFENSES FOR WHICH INTERCEPTION OF WIRE OR ORAL COMMUNICATION MAY BE AUTHORIZED.] A warrant authorizing interception of wire or oral communications by investigative or law enforcement officers may only be issued when the interception may provide evidence of the commission of gambling or any criminal felony offense involving murder, manslaughter, aggravated assault, aggravated robbery, kidnapping, aggravated rape, prostitution, bribery, perjury, escape from custody, theft, receiving stolen property, embezzlement, burglary, forgery, aggravated forgery, *check forgery, financial transaction card fraud*, and offenses relating to controlled substances, or an attempt or conspiracy to commit any of these offenses, as punishable under sections 609.185, 609.19, 609.195, 609.20, 609.225, 609.245, 609.25, 609.291, 609.321 to 609.324, 609.42, 609.48, 609.485, subdivision 4, clause (1), 609.52, 609.53, 609.54, 609.58, 609.625, 609.63, *section 13*, 609.76, 609.821, 609.825, and chapter 152.

Sec. 18. Minnesota Statutes 1986, section 629.47, is amended to read:

629.47 [HEARING OR TRIAL ADJOURNED; RECOGNIZANCE ALLOWED.]

Subject to the right of the accused to a speedy trial as prescribed by the rules of criminal procedure, a court may adjourn a hearing or trial from time to time, as the need arises and reconvene it at the same or a different place in the county. During the adjournment, the person being tried may be released in accordance with rule 6.02 of the rules of criminal procedure. **The maximum cash bail that may be required for a person charged with a misdemeanor is double the highest cash fine which may be imposed for the offense.**

Sec. 19. [629.471] [MAXIMUM BAIL ON MISDEMEANORS; GROSS MISDEMEANORS.]

Subdivision 1. [DOUBLE THE FINE.] Except as provided in subdivision 2, the maximum cash bail that may be required for a person charged with a misdemeanor or gross misdemeanor offense is double the highest cash fine that may be imposed for that offense.

Subd. 2. [QUADRUPLE THE FINE.] For offenses under sections 169.09, 169.121, 169.129, 518B.01, 609.224, 609.487, and 609.525, the maximum cash bail that may be required for a person charged with a misdemeanor or gross misdemeanor violation is quadruple the highest cash fine that may be imposed for the offense.

Sec. 20. [REVISOR'S INSTRUCTION.]

In the next and subsequent editions of Minnesota Statutes the revisor of statutes shall change laws that provide for a maximum fine of \$100 as a penalty for a petty misdemeanor violation to provide for a maximum fine of \$200. The change must be consistent with sections 3 and 4. The maximum fines for a petty misdemeanor under section 152.15, subdivision 2, clause (5), and chapters 168 and 169, must remain \$100 and must not be changed under this section.

Sec. 21. [EFFECTIVE DATE.]

Sections 1 to 19 are effective August 1, 1987, and apply to crimes committed on or after that date."

Delete the title and insert:

"A bill for an act relating to crimes; providing for prosecution of certain gross misdemeanor violations; increasing the maximum fine for petty misdemeanor violations; creating a gross misdemeanor crime of damage to property; creating the crimes of check forgery and offering a forged check; increasing the maximum bail for certain misdemeanors and gross misdemeanors; prescribing penalties; amending Minnesota Statutes 1986, sections 171.07, subdivision 1a; 487.25, subdivision 10; 609.02, subdivision 4a; 609.224, subdivision 2; 609.52; 609.595; 609.625; 609.821; 626A.05, subdivision 2; and 629.47; proposing coding for new law in Minnesota Statutes, chapters 609 and 629."

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

Ms. Berglin from the Committee on Health and Human Services, to which was referred

S.F. No. 389: A bill for an act relating to health; providing for disposition of the remains of human fetuses; providing a penalty; proposing coding for new law in Minnesota Statutes, chapter 145.

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

Page 1, line 17, before "offspring" insert "dead"

Page 2, line 7, delete "interment" and insert "incineration, burial"

Page 2, delete lines 12 to 17

Page 2, line 18, delete "6" and insert "5"

Page 2, line 22, delete "7" and insert "6"

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

Mr. Davis from the Committee on Agriculture, to which was referred

S.F. No. 956: A bill for an act relating to natural resources; providing eligibility requirements for waterbank agreements; providing requirements for the director of the division of waters; requiring the director to maintain current wetland values; authorizing wetland authorities to establish, maintain, and develop wetlands; amending drainage law definitions; prescribing payment of attorney fees on certain drainage issues appealed by the commissioner; prescribing general provisions for petitions; amending petition requirements; allowing drainage proceedings to be delayed; prescribing conditions for assessments against property within a municipality; prescribing extent of benefits and damages; requiring a benefits and damages statement and a property owner's report; providing drainage liens to be recorded against tracts of property; changing rates of interest to be paid during drainage proceedings; amending definition of repair; authorizing conditions for repair if design elevation is different than original construction elevation; providing easement for drainage authority to inspect drainage system; requiring permanent grass strips; apportioning repair costs; renumbering sections; providing penalties; amending Minnesota Statutes 1986, sections 40.072, subdivisions 3 and 6; 105.392; 105.40; 106A.005, subdivisions 2, 3, 4, 9, 10, 11, 12, 13, 14, 19, and by adding subdivisions; 106A.011, subdivisions 3 and 4; 106A.015; 106A.021, by adding subdivisions; 106A.031; 106A.051; 106A.055; 106A.081, subdivisions 2 and 3; 106A.091, subdivision 4; 106A.095, subdivisions 1, 3, and 4; 106A.101, subdivisions 2 and 4; 106A.215, subdivisions 4 and 5; 106A.221; 106A.225; 106A.231; 106A.235, subdivisions 1 and 2; 106A.241, subdivisions 1, 2, and 5; 106A.245; 106A.251; 106A.261, subdivisions 1, 3, 4, 5, 6, and 7; 106A.265, subdivision 1; 106A.271, subdivision 1; 106A.275; 106A.281; 106A.285, subdivisions 2, 4, 5, 6, 9, and 10; 106A.295; 106A.301; 106A.305, subdivision 1; 106A.311; 106A.315, subdivisions 1, 2, 5, 6, and by adding subdivisions; 106A.321, subdivision 1, and by adding a subdivision; 106A.325, subdivisions 2 and 3; 106A.335, subdivisions 1 and 3; 106A.341; 106A.345; 106A.351; 106A.401, subdivisions 2 and 6; 106A.405; 106A.411, subdivisions 3 and 4; 106A.501, subdivisions 4, 6, and 7; 106A.505, subdivisions 1, 2, 3, 7, and 8; 106A.511, subdivisions 1, 2, 3, and 5; 106A.515; 106A.525, subdivisions 2, 3, and 4; 106A.541; 106A.555, subdivision 2; 106A.601; 106A.605; 106A.611, subdivisions 2, 3, 6, and 7; 106A.615, subdivisions 4 and 7; 106A.635, subdivisions 1 and 10; 106A.645, subdivision 7; 106A.651, subdivision 1; 106A.655, subdivision 1; 106A.701, subdivision 1, and by adding a subdivision; 106A.705; 106A.715, subdivision 6; 106A.731, subdivision 1; 106A.741, subdivision 5; 106A.811, subdivisions 2, 4, and 5; 112.431, subdivision 2; 112.48, subdivision 1; 112.59; 112.60, subdivision 1; and 112.65, subdivision 1; proposing coding for new law as Minnesota Statutes, chapter 105A; proposing coding for new law in Minnesota Statutes, chapter 106A; repealing Minnesota Statutes 1986, sections 106A.005, subdivision 25; 106A.201; 106A.205; 106A.211; and 111.01 to 111.421.

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 1986, section 105.40, subdivision 11, is amended to read:

Subd. 11. [RULES TO STANDARDIZE FORMS.] The director is ~~authorized to formulate~~ *may adopt permanent and emergency rules so as to* standardize the forms and sizes of maps, plats, drawings and specifications in ~~public drainage proceedings and proceedings and undertakings pertaining relating to public waters of the state.~~ *The director must require the permanent grass strips acquired under section 106A.021 to be shown on the maps and maintain an inventory of all permanent grass strips acquired by drainage authorities.*

Sec. 2. Minnesota Statutes 1986, section 106A.005, subdivision 2, is amended to read:

Subd. 2. [AFFECTED.] "Affected" means benefited or damaged by a drainage system *or project*.

Sec. 3. Minnesota Statutes 1986, section 106A.005, subdivision 3, is amended to read:

Subd. 3. [AUDITOR.] "Auditor" means the auditor of the county where the petition for a drainage ~~system~~ *project* was properly filed.

Sec. 4. Minnesota Statutes 1986, section 106A.005, subdivision 4, is amended to read:

Subd. 4. [BOARD.] "Board" means the board of commissioners of the county where the drainage system *or project* is located.

Sec. 5. Minnesota Statutes 1986, section 106A.005, subdivision 9, is amended to read:

Subd. 9. [DRAINAGE AUTHORITY.] "Drainage authority" means the board or joint county drainage authority having jurisdiction over a drainage system *or project*.

Sec. 6. Minnesota Statutes 1986, section 106A.005, subdivision 10, is amended to read:

Subd. 10. [DRAINAGE LIEN.] "Drainage lien" means a ~~recorded~~ *recorded* lien ~~against~~ *recorded on* property for *the costs of* drainage proceedings and construction ~~costs~~ and interest on the lien, as provided under this chapter.

Sec. 7. Minnesota Statutes 1986, section 106A.005, is amended by adding a subdivision to read:

Subd. 10a. [DRAINAGE PROJECT.] "*Drainage project*" means a new drainage system, an improvement of a drainage system, an improvement of an outlet, or a lateral.

Sec. 8. Minnesota Statutes 1986, section 106A.005, subdivision 11, is amended to read:

Subd. 11. [DRAINAGE SYSTEM.] "Drainage system" means a ~~ditch and tile~~ *system of ditch or tile, or both, to drain property, including laterals, improvements, and improvements of outlets, that is proposed to, established by, or constructed by a drainage authority.* "Drainage system" includes the improvement of a natural waterway used in the construction of a drainage system, and any part of a flood control plan proposed by the United States or its agencies in the drainage system.

Sec. 9. Minnesota Statutes 1986, section 106A.005, subdivision 12, is amended to read:

Subd. 12. [ENGINEER.] "Engineer" means the ~~county highway engineer of a county where affected property is located or a professional engineer registered under state law for a drainage project appointed by the drainage authority under section 106A.241, subdivision 1.~~

Sec. 10. Minnesota Statutes 1986, section 106A.005, subdivision 13, is amended to read:

Subd. 13. [ESTABLISHED.] "Established" means the drainage authority has made the ~~final~~ order to construct the drainage ~~system~~ project.

Sec. 11. Minnesota Statutes 1986, section 106A.005, subdivision 14, is amended to read:

Subd. 14. [LATERAL.] "Lateral" means any drainage construction by branch or extension, or a system of branches and extensions, ~~or a drain that connects or provides an outlet to property with an established drainage system.~~

Sec. 12. Minnesota Statutes 1986, section 106A.005, is amended by adding a subdivision to read:

Subd. 16a. [OWNER.] "Owner" means an owner of property or a buyer of property under a contract for deed.

Sec. 13. Minnesota Statutes 1986, section 106A.005, is amended by adding a subdivision to read:

Subd. 16b. [PASSES OVER.] "Passes over" means in reference to property that has a drainage project or system, the 40-acre tracts or government lots and property that is bordered by, touched by, or underneath the path of the proposed drainage project.

Sec. 14. Minnesota Statutes 1986, section 106A.005, subdivision 19, is amended to read:

Subd. 19. [PROCEEDING.] "Proceeding" means a procedure under this chapter for or related to drainage that begins with filing a petition and ends by dismissal or establishment of a drainage ~~system~~ project.

Sec. 15. Minnesota Statutes 1986, section 106A.011, subdivision 3, is amended to read:

Subd. 3. [PERMISSION OF COMMISSIONER FOR WORK IN PUBLIC WATERS; APPLICATION.] (a) The drainage authority must receive permission from the commissioner to:

- (1) remove, construct, or alter a dam affecting public waters;
- (2) establish, raise, or lower the level of public waters; or
- (3) drain any portion of a public water.

(b) The petitioners for a proposed drainage ~~system~~ project or the drainage authority may apply to the commissioner for permission to do work in public waters or for the determination of public waters status of a water body or watercourse.

Sec. 16. Minnesota Statutes 1986, section 106A.011, subdivision 4, is amended to read:

Subd. 4. [FLOOD CONTROL.] The drainage authority may construct necessary dams, structures, and improvements and maintain them to impound and release flood water to prevent damage. The dams, structures, and improvements may be constructed with or without a drainage ~~system~~ *project*. For a water body or watercourse that is not public waters the drainage authority may:

(1) lower, or establish the height of water in the water body or watercourse to control flood waters;

(2) build structures and improvements to maintain a water body or watercourse for flood control or other public purposes; and

(3) construct dikes or dams in a water body to maintain water at the height designated by the drainage authority and to drain part of the water body.

Sec. 17. Minnesota Statutes 1986, section 106A.015, is amended to read:

106A.015 [CONSIDERATIONS BEFORE DRAINAGE WORK IS DONE.]

Subdivision 1. [ENVIRONMENTAL AND LAND USE CRITERIA.] Before establishing a drainage ~~system~~ *project* the drainage authority must consider:

(1) private and public benefits and costs of the proposed drainage ~~system~~ *project*;

(2) the present and anticipated agricultural land acreage availability and use in the drainage *project or system*;

(3) the present and anticipated land use within the drainage *project or system*;

(4) flooding characteristics of property in the drainage *project or system and downstream for 5, 10, 25, and 50-year flood events*;

(5) the waters to be drained and alternative measures to conserve, allocate, and ~~develop~~ *use the waters including storage and retention of drainage waters*;

(6) the effect on water quality of constructing the proposed drainage ~~system~~ *project*;

(7) fish and wildlife resources affected by the proposed drainage ~~system~~ *project*;

(8) shallow groundwater availability, distribution, and use in the drainage *project or system*; and

(9) the overall environmental impact of all the above criteria.

Subd. 2. [DETERMINING PUBLIC UTILITY, BENEFIT, OR WELFARE.] In any proceeding to establish a drainage ~~system~~ *project*, or in the construction of or other work affecting a public drainage system under any law, the drainage authority or other authority having jurisdiction of the proceeding must give proper consideration to conservation of soil, water, forests, wild animals, and related natural resources, and to other public interests affected, together with other material matters as provided by law in determining whether the project will be of public utility, benefit, or welfare.

Sec. 18. Minnesota Statutes 1986, section 106A.021, is amended by adding a subdivision to read:

Subd. 4. [COMPLIANCE WORK BY DRAINAGE AUTHORITY.] If a property owner does not bring an area into compliance with this section as provided in the compliance notice, the inspection committee or drainage inspector must notify the drainage authority. If a property owner does not bring an area into compliance after being notified under section 106A.705, subdivision 1a, the drainage authority must issue an order to have the work performed to bring the property into compliance. After the work is completed, the drainage authority must send a statement of the expenses incurred to bring the property into compliance to the auditor of the county where the property is located and to the property owner.

Sec. 19. Minnesota Statutes 1986, section 106A.021, is amended by adding a subdivision to read:

Subd. 5. [COLLECTION OF COMPLIANCE EXPENSES.] (a) The amount of the expenses is a lien in favor of the drainage authority against the property where the expenses were incurred. The auditor must certify the expenses and enter the amount in the same manner as other drainage liens on the tax list for the following year. The amount must be collected in the same manner as real estate taxes for the property. The provisions of law relating to the collection of real estate taxes shall be used to enforce payment of amounts due under this section. The auditor must include a notice of collection of compliance expenses with the tax statement.

(b) The amounts collected under this subdivision must be deposited in the drainage system account.

Sec. 20. Minnesota Statutes 1986, section 106A.031, is amended to read:

106A.031 [CONNECTION WITH DRAINS IN ADJOINING STATES.]

Subdivision 1. [PROCEDURE.] If it is necessary to construct a drainage ~~system~~ project at or near the boundary between this state and another state or country and the work cannot be done in a proper manner without extending the drainage ~~system~~ project into the adjoining state or country, the drainage authority may join with the board or tribunal of the adjoining state or country having jurisdiction to plan and construct public drainage systems. The drainage authority in this state may enter into contracts or arrangements with the board or tribunal of the adjoining state or country to construct the drainage ~~system~~ project. The proceeding and construction related to property in this state and, as applicable, the drainage authority in relation to the joint drainage work, are governed by this chapter.

Subd. 2. [PAYMENT OF COSTS.] The adjoining county or district in another state or country must pay its proper share of the necessary costs of the construction of any drainage work including damages. If the benefits to property in the adjoining state or country are not sufficient to pay all the costs of construction of the drainage ~~system~~ project in that state or country, including damages, the drainage authority may authorize or direct the affected counties to contribute sufficient funds to complete the construction of the drainage ~~system~~ project in the adjoining state or country, if the construction will be of sufficient benefit to the affected property in this state to warrant the contribution.

Sec. 21. [106A.043] [INFORMAL MEETINGS.]

A drainage authority may hold informal meetings in addition to the meetings and hearings required in this chapter to inform persons affected by the drainage system about the drainage proceedings and provide a forum for informal discussions.

Sec. 22. Minnesota Statutes 1986, section 106A.051, is amended to read:

106A.051 [DEFECTIVE PROCEEDINGS.]

(a) A party may not take advantage of an error in a drainage proceeding or an informality, error, or defect appearing in the record of the proceeding or construction, unless the party complaining is directly affected. The modification of the benefits or damages to any property, or the enjoining of collection of any assessment, does not affect any other property or the collection of any assessment on other property.

(b) If a drainage ~~system~~ *project* has been established and a contract awarded in good faith, without collusion, and at a reasonable price:

(1) a defect or lack of notice in awarding, making, or executing the contract does not affect the enforcement of an assessment; and

(2) if the contract is performed in good faith in whole or in part, a defect does not invalidate the contract.

Sec. 23. Minnesota Statutes 1986, section 106A.055, is amended to read:

106A.055 [REIMBURSEMENT OF COST OF FORMER SURVEYS WHEN USED LATER.]

If after a proceeding has begun a survey has been made and a proceeding to establish a drainage ~~system~~ *project* has been dismissed or the drainage ~~system~~ *project* has not been established, and all or a part of the former survey is used by the engineer for a drainage proceeding in the same area, the amount saved in the subsequent proceedings must be paid to the proper parties according to this section. If the parties who paid the expense of the former survey make a petition, the drainage authority shall:

(1) determine the amount of benefit that was derived by the subsequent proceedings from the former survey;

(2) order the amount of the benefit to be paid to the proper parties; and

(3) charge the amount paid as a cost of the subsequent drainage proceeding.

Sec. 24. Minnesota Statutes 1986, section 106A.081, subdivision 2, is amended to read:

Subd. 2. [OBSTRUCTION OR DAMAGE OF A DRAINAGE SYSTEM.]

A person may not willfully obstruct or damage a drainage *project or system project*.

Sec. 25. Minnesota Statutes 1986, section 106A.081, subdivision 3, is amended to read:

Subd. 3. [ALTERING ENGINEER'S MARKING OF STAKES.] A person may not willfully change the location or alter markings of stakes set by the engineer in a drainage *project or system*.

Sec. 26. Minnesota Statutes 1986, section 106A.091, subdivision 4, is amended to read:

Subd. 4. [APPEAL TRIAL.] (a) The issues in the appeal are entitled to a trial by a jury ~~at the next term of~~ in the district court ~~after the appeal is filed that is held within~~ of the county where the drainage proceeding was pending.

(b) ~~If At the request of the appellant requests it,~~ the trial must be held ~~at the next term of~~ the district court of the county where the affected property is located. The court administrator of the district court where the appeal is first filed shall make, certify, and file with the court administrator of the district court of the county where the trial is transferred, a transcript of the papers and documents on file in the court administrator's office in the proceedings related to the matters of the appeal. After the final determination of the appeal, the court administrator of the district court that tried the appeal shall certify and return the verdict to the district court of the county where the drainage proceedings were filed.

(c) The appeal shall take precedence over all other civil court matters. If there is more than one appeal to be tried in one county, the court may, on its own motion or the motion of an interested party, consolidate two or more appeals and try them together, but the rights of the appellants must be determined separately. If the appellant does not prevail, the cost of the trial must be paid by the appellant.

(d) The court administrator of the district court where the appeal is filed shall file a certified copy of the final determination of the appeal with the auditor of the affected counties.

Sec. 27. Minnesota Statutes 1986, section 106A.095, subdivision 1, is amended to read:

Subdivision 1. [NOTICE OF APPEAL.] A party may appeal an order made by the board that dismisses drainage proceedings or establishes or refuses to establish a drainage ~~system~~ project to the district court of the county where the drainage proceedings are pending. The appellant must serve notice of the appeal to the auditor within 30 days after the order is filed. After notice of the appeal is served, the appeal may be brought to trial by the appellant or the drainage authority after notifying the other party at least ten days before the trial date.

Sec. 28. Minnesota Statutes 1986, section 106A.095, subdivision 3, is amended to read:

Subd. 3. [DETERMINATION OF BENEFITS AND DAMAGES AFTER COURT ORDER.] If the order establishing a drainage ~~system~~ project is appealed, the trial of appeals related to benefits or damages in the drainage proceeding must be stayed until the establishment appeal is determined. If the order establishing the drainage ~~system~~ project is affirmed, appeals related to benefits and damages must then be tried.

Sec. 29. Minnesota Statutes 1986, section 106A.095, subdivision 4, is amended to read:

Subd. 4. [PROCEDURE IF APPEAL ORDER ESTABLISHES DRAINAGE ~~SYSTEM~~ PROJECT.] If an order refusing to establish a drainage ~~system~~ project is appealed, and the court, by order, establishes the drainage ~~system~~ project, the auditor shall give notice by publication of the filed order. The notice is sufficient if it refers to the drainage project or system by number or other descriptive designation, states the meaning of the order, and states the date the court order was filed. A person may appeal the

establishment order to the district court as provided in this section.

Sec. 30. [106A.097] [PAYMENT OF ATTORNEY FEES ON APPEAL.]

If the commissioner of natural resources is a party making an appeal under section 106A.091 or 106A.095 and the commissioner does not prevail on the issues appealed, the court may award attorney fees to the party prevailing on the appeal. If more than one issue is appealed and the commissioner prevails on some issues and does not prevail on others, the court shall determine the amount of the attorney fee to be awarded.

Sec. 31. Minnesota Statutes 1986, section 106A.101, subdivision 2, is amended to read:

Subd. 2. [RECORD REQUIREMENTS.] All maps, plats, profiles, plans, and specifications prepared and used in relation to a proceeding must:

- (1) be uniform;
- (2) have each sheet bound and marked to identify the proceeding by the drainage project and system number;
- (3) show the name of the person preparing the sheet;
- (4) show the date the sheet was prepared; and
- (5) conform to rules and standards prescribed by the director of the division of waters.

Sec. 32. Minnesota Statutes 1986, section 106A.101, subdivision 4, is amended to read:

Subd. 4. [ENGINEER'S DOCUMENTS.] All original plats, profiles, records, and field books made by the engineer during the proceedings or the construction of a drainage ~~system~~ project are public records and the property of the drainage authority. These public records must be filed with the auditor under the direction of the drainage authority when construction is completed or when the engineer stops acting for the drainage ~~system~~ project, whichever is earlier.

Sec. 33. [106A.202] [PETITIONS.]

Subdivision 1. [APPLICABILITY.] *This section applies to a petition for a drainage project or a petition for repair.*

Subd. 2. [SIGNATURES ON PETITION.] (a) *A petition must be signed by a requisite number of owners of 40-acre tracts or government lots and property that the drainage project described in the petition passes over, or by the property owners of the required percentage of the property area determined by the total and percentage of area of 40-acre tracts or government lots that the proposed drainage project passes over, excluding areas in and holders of easements for utilities and roads. A petition may be signed by the commissioner of transportation or by a political subdivision if the property is in their jurisdiction and is passed over by the proposed drainage project.*

(b) *Each separate parcel of property counts as one signature but must be signed by all owners to count as a signature. The signature of each entity regardless of the number of parcels of property owned counts as one signature on the petition.*

(c) *Paragraph (a) does not apply to a petition for an improvement of an outlet.*

Subd. 3. [WITHDRAWAL OF A PETITIONER.] After a petition has been filed, a petitioner may not withdraw from the petition except with the written consent of all other petitioners on the filed petition.

Subd. 4. [FILING PETITION AND BOND.] A petition for a drainage project and a bond must be filed with the auditor. If a drainage system is within two or more counties, the petition must be filed with the auditor of the county with the greatest area of property that the proposed drainage project passes over.

Subd. 5. [PETITIONERS' BOND.] One or more petitioners must file a bond with the petition for at least \$10,000 that is payable to the county where the petition is filed, or for a petition for a proposed joint county drainage system or a petition for a drainage project affecting a joint county drainage system. The bond must be payable to all of the counties named in the petition. The bond must have adequate surety and be approved by the county attorney. The bond must be conditioned to pay the costs incurred if the proceedings are dismissed or a contract is not awarded to construct the drainage system proposed in the petition.

Subd. 6. [EXPENSES NOT TO EXCEED BOND.] The costs incurred before the proposed drainage project is established may not exceed the amount of the petitioners' bond. A claim for expenses greater than the amount of the bond may not be paid unless an additional bond is filed. If the drainage authority determines that the cost of the proceeding will be greater than the petitioners' bond before the proposed drainage project is established, the drainage authority must require an additional bond to cover all costs to be filed within a prescribed time. The proceeding must be stopped until the additional bond prescribed by the drainage authority is filed. If the additional bond is not filed within the time prescribed, the proceeding must be dismissed.

Sec. 34. [106A.212] [NEW DRAINAGE SYSTEM PROJECTS.]

Subdivision 1. [PROCEDURE.] To establish a new drainage system under this chapter, the petitioners and drainage authority must proceed according to this section and the provisions applicable to establishment of drainage projects.

Subd. 2. [SIGNATURES ON PETITION.] The petition for a new drainage system must be signed by a majority of the owners of the property that the proposed drainage system described in the petition passes over, or by the property owners of at least 60 percent of the area that the proposed new drainage system passes over.

Subd. 3. [PETITION REQUIREMENTS.] The petition must:

(1) describe the 40-acre tracts or government lots and property where the proposed new drainage system passes over, including names and addresses of the property owners from the county assessor's office;

(2) describe the starting point, the general course, and the terminus of the proposed drainage system;

(3) state why the proposed drainage system is necessary;

(4) state that the proposed drainage system will benefit and be useful to the public and will promote public health; and

(5) state that the petitioners will pay all costs of the proceedings if the proceedings are dismissed or the contract for the construction of the pro-

posed drainage system is not awarded.

Sec. 35. Minnesota Statutes 1986, section 106A.215, subdivision 4, is amended to read:

Subd. 4. [PETITION.] (a) ~~To start an improvement proceeding.~~ A petition must be signed by:

(1) at least 26 percent of the ~~resident~~ owners of the property affected by the proposed improvement;

(2) at least 26 percent of the ~~resident~~ owners of property that the proposed improvement passes over;

(3) the owners of at least 26 percent of the property area affected by the proposed improvement; or

(4) the owners of at least 26 percent of the property area that the proposed improvement passes over.

(b) The petition must be filed with the auditor or, for a drainage system in more than one county, with the auditor of the county having the largest area of property the improvement is located on.

(c) ~~The provisions of section 106A.201, subdivision 3, regarding signatures of public officials apply to this subdivision.~~

(d) The petition must:

(1) designate the drainage system proposed to be improved by number or another description that identifies the drainage system;

(2) state that the drainage system has insufficient capacity or needs enlarging or extending to furnish sufficient capacity or a better outlet;

(3) describe the starting point, general course, and terminus of any extension;

(4) *describe the improvement, including the names and addresses of owners of the 40-acre tracts or government lots and property that the improvement passes over;*

(5) state that the proposed improvement will be of public utility and promote the public health; and

(6) contain an agreement by the petitioners that they will pay all costs and expenses that may be incurred if the improvement proceedings are dismissed.

Sec. 36. Minnesota Statutes 1986, section 106A.215, subdivision 5, is amended to read:

Subd. 5. [SUBSEQUENT PROCEEDINGS.] When a petition and the bond required by section 106A.205 are filed, the auditor shall present the petition to the board at its next meeting or, for a joint county drainage system, to the joint county drainage authority within ten days after the petition is filed. The drainage authority shall appoint an engineer to examine the drainage system and make an improvement report. The improvement proceedings must proceed under this chapter as provided for the original proceedings for the establishment of a drainage system project. The benefits and damages determined must be as a result of the proposed improvement. Assessments for the repair of the improvement must be based on the benefits determined for the improvement.

Sec. 37. Minnesota Statutes 1986, section 106A.221, is amended to read:

106A.221 [IMPROVEMENT OF OUTLETS.]

Subdivision 1. [CONDITIONS FOR IMPROVEMENT OF OUTLETS.] If a public or private, proposed *drainage project* or existing drainage system has waters draining into an existing drainage system, watercourse, or body of water, and the construction or proposed construction of the drainage ~~system project~~ causes an overflow of the existing drainage system, watercourse, or body of water on adjoining property, an affected county or the owners of the overflowed property may start outlet improvement proceedings under this section.

Subd. 2. [PETITION.] (a) A petition must be signed by the board of an affected county, by at least 26 percent of the ~~resident~~ owners of adjoining overflowed property, or by the owners of at least 26 percent of the area of the overflowed property. The petition must:

(1) describe the property that has been or is likely to be overflowed *including the names and addresses of the property owners from the county assessor's office*;

(2) state in general terms by number or otherwise the drainage systems that have caused or are likely to cause the overflow;

(3) describe the location of the overflowed drainage system, watercourse, or body of water and the outlet;

(4) show the necessity of the improvement by enlarging the system or controlling the waters by off-take ditches, additional outlets, or otherwise;

(5) show that the outlet improvement will protect the adjoining property from overflow;

(6) state that the improvement will be of public benefit and utility and improve the public health; and

(7) state that the petitioners will pay all costs incurred if the proceedings are dismissed or a contract for the construction outlet improvement is not awarded.

(b) The petitioners, except for a petition made by the board, shall give the *required bond* ~~required by section 106A.205~~.

Subd. 3. [FILING OF PETITION.] The petition shall be filed with the county auditor. If the board makes the petition, it must be addressed to the drainage authority and filed with the auditor. If part of the improvement or the overflowed property is located in more than one county, the petition must be filed with the auditor *of the county with the greatest affected area*.

Subd. 4. [JURISDICTION OF BOARD AND DISTRICT COURT DRAINAGE AUTHORITY.] After the petition is filed, the board or joint county drainage authority where the petition is filed, has jurisdiction of the petition, the improvement, the affected property, and all proceedings for the establishment and construction of the outlet improvement and the assessment of property benefited by the outlet improvement, as provided for establishment and construction of a drainage ~~system project~~ under this chapter.

Subd. 5. [PRELIMINARY SURVEY REPORT REQUIREMENTS.] In the preliminary survey report, the engineer shall show the existing or pro-

posed drainage *projects or* systems that cause the overflow, the property drained or to be drained by the drainage ~~system~~ *project*, and the names of affected property owners.

Subd. 6. [BENEFITED PROPERTY TO BE DETERMINED BY VIEWERS.] If, after the preliminary survey report hearing, a detailed survey is ordered and viewers appointed, the viewers shall determine and report the benefits to all property from the outlet improvement including property drained or to be drained by the existing ~~or~~ *drainage system and* proposed drainage ~~system~~ *project*.

Sec. 38. Minnesota Statutes 1986, section 106A.225, is amended to read:

106A.225 [LATERALS.]

Subdivision 1. [PETITION.] (a) Persons that own property in the vicinity of an existing drainage system may petition for a lateral that connects their property with the drainage system. The petition must be signed by at least 26 percent of the ~~resident~~ owners of the property or by the owners of at least 26 percent of the area of the property ~~traversed by~~ *that* the lateral ~~passes over~~. The petition must be filed with the auditor, or for property in more than one county, the petition must be filed with the auditor of the county with the largest property area ~~traversed by~~ *passed over by* the lateral. The petition must:

(1) describe in general terms the starting point, general course, and terminus of the proposed lateral;

(2) describe the property ~~traversed by~~ the lateral *including the names and addresses of the property owners from the county assessor's office*;

(3) state the necessity to construct the lateral;

(4) state that, if constructed, the lateral will be of public benefit and utility and promote the public health;

(5) request that the lateral be constructed and connected with the drainage system; and

(6) provide that the petitioners will pay all costs incurred if the proceedings are dismissed or if a contract for the construction of the lateral is not awarded.

(b) The petitioners shall give the bond required by section 106A.205.

Subd. 2. [ESTABLISHMENT PROCEDURE.] After the petition is filed, the procedure to establish and construct the lateral is the same as that provided in this chapter to establish a ~~new~~ drainage ~~system~~ *project*.

Subd. 3. [AUTHORITY NECESSARY FOR PROPERTY NOT ASSESSED.] A lateral may not be constructed to drain property that is not assessed benefits for the existing ~~public~~ drainage system until express authority for the use of the existing *drainage* system as an outlet for the lateral has been obtained under section 106A.401.

Sec. 39. Minnesota Statutes 1986, section 106A.231, is amended to read:

106A.231 [DISMISSAL OR DELAY OF PROCEEDINGS BY PETITIONERS.]

Subdivision 1. [DISMISSAL.] (a) A proceeding under this chapter may

be dismissed by a majority of the petitioners if they own at least 60 percent of the area owned by all of the petitioners as described in the petition.

(b) The proceeding may be dismissed at any time before the proposed drainage ~~system project~~ is established after payment of the cost of the proceeding. *If the costs cannot be collected, each and all petitioners are liable for unpaid assessments.* The drainage authority shall determine and assess the cost of the proceeding *against the persons liable.* After the proceeding is dismissed any other action on the proposed drainage ~~system project~~ must begin with a new petition.

Subd. 2. [DELAY.] *The drainage authority may delay drainage proceedings and drainage project construction under this chapter if a majority of the petitioners petition for a delay and the drainage authority holds a hearing on the petition. The delay may be for a period determined by the drainage authority. The drainage authority shall determine the cost of the proceedings up to the time the proceedings are delayed and when the costs are to be paid. The costs may include interest on the costs due.*

Sec. 40. Minnesota Statutes 1986, section 106A.235, subdivision 1, is amended to read:

Subdivision 1. [DESIGNATION.] A petition for a proposed drainage ~~system project~~ in two or more counties must be designated as a joint county drainage system with a number assigned by the auditor of the county with the largest area of property in the drainage system.

Sec. 41. Minnesota Statutes 1986, section 106A.235, subdivision 2, is amended to read:

Subd. 2. [JOINT COUNTY DRAINAGE AUTHORITY.] The board where a petition for a proposed joint county drainage ~~system project~~ is filed shall notify the board of each county where property is affected by the drainage system and request the boards to meet jointly and consider the petition. The boards shall select five of their members at the meeting to be the drainage authority. At least one member must be from each board. The drainage authority shall be known as the joint county drainage authority with a joint county drainage ~~project or system~~ number. A vacancy in the membership of the joint county drainage authority must be filled by joint action of the boards.

Sec. 42. [106A.238] [COUNTY ATTORNEY REVIEW OF PETITION AND BOND.]

For a petition filed under this chapter, the auditor must have the county attorney review the petition and bond to determine if it meets the requirement of the proceedings for which it is intended. The county attorney must review the petition and bond within 30 days after it is filed. The county attorney must:

(1) *refer the petition and bond back to the petitioners if it does not meet the requirements, with the county attorney's opinion describing the deficiencies of the petition; or*

(2) *refer the petition to the drainage authority.*

Sec. 43. Minnesota Statutes 1986, section 106A.241, subdivision 1, is amended to read:

Subdivision 1. [APPOINTMENT.] Within 30 days after ~~filing the receiving a petition and bond from the county attorney~~, the drainage authority

shall, by order, appoint an engineer to make a preliminary survey within a prescribed time. *The engineer must be the county highway engineer of a county where the affected property is located or a professional engineer registered under state law.* The engineer is the engineer for the drainage ~~system~~ project throughout the proceeding and construction unless otherwise ordered. Each appointed engineer must file an oath and bond. The engineer may be removed by the drainage authority at any time. If the engineer position is vacant, the drainage authority shall appoint another engineer as soon as possible.

Sec. 44. Minnesota Statutes 1986, section 106A.241, subdivision 2, is amended to read:

Subd. 2. [OATH; BOND.] An appointed engineer must subscribe to an oath to faithfully perform the assigned duties in the best manner possible and file a bond with the auditor. Within ten days after being appointed, the drainage authority shall set an amount of at least \$5,000 for the bond. The bond must have adequate surety and be payable to the county where the petition is filed, or for a proposed joint county drainage ~~system~~ project to all counties in the petition. The bond must be conditioned to pay any person or the drainage authority for damages and injuries resulting from negligence of the engineer while the engineer is acting in the proceedings or construction, and provide that the engineer will diligently and honestly perform the engineer's duties. The bond is subject to approval by the auditor. The aggregate liability of the surety for all damages may not exceed the amount of the bond.

Sec. 45. Minnesota Statutes 1986, section 106A.241, subdivision 5, is amended to read:

Subd. 5. [CONSULTING ENGINEER.] After the engineer is appointed and before construction of the drainage ~~system~~ project is finished, the drainage authority may employ an engineer as a consulting engineer for the proceeding and construction. A consulting engineer shall advise the engineer and drainage authority on engineering matters and problems that may arise related to the proceeding and construction of the drainage ~~system~~ project. The drainage authority shall determine the compensation for the consulting engineer.

Sec. 46. Minnesota Statutes 1986, section 106A.245, is amended to read:

106A.245 [PRELIMINARY SURVEY AND PRELIMINARY SURVEY REPORT.]

Subdivision 1. [SURVEY.] The engineer shall proceed promptly to:

- (1) examine the petition and order;
- (2) make a preliminary survey of the area likely to be affected by the proposed drainage ~~system~~ project to enable the engineer to determine whether the proposed drainage ~~system~~ project is necessary and feasible with reference to the environmental and land use criteria in section 106A.015, subdivision 1;
- (3) examine and gather information related to determining whether the proposed drainage ~~system~~ project substantially affects areas that are public waters; and
- (4) if the proposed drainage ~~system~~ project requires construction of an

open channel, examine the nature and capacity of the outlet and any necessary extension.

Subd. 2. [LIMITATION OF SURVEY.] The engineer shall restrict the preliminary survey to the drainage area described in the petition, except that to secure an outlet the engineer may run levels necessary to determine the distance for the proper fall. The preliminary survey must consider the impact of the proposed drainage ~~system~~ *project* on the environmental and land use criteria in section 106A.015, subdivision 1. The drainage authority may have other areas surveyed after:

- (1) giving notice by mail of a hearing to survey additional areas, to be held at least ten days after the notice is mailed, to the petitioners and persons liable on the petitioners' bond;
- (2) holding the hearing;
- (3) obtaining consent of the persons liable on the petitioners' bond; and
- (4) ordering the additional area surveyed by the engineer.

Subd. 3. [ADOPTION OF FEDERAL PROJECT.] The engineer may approve and include as a part of the report, a project of the United States relating to drainage or flood control that is within the proposed drainage ~~system~~ *project* area, and may accept data, plats, plans, or information relating to the project furnished by United States engineers. The engineer does not need to make the preliminary survey if the material furnished by the United States is sufficient for the engineer to make the preliminary survey report.

Subd. 4. [PRELIMINARY SURVEY REPORT.] The engineer shall report the proposed drainage ~~system~~ *project* plan or recommend a different practical plan. The report must give sufficient information, in detail, to inform the drainage authority on issues related to feasibility, and show changes necessary to make the proposed plan practicable and feasible including extensions, laterals, and other work. If the engineer finds the proposed drainage ~~system~~ *project* in the petition is feasible and complies with the environmental and land use criteria in section 106A.015, subdivision 1, the engineer shall include in the preliminary survey report a preliminary plan of the ~~proposed system~~ *drainage project* showing the proposed ditches, tile, laterals, and other improvements, the outlet of the ~~system~~ *project*, the watershed of the drainage ~~project or system~~, and the property likely to be affected and its known owners. The plan must show:

- (1) the elevation of the outlet and the controlling elevations of the property likely to be affected referenced to standard sea level datum, if practical;
- (2) the probable size and character of the ditches and laterals necessary to make the plan practicable and feasible;
- (3) the character of the outlet and whether it is sufficient;
- (4) the probable cost of the drains and improvements shown on the plan;
- (5) all other information and data necessary to disclose the practicability, necessity, and feasibility of the proposed drainage ~~system~~ *project*;
- (6) consideration of the *drainage* project under the environmental and land use criteria in section 106A.015, subdivision 1, ~~of the proposed drainage system~~; and
- (7) other information as ordered by the drainage authority.

Sec. 47. Minnesota Statutes 1986, section 106A.251, is amended to read:

106A.251 [FILING PRELIMINARY SURVEY REPORT.]

The engineer shall file the completed preliminary survey report in duplicate with the auditor. The auditor shall send one copy of the report to the director. If the proposed drainage ~~system~~ *project* involves a joint county drainage *project or* system, a copy of the report must be filed with the auditor of each affected county.

Sec. 48. Minnesota Statutes 1986, section 106A.261, subdivision 1, is amended to read:

Subdivision 1. [NOTICE.] When the preliminary survey report is filed, the auditor shall promptly notify the drainage authority. The drainage authority in consultation with the auditor shall set a time, by order, not more than 30 days after the date of the order, for a hearing on the preliminary survey report. At least ten days before the hearing, the drainage authority after consulting with the auditor shall give notice by mail of the time and location of the hearing to the petitioners, owners of property, and political subdivisions likely to be affected by the proposed drainage ~~system~~ *project* in the preliminary survey report.

Sec. 49. Minnesota Statutes 1986, section 106A.261, subdivision 3, is amended to read:

Subd. 3. [SUFFICIENCY OF PETITION.] (a) The drainage authority shall first examine the petition and determine if it meets the legal requirements.

(b) If the petition does not meet the legal requirements of this chapter, the hearing shall be adjourned ~~and until a specified date by which the petitioners must resubmit the petition.~~ The petition *must be* referred back to the petitioners. ~~The petitioners who,~~ by unanimous action, may amend the petition. The petitioners may obtain signatures of additional property owners as added petitioners.

(c) *When the hearing is reconvened, if at the adjourned hearing* the petition is *not resubmitted or* does not meet the legal requirements, the proceedings must be dismissed.

Sec. 50. Minnesota Statutes 1986, section 106A.261, subdivision 4, is amended to read:

Subd. 4. [DISMISSAL.] (a) The drainage authority shall dismiss the proceedings if it determines that:

(1) the proposed drainage ~~system~~ *project* is not feasible;

(2) the adverse environmental impact is greater than the public benefit and utility after considering the environmental and land use criteria in section 106A.015, subdivision 1, and the engineer has not reported a plan to make the proposed drainage ~~system~~ *project* feasible and acceptable;

(3) the proposed drainage ~~system~~ *project* is not of public benefit or utility;
or

(4) the outlet is not adequate.

(b) If the proceedings are dismissed, any other action on the proposed drainage ~~system~~ *project* must begin with a new petition.

Sec. 51. Minnesota Statutes 1986, section 106A.261, subdivision 5, is

amended to read:

Subd. 5. [FINDINGS AND ORDER.] (a) The drainage authority shall state, by order, its findings and any changes that must be made in the proposed drainage ~~system~~ *project* from those outlined in the petition, including changes necessary to minimize or mitigate adverse impact on the environment, if it determines that:

(1) the proposed drainage ~~system~~ *project* outlined in the petition, or modified and recommended by the engineer, is feasible;

(2) there is necessity for the proposed drainage ~~system~~ *project*;

(3) the proposed drainage ~~system~~ *project* will be of public benefit and promote the public health, after considering the environmental and land use criteria in section 106A.015, subdivision 1; and

(4) the outlet is adequate.

(b) Changes may be stated by describing them in general terms or filing a map that outlines the changes in the proposed drainage ~~system~~ *project* with the order. The order and accompanying documents must be filed with the auditor.

Sec. 52. Minnesota Statutes 1986, section 106A.261, subdivision 6, is amended to read:

Subd. 6. [OUTLET IS EXISTING DRAINAGE SYSTEM.] If the outlet is an existing drainage system, the drainage authority may determine that the outlet is adequate and obtain permission to use the existing drainage system as an outlet. The drainage authority shall assign a number to the proposed drainage ~~system~~ *project* and proceed under section 106A.401 to act in behalf of the proposed drainage ~~system~~ *project*.

Sec. 53. Minnesota Statutes 1986, section 106A.261, subdivision 7, is amended to read:

Subd. 7. [EFFECT OF FINDINGS.] (a) For all further proceedings, the order modifies the petition and the order must be considered with the petition.

(b) The findings and order of the drainage authority at the preliminary hearing are conclusive only for the signatures and legal requirements of the petition, the nature and extent of the proposed plan, and the need for a detailed survey, and only for the persons or parties shown by the preliminary survey report as likely to be affected by the proposed drainage ~~system~~ *project*. All questions related to the practicability and necessity of the proposed drainage ~~system~~ *project* are subject to additional investigation and consideration at the final hearing.

Sec. 54. Minnesota Statutes 1986, section 106A.265, subdivision 1, is amended to read:

Subdivision 1. [ORDER.] When the preliminary hearing order is filed with the auditor, the drainage authority shall order the engineer to make a detailed survey with plans and specifications for the proposed drainage ~~system~~ *project* and submit a detailed survey report to the drainage authority as soon as possible.

Sec. 55. Minnesota Statutes 1986, section 106A.271, subdivision 1, is amended to read:

Subdivision 1. [SURVEY AND EXAMINATION.] When an order for a detailed survey is filed, the engineer shall proceed to survey the lines of the proposed drainage ~~system~~ *project* in the preliminary hearing order, and survey and examine affected property.

Sec. 56. Minnesota Statutes 1986, section 106A.275, is amended to read:

106A.275 [ENGINEER'S VARIANCE FROM DRAINAGE AUTHORITY ORDER.]

(a) In planning a proposed drainage ~~system~~ *project*, the engineer may vary from the starting point and the line and plan described by the preliminary hearing order if necessary to drain the property likely to be assessed in the proposed drainage ~~system~~ *project*.

(b) The engineer may:

(1) survey and recommend the location of additional necessary ditches and tile;

(2) where better results will be accomplished and more desirable outlets secured, provide for the extension of the outlet; and

(3) provide for different parts of the drainage to flow in different directions with more than one outlet.

(c) The open ditches do not have to connect if they drain the area to be affected in the petition. The variance must be reported with similar information in the detailed survey report.

Sec. 57. Minnesota Statutes 1986, section 106A.281, is amended to read:

106A.281 [SOIL SURVEY.]

The engineer shall make a soil survey if: (1) the drainage authority orders a soil survey; (2) the commissioner requests a soil survey; or (3) the engineer determines a soil survey is necessary. The soil survey must show the nature and character of the soil in the proposed drainage *project* area and include the engineer's findings from the soil survey. The report on the soil survey must be included in the detailed survey report or reported and filed separately before the final hearing.

Sec. 58. Minnesota Statutes 1986, section 106A.285, subdivision 2, is amended to read:

Subd. 2. [MAP] A complete map of the proposed *drainage project and drainage system* must be drawn to scale, showing:

(1) the terminus and course of each drain and whether it is ditch or tile, and the location of other proposed drainage works;

(2) the location and situation of the outlet;

(3) the watershed of the proposed drainage ~~system~~ *project* and the sub-watershed of main branches, if any, with the location of existing highway bridges and culverts;

(4) all property affected, with the names of the known owners;

(5) public roads and railways affected;

(6) the outline of any lake basin, wetland, or public water body affected;

(7) other physical characteristics of the watershed necessary to understand the proposed *drainage project and the affected drainage system*; and

(8) *the area to be acquired to maintain a grass strip under section 106A.021.*

Sec. 59. Minnesota Statutes 1986, section 106A.285, subdivision 4, is amended to read:

Subd. 4. [BRIDGE AND CULVERT PLANS.] Plans for private bridges and culverts to be constructed by and as a part of the proposed drainage *system project* and plans for other works to be constructed for the proposed drainage *system project* must be presented. A list must be made that shows the required minimum hydraulic capacity of bridges and culverts at railways and highways that cross ditches, and at other prospective ditch crossings where bridges and culverts are not specified to be constructed as part of the proposed drainage *system project*. Plans and estimates of the cost of highway bridges and culverts must be prepared for the viewers to determine benefits and damages.

Sec. 60. Minnesota Statutes 1986, section 106A.285, subdivision 5, is amended to read:

Subd. 5. [TABULAR STATEMENT OF EXCAVATION, CONSTRUCTION, AND COST.] A tabular statement must be prepared showing:

(1) the number of cubic yards of excavation, linear feet of tile, and average depth on each tile line;

(2) the bridges, culverts, and works to be constructed under the plans for the *system drainage project*; and

(3) the estimated unit cost of each item, a summary of the total cost, and an estimate of the total cost of completing the proposed drainage *system project* that includes supervision and other costs.

Sec. 61. Minnesota Statutes 1986, section 106A.285, subdivision 6, is amended to read:

Subd. 6. [RIGHT-OF-WAY ACREAGE.] The acreage must be shown that will be taken for ditch right-of-way on each government lot, 40 acre tract, or fraction of a lot or tract under separate ownership. *The ditch right-of-way must include the area to be taken to maintain a grass strip under section 106A.021.*

Sec. 62. Minnesota Statutes 1986, section 106A.285, subdivision 9, is amended to read:

Subd. 9. [RECOMMENDATION FOR DIVISION OF WORK.] If construction of the proposed drainage *system project* would be more economical, the engineer may recommend: (1) that the work be divided into sections and contracted separately; (2) that the ditch and tile work or tile and labor on the *system project* be contracted separately, or (3) the time and manner for the work to be completed.

Sec. 63. Minnesota Statutes 1986, section 106A.285, subdivision 10, is amended to read:

Subd. 10. [OTHER INFORMATION ON PRACTICABILITY AND NECESSITY OF DRAINAGE *SYSTEM PROJECT*.] Other data and information to inform the drainage authority of the practicability and necessity of the proposed drainage *system project* must be made available including

a comprehensive examination and the recommendation by the engineer regarding the environmental and land use criteria in section 106A.015, subdivision 1.

Sec. 64. Minnesota Statutes 1986, section 106A.295, is amended to read:

106A.295 [REVISION OF ENGINEER'S DETAILED SURVEY REPORT AFTER ACCEPTANCE.]

After the final acceptance of the proposed drainage ~~system~~ project, the engineer shall revise the plan, profiles, and designs of structures to show the *drainage* project as actually constructed on the original tracings. The engineer shall file the revised detailed survey report with the auditor. The auditor shall forward the original or a copy to the director as a permanent record.

Sec. 65. Minnesota Statutes 1986, section 106A.301, is amended to read:

106A.301 [COMMISSIONER'S FINAL ADVISORY REPORT.]

(a) The commissioner shall examine the detailed survey report and within 30 days of receipt make a final advisory report to the drainage authority. The final advisory report must state whether the commissioner:

(1) finds the detailed survey report is incomplete and not in accordance with the provisions of this chapter, specifying the incomplete or nonconforming provisions;

(2) approves the detailed survey report as an acceptable plan to drain the property affected;

(3) does not approve the plan and recommendations for changes;

(4) finds the proposed drainage ~~system~~ project is not of public benefit or utility under the environmental and land use criteria in section 106A.015, subdivision 1, specifying the facts and evidence supporting the findings; or

(5) finds a soil survey is needed, and, if it is, makes a request to the engineer to make a soil survey.

(b) The commissioner shall direct the final advisory report to the drainage authority and file it with the auditor.

Sec. 66. Minnesota Statutes 1986, section 106A.305, subdivision 1, is amended to read:

Subdivision 1. [APPOINTMENT.] When the order for a detailed survey is made, the drainage authority shall, by order, appoint viewers consisting of three disinterested ~~resident property owners of the counties affected by the proposed drainage system~~ residents of the state qualified to assess benefits and damages. *The drainage authority may establish qualifications for viewers.*

Sec. 67. Minnesota Statutes 1986, section 106A.311, is amended to read:

106A.311 [VIEWERS' DUTIES.]

The viewers, with or without the engineer, shall determine the benefits and damages to all property affected by the proposed drainage ~~system~~

project and make a viewers' report.

Sec. 68. Minnesota Statutes 1986, section 106A.315, subdivision 1, is amended to read:

Subdivision 1. [STATE LAND.] Property owned by the state must have benefits and damages reported in the same manner as taxable lands subject to the provisions relating to conservation areas in section ~~106A.015, subdivision 2~~ 106A.025.

Sec. 69. Minnesota Statutes 1986, section 106A.315, subdivision 2, is amended to read:

Subd. 2. [GOVERNMENT PROPERTY.] The viewers shall report the benefits and damages to the state, counties, and municipalities from the proposed drainage ~~system project~~. *The property within the jurisdiction of a municipality, whether owned by the municipality or by private parties, may be assessed as benefits and damages against the municipality.*

Sec. 70. Minnesota Statutes 1986, section 106A.315, subdivision 5, is amended to read:

Subd. 5. [EXTENT AND BASIS OF BENEFITS.] (a) The viewers shall determine the amount of benefits to all property ~~benefited~~ *within the watershed*, whether the property is benefited immediately by the construction of the proposed drainage ~~system project~~ or the proposed drainage ~~system project~~ can become an outlet for drainage, makes an outlet more accessible, or otherwise directly benefits the property. *The benefits may be based on:*

(1) an increase in the current market value of property as a result of constructing the project;

(2) an increase in the potential for agricultural production as a result of constructing the project; or

(3) an increased value as a result of a potential different land use.

(b) Benefits and damages may only be assessed against the property benefited or damaged or an easement interest in property for the exclusive use of the surface of the property.

Sec. 71. Minnesota Statutes 1986, section 106A.315, subdivision 6, is amended to read:

Subd. 6. [BENEFITS FOR PROPOSED DRAINAGE SYSTEM PROJECT AS OUTLET.] (a) If the proposed drainage ~~system project~~ furnishes an outlet to an existing drainage system and benefits the property drained by the existing system, the viewers shall equitably determine and assess:

(1) the benefits of the proposed drainage ~~system project~~ to each tract or lot drained by the existing drainage system;

(2) a single amount as an outlet benefit to the existing drainage system;
or

(3) benefits on a watershed acre basis.

(b) Assessments that conform with the provisions in this subdivision are valid. If a single sum is assessed as an outlet benefit, the lien for the assessment must be prorated on all property benefited by the existing drainage system in proportion to the benefits determined ~~in~~ *for* the existing drainage system ~~proceeding~~.

(c) Within the watershed that drains to the area where a project is located, the viewers may assess outlet benefits on:

(1) property that is responsible for increased siltation in downstream areas of the watershed; and

(2) property that is responsible for increased drainage system maintenance or increased drainage system capacity because the natural drainage on the property has been altered or modified to accelerate the drainage of water from the property.

Sec. 72. Minnesota Statutes 1986, section 106A.315, is amended by adding a subdivision to read:

Subd. 7. [BENEFITS FOR PROJECT THAT INCREASES DRAINAGE CAPACITY.] If part of a drainage project increases drainage capacity and the increased capacity is necessary due to increased drainage in the project watershed rather than increased drainage in a specific area, the viewers may assess benefits on property in the project watershed on a pro rata basis.

Sec. 73. Minnesota Statutes 1986, section 106A.315, is amended by adding a subdivision to read:

Subd. 8. [EXTENT OF DAMAGES.] Damages to be paid may include:

(1) the fair market value of the property required for the channel of an open ditch and the permanent grass strip under section 106A.021;

(2) the diminished value of a farm due to severing a field by an open ditch;

(3) loss of crop production during drainage project construction; and

(4) the diminished productivity or land value from increased overflow.

Sec. 74. Minnesota Statutes 1986, section 106A.321, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENTS.] (a) The viewers' report must show, in tabular form, for each lot, 40 acre tract, and fraction of a lot or tract under separate ownership that is benefited or damaged:

(1) a description of the lot or tract, under separate ownership, that is benefited or damaged;

(2) the names of the owners as they appear on the current tax records of the county and their addresses;

(3) the number of acres in each tract or lot;

(4) the number and value of acres added to a tract or lot by the proposed drainage of meandered lakes public waters;

(5) the damage, if any, to riparian rights; and

(6) the damages paid for the permanent grass strip under section 106A.021;

(7) the total number and value of acres added to a tract or lot by the proposed drainage of public waters, wetlands, and other areas not currently being cultivated;

(8) the number of acres and amount of benefits being assessed for drainage of areas which before the drainage benefits could be realized would require a permit to work in public waters under section 105.42, to excavate

or fill a navigable water body under United States Code, title 33, section 403, or a permit to discharge into waters of the United States under United States Code, title 33, section 1344;

(9) the number of acres and amount of benefits being assessed for drainage of areas that would be considered conversion of a wetland under United States Code, title 16, section 3821, if the area was placed in agricultural production;

(10) the amount of right-of-way acreage required; and

(11) the amount that each tract or lot will be benefited or damaged.

Sec. 75. Minnesota Statutes 1986, section 106A.321, is amended by adding a subdivision to read:

Subd. 1a. [BENEFITS AND DAMAGES STATEMENT.] (a) The viewers' report must include a benefits and damages statement that shows for each owner how the benefits or damages for similar tracts or lots were determined. For similar tracts or lots the report must describe:

(1) the existing land use, property value, and economic productivity;

(2) the potential land use, property value, and economic productivity after the drainage project is constructed; and

(3) the benefits or damages from the proposed drainage project.

(b) The soil and water conservation districts and county assessors shall cooperate with viewers to provide information required under paragraph (a).

Sec. 76. [106A.323] [PROPERTY OWNERS' REPORT AND FINAL PETITION NOTICE.]

Subdivision 1. [REPORT TO PROPERTY OWNERS.] Within 30 days after the viewers' report is filed, the auditor must make a property owners' report from the information in the viewers' report showing for each property owner benefited or damaged by the proposed drainage project:

(1) the name and address of the property owner;

(2) each lot or tract and its area that is benefited or damaged;

(3) the total number and value of acres added to a tract or lot by the proposed drainage of public waters, wetlands, and other areas not currently being cultivated;

(4) the number of acres and amount of benefits being assessed for drainage of areas which before the drainage benefits could be realized would require a permit to work in public waters under section 105.42, to excavate or fill a navigable water body under United States Code, title 33, section 403, or a permit to discharge into waters of the United States under United States Code, title 33, section 1344;

(5) the number of acres and amount of benefits being assessed for drainage of areas that would be considered conversion of a wetland under United States Code, title 16, section 3821, if the area was placed in agricultural production;

(6) the damage, if any, to riparian rights;

(7) the amount of right-of-way acreage required;

- (8) *the amount that each tract or lot will be benefited or damaged;*
- (9) *the net damages or benefits to each property owner;*
- (10) *the estimated cost to be assessed to the property owner based on the cost of the drainage project in the engineer's detailed survey report; and*
- (11) *a copy of the benefits and damages statement under section 106A.321, subdivision 1a, paragraph (a), relating to the property owner.*

Subd. 2. [MAILING.] The auditor must mail a copy of the property owners' report to each property owner affected by the proposed drainage project, and may prepare and file an affidavit of mailing.

Sec. 77. Minnesota Statutes 1986, section 106A.325, subdivision 2, is amended to read:

Subd. 2. [NOTICE.] (a) The final hearing notice must state:

- (1) that the petition is pending;
- (2) that the detailed survey report is filed;
- (3) that the viewers' report is filed;
- (4) the time and place set for the final hearing;
- (5) a brief description of the proposed *drainage project and affected drainage system*, giving in general terms the starting point, terminus, and general course of the main ditch and branches;
- (6) a description of property benefited and damaged, and the names of the owners of the property; and
- (7) the municipal and other corporations affected by the proposed *drainage system project* as shown by the detailed survey report and viewers' report.

(b) Names may be listed in a narrative form and property affected may be separately listed in narrative form by governmental sections or otherwise.

(c) For a joint county proceeding, separate notice may be prepared for each county affected, showing the portion of the proposed *drainage system project* and the names and descriptions of affected property in the county.

Sec. 78. Minnesota Statutes 1986, section 106A.325, subdivision 3, is amended to read:

Subd. 3. [METHOD OF NOTICE.] The auditor shall notify the drainage authority, auditors of affected counties, and all interested persons of the time and location of the final hearing by publication, posting, and mail. A printed copy of the final hearing notice for each affected county must be posted at least three weeks before the date of the final hearing at the front door of the courthouse in each county. Within one week after the first publication of the notice, the auditor shall give notice by mail of the time and location of the final hearing to the commissioner, all property owners, and others affected by the proposed *drainage system project* and listed in the detailed survey report and the viewers' report.

Sec. 79. Minnesota Statutes 1986, section 106A.335, subdivision 1, is amended to read:

Subdivision 1. [CONSIDERATION OF PETITION AND REPORTS.] At

the time and location for the final hearing specified in the notice, or after the hearing adjourns, the drainage authority shall consider the petition for the drainage *system project*, with all matters pertaining to the detailed survey report, the viewers' report, and the commissioner's final advisory report. The drainage authority shall hear and consider the testimony presented by all interested parties. The engineer or the engineer's assistant and at least one viewer shall be present. The director may appear and be heard. If the director does not appear personally, the final advisory report shall be read during the hearing. The final hearing may be adjourned and reconvened as is necessary.

Sec. 80. Minnesota Statutes 1986, section 106A.335, subdivision 3, is amended to read:

Subd. 3. [REEXAMINATION.] If the drainage authority determines that property not included in the notice should be included and assessed or that the engineer or viewers, or both, should reexamine the proposed drainage *system project* or the property benefited or damaged by the system, the drainage authority may resubmit the reports to the engineer and viewers. If a report is resubmitted the final hearing may be continued as is necessary to make the reexamination and reexamination report. If the reexamination report includes property not included in the original report, the drainage authority may, by order, adjourn the hearing and direct the auditor to serve or publish, post, and mail a final hearing notice with reference to all property not included in the previous notice. The jurisdiction of the drainage authority continues in the property given proper notice, and new or additional notice is not required for that property.

Sec. 81. Minnesota Statutes 1986, section 106A.341, is amended to read:

106A.341 [DRAINAGE AUTHORITY FINAL ORDER.]

Subdivision 1. [DISMISSAL OF PROCEEDINGS.] The drainage authority must dismiss the proceedings and petition, by order, if it determines that:

(1) the benefits of the proposed drainage *system project* are less than the total cost, including damages awarded;

(2) the proposed drainage *system project* will not be of public benefit and utility; or

(3) the proposed drainage *system project* is not practicable after considering the environmental and land use criteria in section 106A.015, subdivision 1.

Subd. 2. [ESTABLISHMENT OF PROPOSED DRAINAGE SYSTEM.]

(a) The drainage authority shall establish, by order, a proposed drainage *system project* if it determines that:

(1) the detailed survey report and viewers' report have been made and other proceedings have been completed under this chapter;

(2) the reports made or amended are complete and correct;

(3) the damages and benefits have been properly determined;

(4) the estimated benefits are greater than the total estimated cost, including damages;

(5) the proposed drainage *system project* will be of public utility and

benefit, and will promote the public health; and

(6) the proposed drainage ~~system~~ *project* is practicable.

(b) The order must contain the drainage authority's findings, adopt and confirm the viewers' report as made or amended, and establish the proposed drainage ~~system~~ *project* as reported and amended.

Sec. 82. Minnesota Statutes 1986, section 106A.345, is amended to read:

106A.345 [APPORTIONMENT OF COST FOR JOINT COUNTY DRAINAGE SYSTEMS.]

For joint county proceedings, the auditor where the petition is filed shall file a certified copy of the viewers' report with the auditor of each affected county within 20 days after the date of the final order establishing the system. When the final order to establish the drainage ~~system~~ *project* is made, the drainage authority shall determine and order the percentage of the cost of the drainage ~~system~~ *project* to be paid by each affected county. The cost shall be in proportion to the benefits received, unless there is a contrary reason. An auditor of an affected county may petition the drainage authority after the final order is made to determine and order the percentage of costs to be paid by the affected counties. The drainage authority shall hold a hearing five days after giving written notice to the auditor of each affected county. After giving the notice to the auditors of the affected counties, the drainage authority may, at any time that it is necessary, modify an order or make an additional order to allocate the cost among the affected counties.

Sec. 83. Minnesota Statutes 1986, section 106A.351, is amended to read:

106A.351 [REDETERMINATION OF BENEFITS AND DAMAGES.]

Subdivision 1. [CONDITIONS TO REDETERMINE BENEFITS AND DAMAGES; APPOINTMENT OF VIEWERS.] If the drainage authority determines that the original benefits *or damages* determined in a drainage proceeding do not reflect reasonable present day land values or that the benefited *or damaged* areas have changed, or if more than 50 percent of the property owners benefited *or damaged* by a drainage system petition for correction of an error that was made at the time of the proceedings that established the drainage system, the drainage authority may appoint three viewers to redetermine and report the benefits *and damages* and the benefited *and damaged* areas.

Subd. 2. [HEARING AND PROCEDURE.] ~~The drainage authority shall hold a hearing on the report and confirm the benefits and benefited areas.~~
(a) The redetermination of benefits *and damages* shall proceed as provided for viewers and the viewers' report in sections 106A.311 to 106A.321, ~~and for~~.

(b) *The auditor must prepare a property owner's report from the viewer's report. A copy of the property owner's report must be mailed to all persons affected by the drainage system.*

(c) *The drainage authority shall hold a final hearing on the report and confirm the benefits and damages and benefited and damaged areas. The final hearing shall proceed as provided under sections 106A.325, 106A.335, and 106A.341, except that the hearing shall be held within 30 days after*

the property owner's report is mailed.

Subd. 3. [REDETERMINED BENEFITS AND DAMAGES REPLACE ORIGINAL BENEFITS AND DAMAGES.] The redetermined benefits and damages and benefited and damaged areas must be used in place of the original benefits and damages and benefited and damaged areas in all subsequent proceedings relating to the drainage system.

Subd. 4. [APPEAL.] A person aggrieved by the redetermination of benefits and damages and benefited and damaged areas may appeal from the order confirming the benefits and damages and benefited and damaged areas under section 106A.091.

Sec. 84. Minnesota Statutes 1986, section 106A.401, subdivision 2, is amended to read:

Subd. 2. [EXPRESS AUTHORITY NECESSARY.] After the construction of a drainage system project, a public or private drainage system that drains property not assessed for benefits for the established drainage system may not be constructed to use the established drainage system as an outlet without obtaining express authority from the drainage authority of the drainage system proposed to be used as the outlet. This section is applicable to the construction of a public or private drainage system that outlets water into an established drainage system regardless of the actual physical connection.

Sec. 85. Minnesota Statutes 1986, section 106A.401, subdivision 6, is amended to read:

Subd. 6. [PAYMENT OF OUTLET FEE.] The outlet fee for a proposed drainage system project is a part of the cost of the proposed drainage system project and is to be paid by assessment against the property benefited by the proposed drainage system project, under section 106A.601, and credited to the established drainage system account.

Sec. 86. Minnesota Statutes 1986, section 106A.401, is amended by adding a subdivision to read:

Subd. 7. [UNAUTHORIZED OUTLET INTO DRAINAGE SYSTEM.]
(a) *The drainage authority must notify a property owner of an unauthorized outlet into a drainage system and direct the property owner to block the outlet or otherwise make the outlet ineffective by a specified time. The outlet must be blocked and remain ineffective until:*

(1) an outlet fee is paid, which is determined by the drainage authority based on the benefits received by the property owner for the period the unauthorized outlet was operational; and

(2) the drainage authority approves a petition for the outlet and establishes the outlet fee.

(b) If a property owner does not block or make the outlet ineffective after being notified, the drainage authority must issue an order to have the work performed to bring the outlet into compliance. After the work is completed, the drainage authority must send a statement to the auditor of the county where the property is located and to the property owner containing the expenses incurred to bring the outlet into compliance and the outlet fee based on the benefits received by the property owner during the period the unauthorized outlet was operational.

Sec. 87. Minnesota Statutes 1986, section 106A.401, is amended by

adding a subdivision to read:

Subd. 8. [COLLECTION OF UNAUTHORIZED OUTLET COMPLIANCE EXPENSES.] (a) The amount of the expenses and outlet fee is a lien in favor of the drainage authority against the property where the unauthorized outlet is located. The auditor must certify the expenses and outlet fee and enter the amount in the same manner as other drainage liens on the tax list for the following year. The amount must be collected in the same manner as real estate taxes for the property. The provisions of law relating to the collection of real estate taxes shall be used to enforce payment of amounts due under this section. The auditor must include a notice of collection of unauthorized outlet compliance expenses with the tax statement.

(b) The amounts collected under this subdivision must be deposited in the drainage system account.

Sec. 88. Minnesota Statutes 1986, section 106A.405, is amended to read:

106A.405 [OUTLETS IN ADJOINING STATES.]

In any drainage proceeding, at the hearing on the detailed survey report and viewers' report, if the drainage authority determines that a proper outlet for the drainage system does not exist, except through property in an adjoining state, the drainage authority may adjourn the hearing. If the hearing is adjourned the drainage authority shall require the auditor or, for a joint county drainage system, the auditors of affected counties to procure an option to acquire the needed right-of-way at an expense not exceeding the estimated cost specified in the detailed survey report. The order establishing the drainage ~~system~~ project may not be made until the option is procured. If the option is procured and the drainage ~~system~~ project established, the option shall be exercised and the cost of the right-of-way shall be paid as a part of the cost of the drainage ~~system~~ project.

Sec. 89. Minnesota Statutes 1986, section 106A.411, subdivision 3, is amended to read:

Subd. 3. [FILING; NOTICE.] (a) If proceedings to establish the drainage ~~system~~ project to be used as an outlet are pending, the petition must be filed with the auditor. The municipal drainage system petition must be presented to the drainage authority at the final hearing to consider the detailed survey report and viewers' report. Notice of the municipal drainage system petition must be included in the final hearing notice.

(b) If the drainage system to be used as an outlet is established, the municipal drainage system petition must be filed with the auditor. When the petition is filed, the drainage authority in consultation with the auditor shall, by order, set a time and place for hearing on the petition. Notice of the hearing must be given by publication and by mailed notice to the auditor of each affected county.

Sec. 90. Minnesota Statutes 1986, section 106A.411, subdivision 4, is amended to read:

Subd. 4. [HEARING AND ORDER.] (a) At the hearing the drainage authority may receive all evidence of interested parties for or against the granting of the petition. The drainage authority, by order, may authorize the municipality to use the drainage system as an outlet, subject to the conditions that are necessary and proper to protect the rights of the parties

and safeguard the interests of the general public, if the drainage authority determines:

(1) that a necessity exists for the use of the drainage system as an outlet for the municipal drainage system or the overflow from the system;

(2) that use of the drainage system will be of public utility and promote the public health; and

(3) that the proposed connection conforms to the requirements of the pollution control agency and provides for the construction and use of proper disposal works.

(b) The drainage authority must, by order, make the municipality a party to the drainage proceedings and determine the benefits from using the drainage *project or system* as an outlet.

Sec. 91. Minnesota Statutes 1986, section 106A.501, subdivision 4, is amended to read:

Subd. 4. [CONTRACT PROVISIONS FOR CHANGES DURING CONSTRUCTION.] The contract must give the engineer the right, with the consent of the drainage authority, to modify the detailed survey report, plans, and specifications as the work proceeds and as circumstances require. The contract must provide that the increased cost resulting from the changes will be paid by the drainage authority to the contractor at a rate not greater than the amount for similar work in the contract. A change may not be made that will substantially impair the usefulness of any part of the drainage *project or system*, substantially alter its original character, or increase its total cost by more than ten percent of the total original contract price. A change may not be made that will cause the cost to exceed the total estimated benefits found by the drainage authority, or that will cause any detrimental effects to the public interest under section 106A.015, subdivision 1.

Sec. 92. Minnesota Statutes 1986, section 106A.501, subdivision 6, is amended to read:

Subd. 6. [GUARANTY OF TILE WORK.] If tile is used to construct any part of the drainage ~~system~~ *project*, a majority of the persons affected may file a written request with the auditor to contract the tile work separately. The request must be filed before advertising for the sale of the work has begun. If the request is properly made, the tile work must be contracted separately. The contractor must guarantee the tile work under the contract for three years after its completion against any fault or negligence on the part of the contractor. The advertisement for bids must include this requirement.

Sec. 93. Minnesota Statutes 1986, section 106A.501, subdivision 7, is amended to read:

Subd. 7. [MODIFICATION OF CONTRACT BY AGREEMENT.] This chapter does not prevent the persons with property affected by the construction of a drainage ~~system~~ *project* from uniting in a written agreement with the contractor and the surety of the contractor's bond to modify the contract as to the manner or time when any portion of the drainage ~~system~~ *project* is constructed, if the modification is recommended, in writing, by the engineer and approved by the drainage authority.

Sec. 94. Minnesota Statutes 1986, section 106A.505, subdivision 1, is amended to read:

Subdivision 1. [AUDITORS AND DRAINAGE AUTHORITY TO PRO-

CEED.] Thirty days after the order establishing a drainage ~~system~~ *project* is filed, the auditor and the drainage authority or, for a joint county drainage ~~system~~ *project*, a majority of the auditors of the affected counties shall proceed to award the contract to construct the drainage ~~system~~ *project*.

Sec. 95. Minnesota Statutes 1986, section 106A.505, subdivision 2, is amended to read:

Subd. 2. [PENDING APPEAL OF BENEFITS AND DAMAGES.] If an appeal regarding the determination of benefits and damages is made within 30 days after the order establishing the drainage ~~system~~ *project* has been filed, a contract may not be awarded until the appeal has been determined, unless the drainage authority orders the contract awarded. The auditor of an affected county or an interested person may request the drainage authority to make the order. If the request is not made by an affected auditor, the auditors of affected counties must be given notice five days before the hearing on the request.

Sec. 96. Minnesota Statutes 1986, section 106A.505, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF CONTRACT AWARDED.] The auditor of an affected county shall give notice of the awarding of the contract by publication in a newspaper in the county. The notice must state the time and location for awarding the contract. For a joint county drainage ~~system~~ *project* the auditors shall award the contract at the office of the auditor where the proceedings are pending. If the estimated cost of construction is more than \$3,000, the auditor must also place a notice in a drainage construction trade paper. The trade paper notice must state:

- (1) the time and location for awarding the contract;
- (2) the approximate amount of work and its estimated cost;
- (3) that bids may be for the work as one job, or in sections, or separately, for bridges, ditches and open work, tile, or tile construction work, if required or advisable;
- (4) that each bid must be accompanied by a certified check or a bond furnished by an approved surety corporation payable to the auditors of affected counties for ten percent of the bid, as security that the bidder will enter into a contract and give a bond as required by section 106A.501; and
- (5) that the drainage authority reserves the right to reject any and all bids.

Sec. 97. Minnesota Statutes 1986, section 106A.505, subdivision 7, is amended to read:

Subd. 7. [AFFECTED COUNTIES CONTRACT THROUGH AUDITOR.] The chair of the drainage authority and the auditor of each affected county shall contract, in the names of their respective counties, to construct the drainage ~~system~~ *project* in the time and manner and according to the plans and specifications and the contract provisions in this chapter.

Sec. 98. Minnesota Statutes 1986, section 106A.505, subdivision 8, is amended to read:

Subd. 8. [WORK DONE BY FEDERAL GOVERNMENT.] If any of the drainage work is to be done by the United States or its agencies, a notice of awarding that contract does not need to be published and a contract for

that construction is not necessary. Affected municipalities may contract or arrange with the United States or its agencies for cooperation or assistance in constructing, maintaining, and operating the drainage *project and system*, for control of waters in the district, or for making a survey and investigation or reports on the drainage *project or system*. The municipalities may provide required guaranty and protection to the United States or its agencies.

Sec. 99. Minnesota Statutes 1986, section 106A.511, subdivision 1, is amended to read:

Subdivision 1. [CONDITIONS TO USE PROCEDURE IN THIS SECTION.] The procedure in this section may be used if, after a drainage system is established:

(1) the only bids received are for more than 30 percent in excess of the engineer's estimated cost, or in excess of the benefits, less damages and other costs; or

(2) a contract is awarded, but due to unavoidable delays not caused by the contractor, the contract cannot be completed for an amount equal to or less than the benefits, less damages and other costs.

Sec. 100. Minnesota Statutes 1986, section 106A.511, subdivision 2, is amended to read:

Subd. 2. [PETITION AFTER COST ESTIMATE ERROR OR CHANGE TO LOWER COST.] A person interested in the drainage ~~system~~ *project* may petition the drainage authority if the person determines that the engineer made an error in the estimate of the drainage ~~system~~ *project* cost or that the plans and specifications could be changed in a manner materially affecting the cost of the drainage system without interfering with the efficiency. The petition must state the person's determinations and request that the detailed survey report and viewers' report be referred back to the engineer and to the viewers for additional consideration.

Sec. 101. Minnesota Statutes 1986, section 106A.511, subdivision 3, is amended to read:

Subd. 3. [PETITION AFTER EXCESSIVE COST DUE TO INFLATION.] (a) A person interested in the drainage ~~system~~ *project* may petition the drainage authority for an order to reconsider the detailed survey report and viewers' report if the person determines:

(1) that bids were received only for a price more than 30 percent in excess of the detailed survey report estimate because inflation increased the construction cost between the time of the detailed survey cost estimate and the time of awarding the contract; or

(2) that after the contract was awarded there was unavoidable delay not caused by the contractor, and between the time of awarding the contract and completion of construction inflation increased construction costs resulting in the contract not being completed for an amount equal to or less than the assessed benefits.

(b) The person may request in the petition that the drainage authority reconsider the original cost estimate in the detailed survey report and viewers' report and adjust the cost estimate consistent with the increased construction cost.

Sec. 102. Minnesota Statutes 1986, section 106A.511, subdivision 5, is

amended to read:

Subd. 5. [HEARING ON COST PETITION.] (a) At the hearing the drainage authority shall consider the petition and hear all interested parties.

(b) The drainage authority may, by order, authorize the engineer to amend the detailed survey report, if the drainage authority determines that:

(1) the detailed survey report cost estimate was erroneous and should be corrected;

(2) the plans and specifications could be changed in a manner materially affecting the cost of the drainage ~~system~~ project without interfering with the efficiency; and

(3) with the correction or modification a contract could be awarded within the 30 percent limitation and equal to or less than benefits.

(c) If the drainage authority determines that the amended changes affect the amount of benefits or damages to any property or that the benefits should be reexamined because of inflated land values or inflated construction costs, it shall refer the viewers' report to the viewers to reexamine the benefits and damages.

(d) The drainage authority may, by order, direct the engineer and viewers to amend their detailed survey report and viewers' report to consider the inflationary cost increases if the drainage authority determines that:

(1) bids were not received; or

(2) because of inflationary construction cost increases, construction under the awarded contract cannot be completed for 30 percent or less over the detailed survey cost estimate or in excess of the benefits, less damages and other costs.

(e) The drainage authority may continue the hearing to give the engineer or viewers additional time to amend the reports. The jurisdiction of the drainage authority continues at the adjourned hearing.

(f) The drainage authority has full authority to consider the amended reports and make findings and orders. A party may appeal to the district court under section 106A.091, subdivision 1.

Sec. 103. Minnesota Statutes 1986, section 106A.515, is amended to read:

106A.515 [DAMAGES, PAYMENT.]

The board of each county where the damaged property is located must order the awarded damages to be paid, less any assessment against the property, before the property is entered for construction of the drainage ~~system~~ project. If a county or a municipality that is awarded damages requests it, the assessment may not be deducted. If there is an appeal, the damages may not be paid until the final determination. If it is not clear who is entitled to the damages, the board may pay the damages to the court administrator of the district court of the county. The court shall direct the court administrator, by order, to pay the parties entitled to the damages.

Sec. 104. Minnesota Statutes 1986, section 106A.525, subdivision 2, is amended to read:

Subd. 2. [ROAD AUTHORITY RESPONSIBLE FOR CONSTRUCTION.] Bridges and culverts on public roads required by the construction

or improvement of a drainage *project* or system must be constructed and maintained by the road authority responsible for keeping the road in repair, except as provided in this section.

Sec. 105. Minnesota Statutes 1986, section 106A.525, subdivision 3, is amended to read:

Subd. 3. [NOTICE; CHANGING COST.] The auditor shall notify the state and each railroad company, corporation, or political subdivision that they are to construct a required bridge or culvert on a road or right-of-way under its jurisdiction, within a reasonable time in the notice. If the work is not done within the prescribed time, the drainage authority may order the bridge or culvert constructed as part of the drainage ~~system~~ *project* construction. The cost must be deducted from the damages awarded to the corporation or collected from it as an assessment for benefits. If the detailed survey report or viewers' report shows that the construction of the bridge or culvert is necessary, the drainage authority may, by order, retain an amount to secure the construction of the bridge or culvert from amounts to be paid to a railroad, corporation, or political subdivision.

Sec. 106. Minnesota Statutes 1986, section 106A.525, subdivision 4, is amended to read:

Subd. 4. [CONSTRUCTION ON LINE BETWEEN TWO CITIES PAID EQUALLY.] The costs of constructing a bridge or culvert that is required by construction of a drainage ~~system~~ *project* on a public road that is not a state trunk highway on the line between two statutory or home rule charter cities, whether in the same county or not, must be paid jointly, in equal shares, by the cities. The cities shall pay jointly, in equal shares, for the cost of maintaining the bridge or culvert.

Sec. 107. Minnesota Statutes 1986, section 106A.541, is amended to read:

106A.541 [EXTENSION OF TIME ON CONTRACTS.]

The auditors of affected counties may extend the time for the performance of a contract as provided in this section. The contractor may apply, in writing, for an extension of the contract. Notice of the application must be given to: (1) the engineer and the attorney for the petitioners; and (2) for a joint county drainage ~~system~~ *project*, to the auditors of the affected counties. The auditors may grant an extension if sufficient reasons are shown. The extension does not affect a claim for liquidated damages that may arise after the original time expires and before an extension or a claim that may arise after the time for the extension expires.

Sec. 108. Minnesota Statutes 1986, section 106A.555, subdivision 2, is amended to read:

Subd. 2. [HEARING.] At the hearing the drainage authority may, by order, direct payment of the balance due if it determines that the contract has been completed in accordance with the plans and specifications. If good cause is shown, the drainage authority may waive any part of the liquidated damages accruing under the contract. When the order is filed, the auditor shall draw a warrant on the treasurer of the county for the balance due on the contract. For a joint county drainage *project* or system the auditor shall make an order to the auditors of the affected counties to pay for their proportionate shares of the balance due on the contract. After receiving the order, the auditor of each affected county shall draw a warrant

on the treasurer of the county for the amount specified in the order.

Sec. 109. Minnesota Statutes 1986, section 106A.601, is amended to read:

106A.601 [DRAINAGE LIEN STATEMENT.]

Subdivision 1. [DETERMINATION OF PROPERTY LIABILITY.] When the contract for the construction of a drainage ~~system~~ *project* is awarded, the auditor of an affected county shall make a statement showing the total cost of the drainage ~~system~~ *project* with the estimated cost of all items required to complete the work. The cost must be prorated to each tract of property affected in direct proportion to the benefits. The cost, less any damages, is the amount of liability for each tract for the drainage ~~system~~ *project*. The property liability must be shown in the tabular statement under subdivision 2, opposite the property owner's name and description of each tract of property. The amount of liability on a tract of property for establishment and construction of a drainage ~~system~~ *project* may not exceed the benefits determined in the proceedings that accrue to the tract.

Subd. 2. [DRAINAGE LIEN STATEMENT.] The auditor of each affected county shall make a lien statement in tabular form showing:

(1) the names of the property owners, corporate entities, or political subdivisions of the county benefited or damaged by the construction of the drainage ~~system~~ *project* in the viewers' report as approved by the final order for establishment;

(2) the description of the property in the viewers' report, and the total number of acres in each tract according to the county tax lists;

(3) the number of acres benefited or damaged in each tract shown in the viewers' report;

(4) the amount of benefits and damages to each tract of property as stated in the viewers' report and confirmed by the final order that established the drainage ~~system~~ *project* unless the order is appealed and a different amount is set; and

(5) the amount each tract of property will be liable for and must pay ~~into~~ *to the county treasury* for the establishment and construction of the drainage ~~system~~ *project*.

Subd. 3. [SUPPLEMENTAL DRAINAGE LIEN STATEMENT.] If any items of the cost of the drainage ~~system~~ *project* have been omitted from the original drainage lien statement, a supplemental drainage lien statement with the omitted items must be made and recorded in the same manner provided for a drainage lien statement. The total amount of the original drainage lien and any supplemental drainage liens may not exceed the benefits.

Subd. 4. [RECORDING DRAINAGE LIEN STATEMENT.] The *lien against property in the* drainage lien statement and supplemental drainage lien statements must be certified by the auditor and recorded *on each tract* by the county recorder of the county where the tract is located. The county recorder's fees for recording must be paid ~~on allowance~~ *if allowed* by the board. The drainage lien statement and any supplemental drainage lien statements, after recording, must be returned and preserved by the auditor.

Sec. 110. Minnesota Statutes 1986, section 106A.605, is amended to read:

106A.605 [EFFECT OF FILED DRAINAGE LIEN.]

The amount recorded ~~on~~ *from* the drainage lien statement and supplemental drainage lien statement that each tract of property will be liable for, and the interest allowed on that amount, is a drainage lien on the property. The drainage lien is a first and paramount lien until fully paid, and has priority over all mortgages, charges, encumbrances, and other liens, unless the board subordinates the drainage lien to ~~easements~~ *liens* of record. The recording of the *drainage lien*, drainage lien statement, or a supplemental drainage lien statement is notice to all parties of the existence of the drainage lien.

Sec. 111. Minnesota Statutes 1986, section 106A.611, subdivision 2, is amended to read:

Subd. 2. [INTEREST.] (a) Interest is an additional drainage lien on all property until paid. The interest rate on the drainage lien principal *from the date the drainage lien statement is recorded* must be set by the board, but may not exceed ~~seven percent per year from the date the drainage lien statement is recorded~~ *the rate determined by the state court administrator for judgments under section 549.09.*

(b) Before the tax lists for the year are given to the county treasurer, the auditor shall compute the interest on the unpaid balance of the drainage lien at the rate set by the board. The amount of interest must be computed on the entire unpaid principal from the date the drainage lien was recorded to August 15 of the next calendar year, and afterwards from August 15 to August 15 of each year.

(c) Interest is due and payable after November 1 of each year the drainage lien principal or interest is due and unpaid.

Sec. 112. Minnesota Statutes 1986, section 106A.611, subdivision 3, is amended to read:

Subd. 3. [COLLECTION OF PAYMENTS.] Interest and any installment due must be entered on the tax lists for the year. The installment and interest must be collected in the same manner as real estate taxes for that year by collecting one-half of the total of the installment and interest with and as a part of the real estate taxes ~~on or before May 15 and one-half on or before October 15 of the next year.~~

Sec. 113. Minnesota Statutes 1986, section 106A.611, subdivision 6, is amended to read:

Subd. 6. [DRAINAGE LIEN RECORD.] The auditor shall keep a drainage lien record for each drainage *project and* system showing the amount of the drainage lien remaining unpaid against each tract of property.

Sec. 114. Minnesota Statutes 1986, section 106A.611, subdivision 7, is amended to read:

Subd. 7. [COLLECTION AND ENFORCEMENT OF DRAINAGE LIENS.] The provisions of law that exist relating to the collection of real estate taxes are adopted to enforce payment of drainage liens. If there is a default, a penalty may not be added to an installment of principal and interest, but each defaulted payment, principal, and interest draws interest from the date of default until paid at ~~seven percent per year~~ *the rate determined by the state court administrator for judgments under section 549.09.*

Sec. 115. Minnesota Statutes 1986, section 106A.615, subdivision 4, is amended to read:

Subd. 4. [ASSESSMENT FOR VACATED TOWN ROADS.] If a town is assessed for benefits to a town road in a drainage ~~system~~ *project* proceeding under this chapter and the town road is later vacated by the town board under section 164.07, the town board may petition the drainage authority to cancel the assessment. The drainage authority may cancel the assessment if it finds that the town road for which benefits are assessed has been vacated under section 164.07.

Sec. 116. Minnesota Statutes 1986, section 106A.615, subdivision 7, is amended to read:

Subd. 7. [RAILROAD AND UTILITY PROPERTY.] Property owned by a railroad or other utility corporation benefited by a drainage ~~system~~ *project* is liable for the assessments of benefits on the property as other taxable property. From the date the drainage lien is recorded, the amount of the assessment with interest is a lien against all property of the corporation within the county. Upon default the assessment may be collected by civil action or the drainage lien may be foreclosed by action in the same manner as provided by law for the foreclosure of mortgage liens. The county where the drainage lien is filed has the right of action against the corporation to enforce and collect the assessment.

Sec. 117. Minnesota Statutes 1986, section 106A.635, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] After the contract for the construction of a drainage ~~system~~ *project* is awarded, the board of an affected county may issue the bonds of the county in an amount necessary to pay the cost of establishing and constructing the drainage ~~system~~ *project*.

Sec. 118. Minnesota Statutes 1986, section 106A.635, subdivision 10, is amended to read:

Subd. 10. [BOND RECITAL.] Each drainage bond, temporary drainage bond, and definitive drainage bond must contain a recital that it is issued by authority of and in strict accordance with this chapter. The recital is conclusive in favor of the holders of the bonds as against the county, that the drainage ~~system~~ *project* has been properly established, that property within the county is subject to assessment for benefits in an amount not less than the amount of the bonds, and that all proceedings and construction relative to the drainage systems financed by the bonds have been or will be made according to law.

Sec. 119. Minnesota Statutes 1986, section 106A.645, subdivision 7, is amended to read:

Subd. 7. [PAYMENT.] The fees and expenses provided for in this chapter for a drainage *project* or system in one county must be audited, allowed, and paid by order of the board or for a drainage *project* or system in more than one county must be audited, allowed, and paid by order of the drainage authority after ten days' written notice to each affected county. The notice must be given by the auditor to the auditors of affected counties. The notice must state the time and location of the hearing and that all bills on file with the auditor at the date of the notice must be presented for hearing and allowance.

Sec. 120. Minnesota Statutes 1986, section 106A.651, subdivision 1, is

amended to read:

Subdivision 1. [FUNDS FOR DRAINAGE SYSTEM COSTS.] The board shall provide funds to pay the costs of drainage *projects and* systems.

Sec. 121. Minnesota Statutes 1986, section 106A.655, subdivision 1, is amended to read:

Subdivision 1. [PAYMENT MADE FROM DRAINAGE SYSTEM ACCOUNT.] The costs for a drainage ~~system~~ *project* proceeding and construction must be paid from the drainage system account by drawing on the account.

Sec. 122. Minnesota Statutes 1986, section 106A.701, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] The term "repair," as used in this section, means to restore all or a part of a drainage system as nearly as practicable to the same condition as ~~when~~ originally constructed ~~or~~ *and* subsequently improved, including resloping of ditches and leveling of waste banks if necessary to prevent further deterioration, *realignment to original construction if necessary to restore the effectiveness of the drainage system*, and routine operations that may be required to remove obstructions and maintain the efficiency of the drainage system.

Sec. 123. Minnesota Statutes 1986, section 106A.701, is amended by adding a subdivision to read:

Subd. 1a. [REPAIRS AFFECTING PUBLIC WATERS.] Before a repair is ordered, the drainage authority must notify the commissioner of a repair that may affect public waters. If the commissioner disagrees with the repair depth, the engineer, a representative appointed by the director, and a soil and water conservation district technician must jointly determine the repair depth using soil borings, field surveys, and other available data or appropriate methods. Costs for developing the recommended depth beyond the initial meeting must be shared equally by the drainage system and the commissioner. The determined repair depth must be recommended to the drainage authority. The drainage authority may accept the joint recommendation and proceed with the repair.

Sec. 124. Minnesota Statutes 1986, section 106A.705, is amended to read:

Subdivision 1. [INSPECTION.] After the construction of a drainage system has been completed, the drainage authority shall maintain the drainage system that is located in its jurisdiction *including grass strips under section 106A.021* and provide the repairs necessary to make the drainage system efficient. The drainage authority shall have the drainage system inspected ~~annually~~ *on a regular basis* by an inspection committee of the drainage authority or a drainage inspector appointed by the drainage authority.

Subd. 1a. [GRASS STRIP INSPECTION AND COMPLIANCE NOTICE.] (a) The drainage authority having jurisdiction over a drainage system must inspect the drainage system for violations of section 106A.021. If an inspection committee of the drainage authority or a drainage inspector determines that strips are not being maintained in compliance with section 106A.021, a compliance notice must be sent to the property owner.

(b) The notice must state:

(1) the date the ditch was inspected;

(2) *the persons making the inspection;*

(3) *that spoil banks are to be spread in a manner consistent with the plan and function of the drainage system and the drainage system has acquired a grass strip 16-1/2 feet in width or to the crown of the spoil bank, whichever is greater;*

(4) *the violations of section 106A.021;*

(5) *the measures that must be taken by the property owner to comply with section 106A.021 and the date when the property must be in compliance; and*

(6) *that if the property owner does not comply by the date specified, the drainage authority will perform the work necessary to bring the area into compliance with section 106A.021 and charge the cost of the work to the property owner.*

(c) *If a property owner does not bring an area into compliance with section 106A.021 as provided in the compliance notice, the inspection committee or drainage inspector must notify the drainage authority.*

(d) *This subdivision applies to property acquired under section 106A.021.*

Subd. 2. [DRAINAGE INSPECTOR REPORT.] For each drainage system that the board designates and requires the drainage inspector to examine, the drainage inspector shall make a drainage inspection report in writing to the board after examining a drainage system, designating portions that need repair or maintenance of grass strips and the location and nature of the repair or maintenance. The board shall consider the drainage inspection report at its next meeting and may repair all or any part of the drainage system as provided under this chapter. *The grass strips must be maintained in compliance with section 106A.021.*

Subd. 3. [INSPECTION REPORT TO DRAINAGE AUTHORITY.] If the inspection committee or drainage inspector reports, in writing, to the drainage authority that *maintenance of grass strips or repairs* are necessary on a drainage system and the report is approved by the drainage authority, the *maintenance or repairs* must be made under this section.

Subd. 4. [REPAIRS LESS THAN ~~\$20,000~~ \$50,000.] If the drainage authority finds that the estimated cost of repairs and maintenance of one drainage system for one year will be less than ~~\$20,000~~ *the greater of \$50,000 or \$1,000 per mile of open ditch in the ditch system*, it may have the repair work done by hired labor and equipment without advertising for bids or entering into a contract for the repair work.

Subd. 5. [ANNUAL REPAIR ASSESSMENT LEVY LIMITS.] The drainage authority may give notice of and hold a hearing on the repair levy before ordering the levy of an assessment for repairs. In one calendar year the drainage authority may not levy an assessment for repairs or maintenance on one drainage system for more than 20 percent of the benefits of the drainage system, *\$1,000 per mile of open ditch in the ditch system*, or ~~\$20,000~~ \$50,000, whichever is greater, except for a repair made after a disaster under subdivision 6 or under the petition procedure.

Subd. 6. [REPAIR AND CONSTRUCTION AFTER DISASTER.] The drainage authority may repair and reconstruct the drainage system without advertising for bids and without regard to the ~~\$20,000~~ *\$1,000 per mile of open ditch or \$50,000* limitation if:

(1) a drainage system is destroyed or impaired by floods, natural disaster, or unforeseen circumstances;

(2) the area where the drainage system is located has been declared a disaster area by the President of the United States and federal funds are available for repair or reconstruction; and

(3) the public interests would be damaged by repair or reconstruction being delayed.

Sec. 125. Minnesota Statutes 1986, section 106A.715, subdivision 6, is amended to read:

Subd. 6. [REPAIR BY RESLOPING DITCHES, LEVELING WASTE BANKS, *INSTALLING EROSION CONTROL* AND REMOVING TREES.]

(a) For a drainage system that is to be repaired by resloping ditches, leveling waste banks, *installing erosion control measures*, or removing trees, before ordering the repair, the drainage authority must appoint viewers to assess and report on damages and benefits if it determines *that*:

(1) ~~that~~ the resloping, leveling, ~~and installing erosion control measures~~ or tree removal will require the taking of any property not contemplated and included in the original proceeding for the establishment of the drainage system; ~~and~~

(2) ~~that~~ any waste bank leveling will directly benefit property where the bank leveling is specified; ~~and~~

(3) *the installation of erosion control measures will aid the long-term efficiency of the drainage system.*

(b) The viewers shall assess and report damages and benefits as provided by sections 106A.315 and 106A.321 ~~and~~. The drainage authority shall hear and determine the damages and benefits as provided in sections 106A.325, 106A.335, and 106A.341. *The hearing shall be held within 30 days after the property owners' report is mailed.* Damages must be paid as provided by section 106A.315 as a part of the cost of the repair, and benefits must be added to the benefits previously determined as the basis for the pro rata assessment for the repair of the drainage system for the repair proceeding only.

Sec. 126. [106A.728] [APPORTIONMENT OF REPAIR COSTS.]

Subdivision 1. [GENERALLY.] *The cost of repairing a drainage system shall be apportioned pro rata on all property and entities that have been assessed benefits for the drainage system except as provided in this section.*

Subd. 2. [ADDITIONAL ASSESSMENT FOR AGRICULTURAL PRACTICES ON GRASS STRIP] (a) *The drainage authority may, after notice and hearing, charge an additional assessment on property that has agricultural practices on or otherwise violates provisions related to the permanent grass strip acquired under section 106A.021.*

(b) *The drainage authority may determine the cost of the repair per mile of open ditch on the ditch system. Property that is in violation of the grass requirement shall be assessed a cost of 20 percent of the repair cost per open ditch mile multiplied by the length of open ditch in miles on the property in violation.*

(c) *After the amount of the additional assessment is determined and applied to the repair cost, the balance of the repair cost may be apportioned*

pro rata as provided in subdivision 1.

Subd. 3. [SOIL LOSS VIOLATIONS.] The drainage authority after notice and hearing may make special assessments on property that is in violation of a county soil loss ordinance.

Sec. 127. Minnesota Statutes 1986, section 106A.731, subdivision 1, is amended to read:

Subdivision 1. [~~APPORTIONMENT~~ **REPAIR COST OF ASSESSMENTS.**] If there is not enough money in the drainage system account to make a repair, the board shall ~~apportion~~ and assess the costs of the repairs ~~pro rata~~ on all property and entities that have been assessed benefits for the drainage system.

Sec. 128. Minnesota Statutes 1986, section 106A.741, subdivision 5, is amended to read:

Subd. 5. [**PROPERTY BENEFITED IN HEARING ORDER INCLUDED IN FUTURE PROCEEDINGS.**] For the repair of the drainage system under this section that included the property that was not assessed and in all future proceedings relating to repairing, cleaning, improving, or altering the drainage system, the property benefited in the viewers' report hearing is part of the property benefited by the drainage system and must be assessed, in the same manner provided for the assessment of the property originally assessed for and included in the drainage system.

Sec. 129. Minnesota Statutes 1986, section 106A.811, subdivision 2, is amended to read:

Subd. 2. [**PETITIONERS.**] A petition must be signed by at least 51 percent of the ~~resident~~ property owners assessed for the construction of the drainage system or by the owners of not less than 51 percent of the area of the property assessed for the drainage system. For the purpose of the petition, the county is the resident owner of all tax-forfeited property held by the state and assessed benefits for the drainage system, and the board may execute the petition for the county as a ~~resident~~ *an* owner.

Sec. 130. Minnesota Statutes 1986, section 106A.811, subdivision 4, is amended to read:

Subd. 4. [**FILING PETITION; JURISDICTION.**] If all property assessed for benefits in the drainage system is in one county, the petition must be filed with the auditor unless the petition is signed by the board, in which case the petition must be made to the district court of the county and filed with the court administrator ~~of court~~. If property assessed for benefits is in two or more counties, the petition must be filed with the auditor. When the petition is filed, the drainage authority in consultation with the auditor, or the court administrator with the approval of the court, shall set a time and location for a hearing on the petition. The auditor or court administrator shall give notice by publication of the time and location of the abandonment hearing to all persons interested. The drainage authority or the district court where the petition is properly filed has jurisdiction of the petition.

Sec. 131. Minnesota Statutes 1986, section 106A.811, subdivision 5, is amended to read:

Subd. 5. [**ABANDONMENT HEARING.**] (a) At the hearing, the drainage authority or court shall examine the petition and determine whether it is sufficient and shall hear all interested parties.

(b) If a property owner assessed benefits for the drainage system appears and makes a written objection to the abandonment of the drainage system, the drainage authority or court shall appoint three disinterested persons as viewers to examine the property and report to the drainage authority or court. The hearing must be adjourned to make the examination and report *and a date set to reconvene*. The viewers, if appointed, shall proceed to examine the property of the objecting owner and report as soon as possible to the drainage authority or court with the description and situation of the property and whether the drainage system drains or otherwise affects the property.

(c) ~~At~~ *When the adjourned hearing is reconvened*, the drainage authority or court shall consider the viewers' report and all evidence offered, and:

(1) if the drainage authority determines that the drainage system serves any useful purpose to any property or the general public, the petition for abandonment must be denied; or

(2) if the drainage authority determines that the drainage system does not serve any useful purpose to any affected property and is not of public benefit and utility, the drainage authority or court shall make findings and shall, by order, abandon the drainage system.

Sec. 132. Minnesota Statutes 1986, section 112.431, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For the purpose of this section the terms defined in this subdivision have the meanings ascribed to them.

(b) "Drainage system" ~~means a ditch as defined by~~ *has the meaning given in section 106A.005, subdivision 11.*

(c) "Watershed district" means any watershed district established pursuant to the provisions of this chapter, wholly or partially in a metropolitan county.

(d) "Metropolitan county" means any one of the following counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott or Washington.

(e) "Metropolitan area" means the combined area of the metropolitan counties.

Sec. 133. Minnesota Statutes 1986, section 112.48, subdivision 1, is amended to read:

Subdivision 1. After the overall plan of the district has been prescribed by the board, as provided in section 112.46, a petition may be filed with the managers for any project within the district conforming in general with the plan. The petition must be signed:

(1) by not less than 25 percent of the ~~resident freeholders property owners~~, or by the owners of more than 25 percent of the land within the limits of the area proposed to be improved, unless the project consists of the establishment of a new drainage system as defined in ~~sections 106A.005 to 106A.811 under chapter 106A or the improvement of an existing drainage system;~~

(2) by a majority of the ~~resident~~ owners of the land over which the proposed project passes or is located, or by the owners of at least 60 percent of the area of the land, if the project consists of the establishment of a new drainage system as defined in ~~sections 106A.005 to 106A.811 under chap-~~

ter 106A;

(3) by not less than 26 percent of the ~~resident~~ owners of the property affected by the proposed project or over which the proposed project passes or by the owners of not less than 26 percent of the area affected or over which the proposed project passes if the project consists of the improvement of an existing drainage system as defined in ~~sections 106A.005 to 106A.811~~ under chapter 106A;

(4) by a county board of any county affected; or

(5) by the governing body of any city lying wholly or partly within the area proposed to be improved; provided that if the proposed project affects lands exclusively within a city, the petition shall originate from the governing body of the city.

For the purpose of this subdivision, holders of easements for electric or telephone transmission or distribution lines are not considered ~~freeholders~~ or owners.

The petition shall contain the following:

(a) a description of the proposed project, and the purpose to be accomplished;

(b) a description of the lands over which the proposed project passes or is located;

(c) a general description of the part of the district which will be affected, if less than the entire district;

(d) the need and necessity for the proposed improvement;

(e) that the proposed project will be conducive to public health, convenience, and welfare;

(f) a statement that the petitioners will pay all costs and expenses which may be incurred in case the proceedings are dismissed or for any reason no construction contract is let for the project.

Sec. 134. Minnesota Statutes 1986, section 112.59, is amended to read:

112.59 [CONTROL OF CONTRACTS.]

In all cases where contracts are let by the managers, they shall have full control of all matters pertaining thereto. If a contractor fails to complete the improvement within the time or in the manner specified in the contract, the managers may extend the time for completion or may refuse an extension of time or may cancel the contract and readvertise and relet the contract. They may require the surety for the contractor to complete the improvement or proceed to have the contract otherwise completed at the expense of the contractor and the surety. They may take such other action with reference thereto that the occasion may require in the interest of the district. The provisions of ~~sections 106A.005 to 106A.811~~ chapter 106A, so far as pertinent, apply to and govern the relations between the engineer and the contractor, including the examination and report of the engineer and the amount and time of payment. The managers shall keep an accurate account of all expenses incurred, which shall include the compensation of the engineer and the assistants, the compensation and expenses of the appraisers as provided in section 112.50, the compensation of petitioners' attorney, the cost of petitioners' bond, the fees of all county officials necessitated by the improvement which shall be in addition to all fees otherwise allowed

by law, and the time and expenses of all employees of the district, including the expenses of the managers while engaged in any improvement. The fees and expenses provided for herein shall be audited, allowed and paid upon the order of the managers and shall be charged to and be treated as a part of the cost of the improvement.

Sec. 135. Minnesota Statutes 1986, section 112.60, subdivision 1, is amended to read:

Subdivision 1. Upon the filing by the managers with the auditor of any county of a statement listing the property and corporations benefited or damaged or otherwise affected by any improvement as found by the appraisers and approved by the managers, the auditor shall assess the amount specified in such list against the lands and municipalities or other corporations as therein specified in accordance with the pertinent provisions of sections ~~106A.005 to 106A.811~~ chapter 106A.

Sec. 136. Minnesota Statutes 1986, section 112.65, subdivision 1, is amended to read:

Subdivision 1. The managers of a district shall take over when directed by the ~~district court or county board or joint county drainage authority~~ any ~~judicial or county or joint county~~ drainage system within the district, together with the right to repair and maintain the same. Such transfer may be initiated by the ~~district court joint county drainage authority or county board~~, or such transfer may be initiated by a petition from any person having an interest in the drainage system or by the managers. No such transfer shall be made until the ~~district court joint county drainage authority~~ or county board has held a hearing thereon. Due notice of the proposed transfer together with the time and place of hearing shall be given by two weeks published notice in a legal newspaper of general circulation in the area involved. All interested persons may appear and be heard. Following the hearing, the ~~district court joint county drainage authority or county board~~ shall make its order directing that the managers of a district take over the affected ~~judicial joint county or county~~ drainage system, unless it appears that the ~~take over takeover~~ would not be in the public welfare or public interest and would not serve the purpose of this chapter. When the transfer is directed all proceedings for repair and maintenance shall thereafter conform to the provisions of sections ~~106A.005 to 106A.811~~ chapter 106A.

Sec. 137. [FEDERAL 404 PERMITTING AUTHORITY REPORT.]

The commissioner of natural resources shall, in cooperation with the Minnesota department of agriculture, the Minnesota pollution control agency, Minnesota association of watershed district managers, and the association of Minnesota counties, prepare a report relating to state assumption of the federal permitting program under United States Code, title 33, section 1344. The report must include:

- (1) analyses of what types of activities and resources would be involved;*
- (2) environmental protection agency and United States Army Corps of Engineers' conditions for state permitting;*
- (3) analyses of the costs for state administration and alternative funding strategies;*
- (4) recommendations on the appropriate roles for state agencies and local government in administration of the program; and*

(5) the necessary changes in current legislation to facilitate administration of the program.

The commissioner of natural resources must submit the report to the legislature and governor by October 1, 1988.

Sec. 138. [RENUMBERING SECTIONS.]

The revisor of statutes shall renumber each section of Minnesota Statutes specified in column A with the numbers set forth in column B. The revisor shall also make necessary cross-reference changes consistent with the renumbering.

Column A	Column B
111.65	110.55
111.66	110.56
111.67	110.57
111.68	110.58
111.69	110.59
111.70	110.60
111.71	110.61
111.72	110.62
111.73	110.63
111.74	110.64
111.75	110.65
111.76	110.66
111.77	110.67
111.78	110.68
111.79	110.69
111.80	110.70
111.81	378.36
111.82	105.82

Sec. 139. [REPEALER.]

Minnesota Statutes 1986, sections 106A.005, subdivision 25; 106A.201; 106A.205; 106A.211; 111.01; 111.02; 111.03; 111.04; 111.05; 111.06; 111.07; 111.08; 111.09; 111.10; 111.11; 111.12; 111.13; 111.14; 111.15; 111.16; 111.17; 111.18; 111.19; 111.20; 111.21; 111.22; 111.23; 111.24; 111.25; 111.26; 111.27; 111.28; 111.29; 111.30; 111.31; 111.32; 111.33; 111.34; 111.35; 111.36; 111.37; 111.38; 111.39; 111.40; 111.41; 111.42; and 111.421; are repealed.

Sec. 140. [EFFECTIVE DATE.]

This act is effective August 1, 1987, for all drainage proceedings started after that date, except sections 111.01 to 111.421 are repealed January 1, 1988, but actions started under sections 111.01 to 111.421 before that date may be completed."

Amend the title as follows:

Page 1, line 2, delete everything after the semicolon

Page 1, delete lines 3 to 6

Page 1, line 7, delete everything before "amending"

Page 1, line 26, delete everything after "sections"

Page 1, line 27, after "105.40" insert ", subdivision 11"

Page 1, line 44, after "6" insert ", and by adding subdivisions"

Page 2, line 12, delete "proposing"

Page 2, delete line 13

Page 2, line 14, delete "105A;"

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. Davis from the Committee on Agriculture, to which was referred

S.F. No. 1375: A bill for an act relating to agriculture; authorizing and requiring a license to use the Minnesota grown label; assessing license fees; providing penalties; amending Minnesota Statutes 1986, section 17.102.

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

Page 1, line 13, strike "food" and insert "agricultural"

Page 1, lines 20 and 23, delete "food" and insert "agricultural"

Page 2, line 7, delete "a" and insert "an annual"

Page 2, after line 23, insert:

"Sec. 2. [MINNESOTA GROWN MATCHING ACCOUNT.]

Subdivision 1. [ESTABLISHMENT.] The Minnesota grown matching account is established as a separate account in the state treasury. The account shall be administered by the commissioner of agriculture as provided in this section.

Subd. 2. [FUNDING SOURCES.] The Minnesota grown matching account shall consist of contributions from private sources and appropriations.

Subd. 3. [APPROPRIATIONS MUST BE MATCHED BY PRIVATE FUNDS.] (a) Appropriations to the Minnesota grown matching account may be expended only to the extent that they are matched with contributions to the account from private sources as provided in paragraph (b) for fiscal years 1988 and 1989. Appropriations to the account that are not matched by the end of the fiscal year of the appropriation cancel to the general fund.

(b) Private contributions shall be matched on a basis of four to one for the first \$50,000 of private contributions. Matching funds are not available after the first \$50,000 of private contributions in each fiscal year. Private contributions made from January 1, 1987, until the end of fiscal year 1987 shall be matched by the appropriation for fiscal year 1988.

Subd. 4. [EXPENDITURES.] The amount in the Minnesota grown matching account that is matched by private contributions and the private contributions are appropriated to the commissioner of agriculture for promotion of products using the Minnesota grown logo and labeling.

Sec. 3. [APPROPRIATION.]

Subdivision 1. [MINNESOTA GROWN MARKETING ACCOUNT.] \$400,000 is appropriated from the general fund to the Minnesota grown marketing account to be available in the amounts for the fiscal years indicated

1988	1989
\$200,000	\$200,000

Subd. 2. [WILD RICE RESEARCH.] \$48,000 is appropriated from the general fund to the University of Minnesota for the agricultural experimental station to conduct wild rice research to be available until June 30, 1989, as follows:

- | | |
|---|-----------------|
| <i>(a) for experiments on use of fertilizers</i> | <i>\$10,000</i> |
| <i>(b) for experiments on the influence of rotation and residue removal on diseases, weeds, and yield</i> | <i>\$10,000</i> |
| <i>(c) to evaluate cost advantages and effect on yields of leveling and tiling</i> | <i>\$ 8,000</i> |
| <i>(d) to conduct controlled-site experiments into the advantages of existing and future varieties of wild rice</i> | <i>\$20,000</i> |

Sec. 4. [EFFECTIVE DATE.]

Section 2 is effective the day after final enactment."

Amend the title as follows:

Page 1, line 4, after the second semicolon, insert "appropriating money;"

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

Mr. Davis from the Committee on Agriculture, to which was referred

S.F. No. 766: A bill for an act relating to taxation; property taxation; modifying the method of determining certain adjusted assessed value; modifying the method of determining agricultural market value for property tax purposes; amending Minnesota Statutes 1986, sections 124.2131, subdivision 1; and 273.11, subdivision 1, and by adding a subdivision.

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

Page 5, line 13, delete "1988" and insert "1990"

Page 5, line 14, delete "1989" and insert "1991"

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

S.F. No. 1005: A bill for an act relating to state lands; permitting the sale of certain land in St. Louis county.

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

Delete everything after the enacting clause and insert:

"Section 1. [ST. LOUIS COUNTY; LAND SALE.]

Notwithstanding any contrary provision of Minnesota Statutes, sections

92.45 and 282.018, St. Louis county may sell to the city of Biwabik, at the appraised value, the state's interest in the property described in this section. The county and state shall provide a proper conveyance of the state's interest in the property described in this section. The sale shall be conducted, as far as possible, in accordance with Minnesota Statutes, sections 282.01 to 282.132.

*Government Lot 9, (Bradley Island), Section 1,
Township 58 North, Range 16 West."*

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

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

S.F. No. 1276: A bill for an act relating to state land; authorizing private sale of certain tax-forfeited land in Lake county to city of Two Harbors.

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 1986, section 92.67, subdivision 4, is amended to read:

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

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

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

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

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

Sec. 2. [EFFECTIVE DATE.]

This act is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to state land; authorizing extension of the date to sell lakeshore cabin site lots; amending Minnesota Statutes 1986, section 92.67, subdivision 4."

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

Mr. Dicklich from the Committee on Public Utilities and Energy, to which was referred

S.F. No. 875: A bill for an act relating to energy conservation; appropriating certain funds to the department of jobs and training for low-income energy conservation programs; appropriating money.

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 1986, section 3.3005, is amended by adding a subdivision to read:

Subd. 6. [OIL OVERCHARGE MONEYS.] Unless otherwise specifically appropriated by law, and in lieu of the procedure in subdivision 5, money received by the state resulting from litigation or settlements of alleged violations of federal pricing regulations must not be allotted for expenditure until the legislative advisory commission has recommended to the governor a plan for spending the money after review of recommendations from an advisory task force. The advisory task force shall consist of 15 members, five members appointed by the governor, five members appointed by the subcommittee on committees of the senate committee on rules and administration, and five members appointed by the speaker of the house. Members of the task force shall include representatives of local government, persons that have an interest in low-income weatherization, and professionals that work with energy-related research. The advisory task force must prepare and recommend to the commission a plan for allocation of the money after considering programs and activities that will reduce the consumption of fossil fuels within the state, including energy-related research.

Sec. 2. [APPROPRIATION.]

One-half of any money received before or after the effective date of this section by the governor, the commissioner of finance, or any other state agency as a result of the settlement of the parties and order of the United States District Court for the District of Kansas in the case of In Re Department of Energy Stripper Well Exemption Litigation, 578 F.Supp. 586 (D. Kan. 1983) and one-half of any other money received after the effective date of this section by any of those entities or agencies, resulting from overcharges by oil companies in violation of federal law, is appropriated to the commissioner of jobs and training and shall be used to maintain low-income energy conservation programs administered by the department of jobs and training.

Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment and applies to money received before the effective date of section 1 by the governor, commissioner of finance, or any other state agency as a result of the settlement of the parties and order of the United States District Court for the District of Kansas in the case of In Re Department of Energy Stripper Well Exemption Litigation, 578 F.Supp. 586 (D. Kan. 1983). Section 2 is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to energy; requiring the legislative advisory commission to recommend allocation of oil overcharge money; appropri-

ating oil overcharge money for low-income energy conservation; appropriating money; amending Minnesota Statutes 1986, section 3.3005, by adding a subdivision."

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred

S.F. No. 821: A bill for an act relating to public finance; authorizing compliance with federal tax laws to secure tax exemption for certain bonds and other obligations; authorizing the issuance of taxable bonds and other obligations; appropriating money; amending Minnesota Statutes 1986, section 16A.641, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 16A.

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

Page 1, lines 14 and 15, delete "*is authorized to*" and insert "*may*"

Page 1, line 23, delete "*expended*" and insert "*spent*"

Page 1, lines 24 and 25, delete "*general fund*" and insert "*fund to which the bond proceeds were credited*"

Page 2, line 16, delete "*is authorized to*" and insert "*may*"

Page 2, line 26, after the period, insert "*Money required to be spent for compliance is appropriated to the commissioner from the fund to which the bond proceeds were credited.*"

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred

H.F. No. 362: A bill for an act relating to Hennepin county; creating a county housing and redevelopment authority; applying the municipal housing and redevelopment act to Hennepin county; providing for local approval of projects; proposing coding for new law in Minnesota Statutes, chapter 383B.

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

Page 2, line 1, delete "*means*" and insert "*includes*"

Page 2, line 14, delete everything after the comma

Page 2, delete line 15

Page 2, line 16, delete "*statutory city,*"

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred

H.F. No. 799: A bill for an act relating to Koochiching county; permitting the county to establish a bidstead development authority.

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

Page 1, line 6, delete "PURPOSE; PROGRAM" and insert "KOOCHICHING COUNTY; BIDSTEAD AND ECONOMIC DEVELOPMENT AUTHORITY"

Page 2, delete lines 6 to 10 and insert:

"Subd. 2. [PROGRAM.] The Koochiching county bidstead authority may acquire real property from Koochiching county or any other source. The authority may enter into contracts with individuals under which the authority will permit the individual to reside on a parcel of land, not to exceed 40 acres, held by the authority if the individual agrees to:

(1) build a home on the parcel;

(2) pay tax on the property;

(3) maintain an income sufficient to support the individual and any dependents who reside on the parcel; and

(4) continue to reside on the property for a period of at least ten years.

At"

Page 2, line 18, after "politic," insert "to be known as the Koochiching county bidstead authority," and delete ", having" and insert ". The authority shall have"

Page 3, line 12, delete "promulgate" and insert "adopt"

Page 3, line 13, after "program" insert "that include a recapture of benefits and imposition of penalties for individuals who do not comply with requirements of the contract with the authority"

Page 3, line 22, after "DATE" insert "; SUNSET"

Page 3, line 25, after the period, insert "No individual may enter into a contract under section 1, subdivision 2, after July 31, 1992. Contracts entered into before August 1, 1992, shall remain in effect for their full term."

Amend the title as follows:

Page 1, line 3, after "establish" insert "an economic development authority and" and after "a" insert "pilot"

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was re-referred

S.F. No. 170: A bill for an act relating to economic development; recodifying provisions governing housing and redevelopment authorities, port authorities, economic development authorities, area redevelopment, mu-

municipal development districts, mined underground space development, rural development finance authorities, public development debt, enterprise zones, tax increment financing, and other local economic development tools; extending duration of bond allocation act; removing certain service persons' preference provisions from the housing and redevelopment authority law; modifying requirements for developers' tax abatements under the housing and redevelopment authority law; removing a sunset on certain St. Paul port authority provisions; amending Minnesota Statutes 1986, sections 16B.61, subdivision 3; 41A.05, subdivision 2; 41A.06, subdivision 5; 115A.69, subdivision 9; 116J.27, subdivision 4; 116M.03, subdivisions 11, 19, and 28; 116M.06, subdivision 3; 116M.07, subdivision 11; 124.214, subdivision 3; 216B.49, subdivision 7; 268.38, subdivision 3; 272.02, subdivision 5; 272.026; 272.68, subdivision 4; 273.13, subdivisions 9 and 24; 273.1393; 282.01, subdivision 1; 290.61; 298.2211, subdivisions 1 and 3; 353.01, subdivision 6; 355.11, subdivision 5; 355.16; 412.251; 462C.02, subdivisions 6 and 9; 462C.05, subdivision 7; 462C.06; 465.54; 465.74, subdivision 7; 465.77; 471A.03, subdivision 9; 473.195, subdivision 1; 473.201, subdivision 1; 473.504, subdivision 11; 473.556, subdivision 6; 473.638, subdivision 2; 473.811, subdivision 8; 473.852, subdivision 6; 473F.02, subdivision 3; 473F.05; 473F.08, subdivisions 2, 4, and 6; 475.525, subdivision 3; 477A.011, subdivision 7; 504.24, subdivision 2; and 609.321, subdivision 12; and Laws 1986, chapter 465, article 1, section 32; repealing Minnesota Statutes 1986, sections 273.1312; 273.1313; 273.1314; 273.71; 273.72; 273.73; 273.74; 273.75; 273.76; 273.77; 273.78; 273.86; 362A.01; 362A.02; 362A.03; 362A.04; 362A.041; 362A.05; 362A.06; 373.31; 426.055; 458.09; 458.091; 458.10; 458.11; 458.12; 458.14; 458.15; 458.16; 458.17; 458.18; 458.19; 458.191; 458.192; 458.193; 458.194; 458.1941; 458.195; 458.196; 458.197; 458.198; 458.199; 458.1991; 458.70; 458.701; 458.702; 458.703; 458.711; 458.712; 458.713; 458.72; 458.74; 458.741; 458.75; 458.76; 458.77; 458.771; 458.772; 458.773; 458.774; 458.775; 458.776; 458.777; 458.778; 458.79; 458.80; 458.801; 458.81; 458C.01; 458C.03; 458C.04; 458C.05; 458C.06; 458C.07; 458C.08; 458C.09; 458C.10; 458C.11; 458C.12; 458C.13; 458C.14; 458C.15; 458C.16; 458C.17; 458C.18; 458C.19; 458C.20; 458C.22; 458C.23; 459.01; 459.02; 459.03; 459.04; 459.05; 459.31; 459.32; 459.33; 459.34; 462.411; 462.415; 462.421; 462.425; 462.426; 462.427; 462.428; 462.429; 462.4291; 462.432; 462.435; 462.441; 462.445; 462.451; 462.455; 462.461; 462.465; 462.466; 462.471; 462.475; 462.481; 462.485; 462.491; 462.495; 462.501; 462.505; 462.511; 462.515; 462.521; 462.525; 462.531; 462.535; 462.541; 462.545; 462.551; 462.555; 462.556; 462.561; 462.565; 462.571; 462.575; 462.581; 462.585; 462.591; 462.595; 462.601; 462.605; 462.611; 462.615; 462.621; 462.625; 462.631; 462.635; 462.641; 462.645; 462.651; 462.655; 462.661; 462.665; 462.671; 462.675; 462.681; 462.685; 462.691; 462.695; 462.701; 462.705; 462.712; 462.713; 462.714; 462.715; 462.716; 465.026; 465.53; 465.55; 465.56; 472.01; 472.02; 472.03; 472.04; 472.05; 472.06; 472.07; 472.08; 472.09; 472.10; 472.11; 472.12; 472.125; 472.13; 472.14; 472.15; 472.16; 472A.01; 472A.02; 472A.03; 472A.04; 472A.05; 472A.06; 472A.07; 472A.09; 472A.10; 472A.11; 472A.12; 472A.13; 472B.01; 472B.02; 472B.03; 472B.04; 472B.05; 472B.06; 472B.07; 472B.08; 474.01; 474.02; 474.03; 474.04; 474.05; 474.06; 474.07; 474.08; 474.09; 474.10; 474.11; 474.13; 474.15; 477A.018; and 477A.019; Laws 1961, chapter 545; Laws 1963, chapters 254; and 827; Laws 1967, chapter 541; Laws 1969, chapter 98; Laws 1973, chapter 114; Laws 1974, chapter 218; Laws 1975, chapter 326; Laws 1976, chapter 234, section 3; Laws 1979, chapter 269, section 1; Laws 1980, chapters 453; and 595, sections 5 and 8; Laws

1982, chapter 523, article 24, section 2; Laws 1983, chapters 110; and 257, section 1; Laws 1984, chapters 397; 498; and 548, section 9; and Laws 1985, chapters 173; 177; 188; 189; 192; 199; 205; 206, sections 2 and 3; and 301, sections 3 and 4; proposing coding for new law as Minnesota Statutes, chapter 469.

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

Page 64, delete lines 15 to 27

Page 64, line 28, delete the language before the semicolon and insert:

"(a) after deducting all operating expenses, debt service payments, taxes or payments in lieu of taxes, and assessments, the developer may be paid annually out of the earnings of the project an amount equal to a specified percentage of the equity invested in the project; the percentage shall be fixed for the term of the tax exemption and shall be determined at the time of the approval of the development contract, provided that no percentage greater than eight percent shall be approved; the contract shall set out the terms of the developer's return on equity and shall define "developer's invested equity," "project earnings," "debt service," and "operating expenses" "

Page 160, line 32, delete "MUNICIPAL" and insert "CITY"

Page 178, line 8, delete "he" and insert "the commissioner"

Page 199, line 22, delete "a standard metropolitan" and insert "the area in and around a city of 50,000 inhabitants or more, or an equivalent area, as defined by the United States Secretary of Commerce."

Page 199, delete lines 23 to 25

Page 297, lines 4 and 5, delete "477A.018; and 477A.019;"

Page 297, delete lines 17 to 25 and insert:

"Section 1. Minnesota Statutes 1986, section 474A.02, subdivision 1, is amended to read:

Subdivision 1. [TERMS DEFINED.] For the purposes of sections ~~474A.01~~ 1 to ~~474A.21~~ 40, the terms defined in this section shall have the following meanings: ~~given them.~~

Sec. 2. Minnesota Statutes 1986, section 474A.02, subdivision 2, is amended to read:

Subd. 2. [ANNUAL VOLUME CAP] "Annual volume cap" means the aggregate dollar amount of obligations bearing interest excluded from gross income for purposes of federal income taxation which, under the provisions of ~~existing federal tax law or a federal volume limitation act~~, may be issued in one year by issuers.

Sec. 3. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 2a. [BONDING AUTHORITY.] "Bonding authority" means all or a portion of the annual volume cap.

Sec. 4. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 2b. [CARRYFORWARD.] "Carryforward" means the ability to

issue obligations in a year subsequent to the year in which an allocation of bonding authority was obtained under sections 1 to 40 as provided in section 146(f) of federal tax law.

Sec. 5. Minnesota Statutes 1986, section 474A.02, subdivision 3, is amended to read:

Subd. 3. [CERTIFICATE OF ALLOCATION.] "Certificate of allocation" means a certificate provided to an issuer by the department under section 474A.13 30.

Sec. 6. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 5a. [COMMISSIONER.] "*Commissioner*" means the commissioner of energy and economic development.

Sec. 7. Minnesota Statutes 1986, section 474A.02, subdivision 6, is amended to read:

Subd. 6. [DEPARTMENT; DEPARTMENT OF ENERGY AND ECONOMIC DEVELOPMENT.] "Department" or ~~"department of energy and economic development"~~ means the department of energy and economic development or its successor agency or agencies with respect to the duties that the department is to perform under sections 474A.01 to 474A.21.

Sec. 8. Minnesota Statutes 1986, section 474A.02, subdivision 7, is amended to read:

Subd. 7. [ENTITLEMENT ISSUER.] "Entitlement issuer" means an issuer to which an allocation is made under ~~section 474A.04, 474A.08, or 474A.09~~ section 23, subdivision 2a; and section 41, subdivision 1, clause (a), and subdivision 2.

Sec. 9. Minnesota Statutes 1986, section 474A.02, subdivision 8, is amended to read:

Subd. 8. [EXISTING FEDERAL TAX LAW.] "~~Existing~~ Federal tax law" means those provisions of the Internal Revenue Code of ~~1954 1986~~, as amended through December 31, 1985, that limit the aggregate amount of obligations of a specified type or types which may be issued by an issuer during a calendar year whose interest is ~~exempt from inclusion in~~ excluded from gross income for purposes of federal income taxation.

Sec. 10. Minnesota Statutes 1986, section 474A.02, subdivision 12, is amended to read:

Subd. 12. [ISSUER.] "Issuer" means any entitlement issuer, *state issuer*, or other issuer.

Sec. 11. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 13a. [MANUFACTURING POOL.] "*Manufacturing pool*" means the amount of the annual volume cap allocated under section 27 that is available for the issuance of small issue bonds to finance manufacturing projects.

Sec. 12. Minnesota Statutes 1986, section 474A.02, subdivision 14, is amended to read:

Subd. 14. [MANUFACTURING PROJECT.] "Manufacturing project" means ~~properties, real or personal, used in connection with a revenue~~

producing enterprise in connection with assembling, fabricating, manufacturing, mixing, or processing any products of agriculture, forestry, mining, or manufacture. Properties used for storing, warehousing, or distributing qualify under this definition (1) if they are used as part of or in connection with an assembly, fabricating, manufacturing, mixing, or processing facility, or (2) if they are used for the storing of agricultural products and are located outside of the metropolitan area, as defined in section 473.121, subdivision 2. Manufacturing project includes properties, real or personal, used in connection with research and development activity to develop or improve products, production processes, or materials. For purposes of this subdivision, "a product of manufacture" includes information and directions which dictate the functions to be performed by data processing equipment, commonly called computer software, regardless of whether they are embodied in or recorded on tangible personal property. A project qualifies as a manufacturing project only if 75 percent of the proceeds of the proposed obligations will be used for construction, acquisition, installation, or addition of properties described in this subdivision any facility which is used in the manufacturing or production of tangible personal property, including the processing resulting in a change in the condition of the property.

Sec. 13. Minnesota Statutes 1986, section 474A.02, subdivision 16, is amended to read:

Subd. 16. [MULTIFAMILY HOUSING PROJECT POOL.] "Multifamily housing project pool" means a development defined in section 462C.02, subdivision 5, for which the applicable housing plan and program approval requirements of chapter 462C have been met the amount of the annual volume cap allocated under section 27, which is available for the issuance of residential rental project bonds.

Sec. 14. Minnesota Statutes 1986, section 474A.02, subdivision 18, is amended to read:

Subd. 18. [NOTICE OF ENTITLEMENT ALLOCATION.] "Notice of entitlement allocation" means a notice provided to an entitlement issuer under section 474A.04, subdivision 5, or 474A.08 25, subdivision 2 5.

Sec. 15. Minnesota Statutes 1986, section 474A.02, subdivision 19, is amended to read:

Subd. 19. [OTHER ISSUER.] "Other issuer" means any an entity other than an entitlement issuer which may issue obligations subject to an annual volume cap, including but not limited to the University of Minnesota, any a city, any town, any federally recognized American Indian tribe or subdivision thereof located in Minnesota, any a housing and redevelopment authority referred to in chapter 462, or any a body authorized to exercise the powers of a housing and redevelopment authority, any a port authority referred to in chapter 458, or any a body authorized to exercise the powers of a port authority, any an economic development authority referred to in chapter 458C, an area or municipal redevelopment agency referred to in chapter 472, any a county, or any other municipal authority or agency established pursuant to under special law, or any an entity issuing on behalf of the foregoing.

Sec. 16. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 20a. [PERMANENTLY ISSUED.] Obligations are "permanently

issued" if either (1) the obligations have been issued under terms and conditions such that the proceeds are available for the purpose for which they were issued, or (2) ten percent of the proceeds of the obligations, excluding costs of issuance, have been disbursed for the purpose for which they were issued.

Sec. 17. Minnesota Statutes 1986, section 474A.02, subdivision 21, is amended to read:

Subd. 21. [PRELIMINARY RESOLUTION.] "Preliminary resolution" means a resolution adopted by the governing body or board of the issuer, or in the case of the iron range resources and rehabilitation board by the commissioner. The resolution must express a preliminary intention of the issuer to issue obligations for a specific project and must identify the proposed project, and disclose the proposed amount of the obligations qualified bonds to be issued. Preliminary resolutions for mortgage bonds and student loan bonds need not identify a specific project.

Sec. 18. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 22a. [PUBLIC FACILITIES POOL.] "Public facilities pool" means the amount of the annual volume cap allocated under section 27, which is available for the issuance of public facility bonds or student loan bonds.

Sec. 19. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 23a. [QUALIFIED BONDS.] "Qualified bonds" means the specific type or types of obligations that are subject to the annual volume cap. Qualified bonds include the following types of obligations as defined in federal tax law:

(a) "public facility bonds" means "exempt facility bonds" as defined in federal tax law, except for residential rental project bonds, which are those obligations issued to finance airports, docks and wharves, mass commuting facilities, facilities for the furnishing of water, sewage facilities, solid waste disposal facilities, facilities for the local furnishing of electric energy or gas, local district heating or cooling facilities, and qualified hazardous waste facilities;

(b) "residential rental project bonds" which are those obligations issued to finance qualified residential rental projects;

(c) "mortgage bonds";

(d) "small issue bonds" issued to finance manufacturing projects;

(e) "student loan bonds";

(f) "redevelopment bonds"; and

(g) "governmental bonds" with a nonqualified amount in excess of \$15,000,000 as set forth in section 141(b)5 of federal tax law.

Sec. 20. Minnesota Statutes 1986, section 474A.02, subdivision 26, is amended to read:

Subd. 26. [STATE ISSUER.] "State issuer" means the state of Minnesota; the iron range resources and rehabilitation board; or other agency, department, board, or commission of the state, which that is authorized to issue obligations and has statewide jurisdiction.

Sec. 21. Minnesota Statutes 1986, section 474A.02, is amended by adding a subdivision to read:

Subd. 26a. [UNIFIED POOL.] "Unified pool" means the amount of the annual volume cap allocated under section 29 that is available for the issuance of qualified bonds.

Sec. 22. Minnesota Statutes 1986, section 474A.03, subdivision 1, is amended to read:

Subdivision 1. [ANNUAL VOLUME CAP UNDER EXISTING FEDERAL TAX LAW; POOL ALLOCATIONS.] At the beginning of each calendar year after December 31, 1987, the ~~department~~ commissioner shall determine the aggregate dollar amount of the annual volume cap under ~~existing~~ federal tax law for the calendar year, and of this amount the ~~department~~ commissioner shall ~~determine~~ make the following amounts allocation:

(1) the amount that is allocated to entitlement issuers under section 474A.04 \$74,000,000 to the manufacturing pool;

(2) the amount initially available for allocation through the pool under section 474A.05, which is the annual volume cap determined under this subdivision less the amount determined under clause (1) \$30,000,000 to the multifamily housing pool; and

(3) the amount available for issuance of qualified mortgage bonds under section 474A.07 \$21,000,000 to the public facilities pool; and

(4) amounts to be allocated as provided in section 23, subdivision 2a.

If the annual volume cap is greater or less than the amount of bonding authority allocated under clauses (1) to (4), the allocation must be adjusted so that each adjusted allocation is the same percentage of the annual volume cap as each original allocation is of the total bonding authority originally allocated.

Sec. 23. Minnesota Statutes 1986, section 474A.03, is amended by adding a subdivision to read:

Subd. 2a. [ENTITLEMENT ISSUER ALLOCATION.] (a) The commissioner shall make the following allocation to the Minnesota housing finance agency and the following cities:

(1) \$50,000,000 per year to the Minnesota housing finance agency, less any amount received in the previous year under section 29, subdivision 6;

(2) \$20,000,000 per year to the city of Minneapolis;

(3) \$15,000,000 per year to the city of Saint Paul; and

(4) \$3,000,000 to each of the cities of the first class located outside of the metropolitan area as defined in section 473.121, subdivision 2, or an amount equal to the amount of mortgage bonds or residential rental project bonds that the city permanently issued in the previous calendar year, whichever amount is less. The amount of an allocation provided under this clause is deducted from the allocations made under clauses (1), (2), and (3) in proportion to the total amount of allocations made in clauses (1), (2), and (3).

(b) Allocations provided under this subdivision must be used for mortgage bonds, mortgage credit certificates, or residential rental project bonds.

except that entitlement cities may also use their allocations for public facility bonds.

Sec. 24. Minnesota Statutes 1986, section 474A.04, is amended by adding a subdivision to read:

Subd. 1a. [ENTITLEMENT RESERVATIONS; CARRYFORWARD; DEDUCTION.] An entitlement issuer may retain any unused portion of its entitlement allocation after the first Monday in September if it has submitted to the department before the first Monday in September a letter stating its intent to issue obligations pursuant to its entitlement allocation before the end of the calendar year or within the time permitted under federal tax law. Except as provided in section 41, subdivision 2, paragraph (a), any amount returned by an entitlement issuer before the last Monday in October shall be reallocated through the multifamily housing pool. Any amount returned on or after the last Monday in October shall be reallocated under section 29. Beginning with entitlement allocations received in 1987 under Minnesota Statutes 1986, section 474A.08, subdivision 1, paragraphs (2) and (3), there shall be deducted from an entitlement issuer's allocation for the subsequent year an amount equal to the entitlement allocation under which bonds are either not issued or carried forward under federal tax law. Except for the Minnesota housing finance agency, any amount of bonding authority that an entitlement issuer carries forward under federal tax law that is not permanently issued by the end of the succeeding calendar year shall be deducted from the entitlement allocation for that entitlement issuer for the next succeeding calendar year. Any amount deducted from an entitlement issuer's allocation under this subdivision shall be divided equally for allocation through the manufacturing pool and the multifamily housing pool.

Sec. 25. Minnesota Statutes 1986, section 474A.04, subdivision 5, is amended to read:

Subd. 5. [NOTICE OF ENTITLEMENT ALLOCATION.] As soon as possible in each calendar year, the ~~department~~ commissioner shall provide to each entitlement issuer a written notice of the amount of its entitlement allocation under this section.

Sec. 26. Minnesota Statutes 1986, section 474A.04, subdivision 6, is amended to read:

Subd. 6. [ENTITLEMENT TRANSFERS.] An entitlement issuer may enter into an agreement with another entitlement issuer whereby the recipient entitlement issuer issues obligations pursuant to ~~issuance~~ bonding authority allocated to the original entitlement issuer under this section.

Sec. 27. [474A.061] [ALLOCATION OF MANUFACTURING, MULTIFAMILY HOUSING, AND PUBLIC FACILITIES POOLS.]

Subdivision 1. [APPLICATION.] An issuer may apply for an allocation under this section by submitting to the department an application on forms provided by the department, accompanied by (1) a preliminary resolution, (2) a statement of bond counsel that the proposed issue of obligations requires an allocation under this chapter, (3) the type of qualified bonds to be issued, and (4) an application deposit in the amount of one percent of the requested allocation before the last Monday in August, or in the amount of two percent of the requested allocation on or after the last Monday in August. An entitlement issuer may not apply for an allocation from the multifamily housing pool or from the public facilities pool unless

it has permanently issued bonds equal to the amount of its entitlement allocation for the current year plus any amount of bonding authority carried forward from previous years.

Subd. 2. [ALLOCATION PROCEDURE.] From the beginning of the calendar year until the last Monday in October, the commissioner shall allocate available bonding authority under this section on Monday of each week to applications received on or before the Monday of the preceding week.

(a) If there are two or more applications for residential rental project bonds from the multifamily housing pool and there is insufficient bonding authority to provide allocations for all projects in any one week after all eligible bonding authority has been transferred as provided in section 28, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

(b) If there are two or more applications for small issue bonds from the manufacturing pool and there is insufficient bonding authority to provide allocations for all projects in any one week after all eligible bonding authority has been transferred as provided in section 28, preference shall be given to applications for projects to be located in distressed counties designated under section 297A.257. Otherwise, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

(c) If there are two or more applications for public facility bonds from the public facilities pool and there is insufficient bonding authority to provide allocations for all projects in any one week, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

If an application is rejected, the commissioner must notify the applicant and return the application deposit to the applicant within 30 days unless the applicant requests in writing that the application be resubmitted. The granting of an allocation of bonding authority under this section must be evidenced by a certificate of allocation.

Subd. 3. [ADDITIONAL DEPOSIT.] An issuer which has received an allocation under this section may retain any unused portion of the allocation after the first Monday in September only if the issuer has submitted to the department before the first Monday in September a letter stating its intent to issue obligations pursuant to the allocation before the end of the calendar year or within the time period permitted by federal tax law and a deposit in addition to that provided under subdivision 1, equal to one percent of the amount of allocation to be retained.

Subd. 4. [RETURN OF ALLOCATION; DEPOSIT REFUND.] (a) If an issuer that receives an allocation under this section determines that it will not issue obligations equal to all or a portion of the allocation received under this section by the end of the current year or within the time period permitted by federal tax law, the issuer must notify the department. If the issuer notifies the department prior to the last Monday in October, the amount of allocation returned must be reallocated through the pool from which it was originally allocated. If the issuer notifies the department on or after the last Monday in October, the amount of allocation returned must be reallocated through the unified pool.

(b) An issuer that returns for reallocation all or a portion of an allocation received under this section shall receive within 30 days a refund of its application deposit equal to:

(1) one-half of the amount on deposit for the amount of bonding authority returned before the first Monday in December;

(2) one-fourth of the amount on deposit for the amount of bonding authority returned before the third Monday in December; and

(3) one-eighth of the amount on deposit for the amount of bonding authority returned before the last Monday in December.

No refund shall be available for allocations returned on or after the last Monday in December.

Subd. 5. [HIGHER EDUCATION COORDINATING BOARD ALLOCATION.] *The higher education coordinating board must receive an allocation of bonding authority at the beginning of the calendar year from the public facilities pool of an amount up to \$10,000,000 per year, less any amount carried forward from the previous year for the issuance of student loan bonds. The amount of any allocation received under this subdivision, when added to the allocation received under section 29, subdivision 6, in the previous year, must not exceed \$20,000,000. The higher education coordinating board shall be treated as an entitlement issuer under section 24.*

Subd. 6. [DEADLINE FOR ISSUANCE OF SMALL ISSUE BONDS.] *If an issuer fails to notify the department before the last Monday in December of issuance of obligations pursuant to an allocation received for a manufacturing project, the allocation is canceled and the bonding authority is allocated to the department of finance for reallocation under section 29, subdivision 6.*

Sec. 28. [474A.081] [POOL TRANSFERS.]

Subdivision 1. [AUTHORITY TO TRANSFER BONDING AUTHORITY.] *If there is insufficient bonding authority in either the manufacturing pool or the multifamily housing pool to provide allocations for applications received in any one week, additional bonding authority for small issue bonds and residential rental project bonds may be obtained under this section.*

Subd. 2. [TRANSFER LIMITS.] *No transfer of bonding authority may be made from any pool for qualified bonds not eligible to receive allocations from that pool prior to June 30. No transfer may be made from a pool if, on June 30, allocations of bonding authority have been made from that pool equal to or exceeding 50 percent of the annual volume cap originally allocated to that pool. For 1987, the amount considered originally allocated to each of the pools shall be \$80,000,000 for the manufacturing pool and \$60,000,000 for the multifamily housing pool.*

Subd. 3. [TRANSFER FROM MINNESOTA HOUSING FINANCE AGENCY ALLOCATION.] *If there is insufficient bonding authority to provide allocations for all applications for residential rental projects in any one week from the multifamily housing pool, up to \$15,000,000 per year must be transferred to the multifamily housing pool from the Minnesota housing finance agency's entitlement allocation. This deduction must be made prior to transferring bonding authority to the multifamily housing pool as provided in subdivision 4.*

Subd. 4. [POOL TRANSFERS.] If there is insufficient bonding authority to provide allocations for all small issue bonds or residential rental project bonds in any one week, applications for small issue bonds may receive bonding authority from the multifamily housing pool or applications for residential rental project bonds may receive bonding authority from the manufacturing pool, except as provided in subdivision 2. If bonding authority is transferred from one pool to the other pool, applications for small issue bonds must receive priority for allocations from the manufacturing pool, and applications for residential rental project bonds must receive priority for allocations from the multifamily housing pool.

Sec. 29. [474A.091] [ALLOCATION OF UNIFIED POOL.]

Subdivision 1. [UNIFIED POOL AMOUNT.] On the day after the last Monday in October any bonding authority remaining unallocated from the manufacturing pool, the multifamily housing pool, and the public facilities pool is transferred to the unified pool and must be reallocated as provided in this section.

Subd. 2. [APPLICATION.] An issuer may apply for an allocation under this section by submitting to the department an application on forms provided by the department accompanied by (1) a preliminary resolution, (2) a statement of bond counsel that the proposed issue of obligations requires an allocation under this chapter, (3) the type of qualified bonds to be issued, and (4) an application deposit in the amount of two percent of the requested allocation. An entitlement issuer may not apply for an allocation for public facility bonds, residential rental project bonds, or mortgage bonds under this section unless it has permanently issued bonds equal to the amount of its entitlement allocation for the current year plus any amount carried forward from previous years.

Subd. 3. [ALLOCATION PROCEDURE.] The commissioner shall allocate available bonding authority under this section on the Monday of every other week beginning with the first Monday in November through and on the last Monday in December. Applications for allocations must be received by the department by the Monday preceding the Monday on which allocations are to be made. Allocations shall be awarded in the following order of priority:

(1) applications for small issue bonds, with preference given to projects to be located in distressed counties designated under section 297A.257;

(2) applications for residential rental project bonds;

(3) applications for public facility bonds;

(4) applications for redevelopment bonds;

(5) applications for mortgage bonds; and

(6) applications for governmental bonds.

Allocations for mortgage bonds from the unified pool may not exceed:

(a) \$10,000,000 for any one city;

(b) \$20,000,000 for any number of cities in any one county; or

(c) 40 percent of the amount initially allocated to the unified pool.

An allocation for mortgage bonds may be used for mortgage credit certificates.

If an allocation from the unified pool is used for mortgage bonds, at least 70 percent of the proceeds from the issuance of the bonds must be used to make loans for the purchase, replacement or rehabilitation of existing housing or school buildings.

Subd. 4. [MORTGAGE BOND SUNSET.] *If federal tax law is not amended to permit the issuance of tax-exempt mortgage bonds after December 31, 1988, all remaining bonding authority available for allocation under this section on December 1, 1988, is allocated to the Minnesota housing finance agency, of which at least 50 percent must be reallocated to cities for the issuance of mortgage bonds. If an issuer that receives an allocation for mortgage bonds under this subdivision fails to notify the department of energy and economic development before the last Monday in December of issuance of obligations pursuant to all or a portion of the allocation, any remaining allocation pursuant to which obligations have not been issued is canceled and the bonding authority is allocated to the department of finance for reallocation under section 29, subdivision 6.*

Subd. 5. [RETURN OF ALLOCATION; DEPOSIT REFUND.] *(a) If an issuer that receives an allocation under this section determines that it will not issue obligations equal to all or a portion of the allocation received under this section by the end of the current year or within the time period permitted by federal tax law, the issuer must notify the department. If the issuer notifies the department prior to the last Monday in December, the amount of allocation returned must be reallocated through the unified pool.*

(b) An issuer that returns for reallocation all or a portion of an allocation received under this section shall receive within 30 days a refund of its application deposit equal to:

(1) one-half of the amount on deposit for the amount of bonding authority returned before the first Monday in December;

(2) one-fourth of the amount on deposit for the amount of bonding authority returned before the third Monday in December; and

(3) one-eighth of the amount on deposit for the amount of bonding authority returned before the last Monday in December.

No refund of the application deposit shall be available for allocations returned on or after the last Monday in December.

Subd. 6. [FINAL ALLOCATION; CARRYFORWARD.] *\$20,000,000 or any bonding authority remaining unallocated from the unified pool after the last Monday in December, whichever is less, is allocated to the higher education coordinating board. Any bonding authority remaining after the deduction for the higher education coordinating board allocation is allocated to the department of finance for reallocation for qualified bonds eligible to be carried forward under federal tax law.*

Sec. 30. Minnesota Statutes 1986, section 474A.13, subdivision 1, is amended to read:

Subdivision 1. [ISSUANCE OF CERTIFICATE OF ALLOCATION.] *The department shall issue a certificate of allocation for any allocation granted under ~~section 474A.11~~ sections 27 and 29, except as provided in ~~subdivision 4~~ section 31.*

Sec. 31. Minnesota Statutes 1986, section 474A.13, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS ON THE ISSUANCE OF CERTIFICATES.] No certificate of allocation may be granted under a federal volume limitation act under any of the following circumstances:

(1) *tax law* for the amount of the allocation requested, when *the amount requested* added to (i) the aggregate amount of certificates of allocation issued and not expired; (ii) amounts remaining available to be allocated pursuant to section 474A.11; and (iii) entitlement authority allocated pursuant to section 474A.08 and not returned pursuant to section 474A.10, subdivision 3, for reallocation would cause the governmental annual volume cap to be exceeded. If two or more applications for a certificate of allocation are filed with the department on the same day and there is insufficient issuance authority for the applications, certificates shall be issued first for applications made pursuant to subdivision 2 and thereafter for applications made pursuant to subdivision 1; or

(2) the principal amount of the proposed allocation exceeds \$25,000,000 unless the issuer is the Minnesota housing finance agency or the Minnesota higher education coordinating board, or unless the issue is a pooled or joint issue or any issue of a joint powers board, provided that for joint or pooled issues or issues of a joint powers board the aggregate amount of the issue cannot exceed \$100,000,000.

Sec. 32. Minnesota Statutes 1986, section 474A.13, subdivision 5, is amended to read:

Subd. 5. [CERTIFICATES ARE NOT TRANSFERABLE.] Certificates of allocation are not transferable. An issuer that receives an allocation of *issuance bonding* authority pursuant to sections 474A.01 1 to 474A.21 41 to finance a project within the boundaries of the issuer may allow another issuer to issue obligations pursuant to the *issuance authority allocation* received only if the boundaries of the other issuer are coterminous with the boundaries of the issuer that received the *authority allocation*.

Sec. 33. [474A.131] [NOTICE OF ISSUE AND NOTICE OF CARRYFORWARD.]

Subdivision 1. [NOTICE OF ISSUE.] Each issuer that issues bonds with an allocation received under this chapter shall provide a notice of issue to the department on forms provided by the department stating:

- (1) the date of issuance of the bonds;*
- (2) the title of the issue;*
- (3) the principal amount of the bonds;*
- (4) the type of qualified bonds under federal tax law; and*
- (5) the dollar amount of the bonds issued that were subject to the annual volume cap.*

For obligations that are issued as a part of a series of obligations, a notice must be provided for each series. Any issue of obligations for which a notice of issue is not provided to the department within five days after issuance is deemed not to have received an allocation under this law or under federal tax law. Within 30 days after receipt of a notice of issue the department shall refund a portion of the application deposit equal to one percent of the amount of the bonding authority actually issued if a one percent application deposit was made, or equal to two percent of the

amount of the bonding authority actually issued if a two percent application deposit was made.

Subd. 2. [CARRYFORWARD NOTICE.] If an issuer intends to carry forward an allocation received under this chapter it must notify the department before the last Monday of December. If the notice of carryforward is not provided within the time required, one-quarter of the amount of the deposit eligible for refund upon filing of the notice of issue under this section is forfeited.

Sec. 34. Minnesota Statutes 1986, section 474A.14, is amended to read:
474A.14 [NOTICE OF AVAILABLE AUTHORITY.]

The department shall publish in the State Register at least twice monthly, a notice of the amount of ~~issuance~~ *bonding* authority, if any, available for allocation pursuant to sections ~~474A.05, 474A.11, 27 and 474A.12~~ 29.

Sec. 35. Minnesota Statutes 1986, section 474A.15, is amended to read:
474A.15 [STATE HELD HARMLESS.]

The state is not liable in any manner to any issuer, holder of obligations, or other person for carrying out the duties imposed on it under sections ~~474A.01 1 to 474A.21 41.~~

Sec. 36. Minnesota Statutes 1986, section 474A.16, is amended to read:
474A.16 [EXCLUSIVE METHOD OF ALLOCATION.]

Sections ~~474A.01 1 to 474A.21 41~~ shall be the exclusive method for allocating authority to issue obligations for the purposes of complying with the volume limitation of a ~~federal volume limitation act and existing federal tax law. An issuer of obligations may elect to obtain an allocation of authority under either existing federal tax law, a federal volume limitation act, or both.~~

Sec. 37. Minnesota Statutes 1986, section 474A.17, is amended to read:
474A.17 [ADMINISTRATIVE PROCEDURE ACT NOT APPLICABLE.]

Minnesota Statutes, chapter 14, shall not apply to actions taken by any state agency, or entity, ~~or the governor~~ under sections ~~474A.01 1 to 474A.21 41.~~

Sec. 38. Minnesota Statutes 1986, section 474A.18, is amended to read:
474A.18 [~~PROSPECTIVE OVERRIDE OF FEDERAL VOLUME LIMITATION ACT TAX LAW.~~]

Sections ~~474A.01 1 to 474A.21 prospectively 41~~ override and replace the method of allocating the authority to issue obligations among uses and among issuers as provided in a ~~section 146 of federal volume limitation act tax law~~ to the extent allowed by a ~~federal volume limitation act tax law.~~

Sec. 39. Minnesota Statutes 1986, section 474A.20, is amended to read:
474A.20 [STATE CERTIFICATION.]

The commissioner of the ~~department~~ is designated as the state official to provide any preissuance or postissuance certification required by a ~~federal volume limitation act tax law.~~

Sec. 40. Minnesota Statutes 1986, section 474A.21, is amended to read:

474A.21 [APPROPRIATION; RECEIPTS.]

Any fees collected by the department under sections ~~474A.01~~ 1 to 474A.21 41 must be deposited in the general fund. The amount necessary to refund application deposits is appropriated to the department from the general fund for that purpose.

Sec. 41. [ALLOCATION FOR REMAINDER OF 1987.]

Subdivision 1. [MINNESOTA HOUSING FINANCE AGENCY AND POOL ALLOCATION.] For the purposes of this section, the terms defined in sections 1 to 21 have the meanings given them in sections 1 to 21. The commissioner shall allocate the annual volume cap for the remainder of 1987 on the day following final enactment as follows:

(a) \$60,000,000 is allocated to the Minnesota housing finance agency less any amount that was allocated to the Minnesota housing finance agency from the department of finance in 1987 under Minnesota Statutes 1986, section 474A.09. This amount is available only for the issuance of mortgage bonds or residential rental project bonds.

(b) \$80,000,000 is allocated to the manufacturing pool, less the sum of (1) the amount of allocations for small issue bonds made from and not returned to the pool established under Minnesota Statutes 1986, section 474A.11, and (2) any amount that was allocated for small issue bonds by the department of finance in 1987 under Minnesota Statutes 1986, section 474A.09. Any allocations that were made for small issue bonds under Minnesota Statutes 1986, sections 474A.09 and 474A.11, returned on or subsequent to the date of enactment must be made available for reallocation through the manufacturing pool.

(c) \$60,000,000 is allocated to the multifamily housing pool, less the amount of allocations for residential rental project bonds made from and not returned to the pool established under Minnesota Statutes 1986, section 474A.11. Any allocations that were made for residential project bonds under Minnesota Statutes 1986, section 474A.11, returned on or subsequent to the date of enactment must be made available for reallocation through the multifamily housing pool.

(d) \$31,190,380 is allocated to the public facilities pool, less the amount of allocations for public facility bonds made from and not returned to the pool established under Minnesota Statutes 1986, section 474A.11. Any allocations that were made for public facility bonds under Minnesota Statutes 1986, section 474A.11, returned on or subsequent to the date of enactment must be made available for reallocation through the public facilities pool. Applications from the Minnesota public facilities authority must receive priority for allocations from the public facilities pool in any given week.

If the amount of bonding authority allocated under subdivision 3 when added to the allocation for public facility bonds made from and not returned to the pool under Minnesota Statutes, section 474A.11, exceeds \$31,190,380, the excess must be deducted from the allocation under paragraph (c) and be allocated to the public facilities pool.

Subd. 2. [1987 ENTITLEMENT CITY ALLOCATIONS.] (a) Cities that received entitlement allocations under Minnesota Statutes 1986, section 474A.08, subdivision 1, paragraph (2), may retain those allocations for issuance of mortgage bonds, residential rental project bonds, or public

facility bonds. These allocations shall be treated as entitlement allocations for the purpose of section 24 and any allocations returned must be reallocated through the manufacturing pool. If there is insufficient bonding authority in the manufacturing pool to provide allocations to all eligible projects on any Monday prior to the last Monday in October, 1987, after all eligible bonding authority has been transferred to the manufacturing pool as provided in section 28, additional bonding authority must be transferred to the manufacturing pool for allocation on the subsequent Monday from the entitlement city allocations as provided in this subdivision. Each city must transfer bonding authority to the manufacturing pool from its remaining bonding authority in an amount equal to the percentage of the allocation that the city received under Minnesota Statutes 1986, section 474A.08, subdivision 1, paragraph (2), in relation to the total amount of allocations made under Minnesota Statutes 1986, section 474A.08, subdivision 1, paragraph (2), multiplied by the amount necessary to provide allocations to all manufacturing projects on the subsequent Monday. No city is required to transfer more bonding authority under this subdivision than the amount of the city's allocation under Minnesota Statutes 1986, section 474A.08, subdivision 1, paragraph (2). For any week that a city transfers bonding authority to the manufacturing pool, that city shall receive a priority for allocations from the manufacturing pool up to the amount of bonding authority transferred by that city.

(b) Cities that received entitlement allocations under Minnesota Statutes 1986, section 474A.08, subdivision 1, paragraph (3), may retain those allocations for issuance of mortgage bonds, residential rental project bonds, or public facility bonds. These allocations shall be treated as entitlement allocations for the purpose of section 24 and any allocation returned must be reallocated through the multifamily housing pool.

(c) Cities that received entitlement allocations under Minnesota Statutes 1986, section 474A.08, subdivision 1, paragraph (5), may retain those allocations for issuance of mortgage bonds, residential rental project bonds, or public facility bonds. These allocations must be treated as entitlement allocations for the purpose of section 24 and any allocations returned must be reallocated through the multifamily housing pool.

Subd. 3. [HIGHER EDUCATION COORDINATING BOARD ALLOCATION.] The higher education coordinating board shall receive an allocation from the public facilities pool of an amount up to \$20,000,000 less the sum of (1) the amount carried forward from 1986, and (2) any amount allocated to it under Minnesota Statutes 1986, section 474A.09. The higher education coordinating board shall be treated as an entitlement issuer under section 24.

Sec. 42. [ALLOCATION VALIDATION.]

All allocations made under Minnesota Statutes 1986, chapter 474A, are validated and shall be governed by the provisions of sections 1 to 41.

Sec. 43. [REPEALER.]

Minnesota Statutes 1986, sections 474A.02, subdivisions 5, 9, 10, 11, 13, 15, 17, 20, 22, 23, 24, 25, 27, 28 and 29; 474A.03, subdivisions 2 and 3; 474A.04, subdivisions 1, 2, 3, and 4; 474A.05; 474A.06; 474A.07; 474A.08; 474A.09; 474A.10; 474A.11; 474A.12; 474A.13, subdivisions 2 and 3; and 474A.19 are repealed.

Laws 1981, chapter 222, section 6; and chapter 223, section 6, sub-

division 3, are repealed.

Sec. 44. [EFFECTIVE DATE.]

Sections 1 to 43 are effective the day following final enactment."

Page 297, delete lines 27 to 36 and insert:

"Section 1. Minnesota Statutes 1986, section 462C.11, subdivision 2, is amended to read:

Subd. 2. [PROGRAM REQUIREMENTS.] Mortgage credit certificate programs adopted by the city shall comply with all of the provisions of section 25 of the Internal Revenue Code of 1954, as amended through July 18, 1984 1986.

Sec. 2. Minnesota Statutes 1986, section 462C.11, subdivision 3, is amended to read:

Subd. 3. [CORRECTION AMOUNTS.] Correction amounts determined by the secretary of the treasury because of the failure of a mortgage credit certificate program to comply with a federal statute or regulation shall be assessed pursuant to section 462C.09, subdivision 5 against the amount of qualified mortgage bonds allocated by chapter 474A to the issuer which adopted the program. Before November 1, if the issuer has no remaining allocation or if the correction amount is in excess of any remaining allocation, the correction amount in excess of any remaining allocation must be deducted from the allocations made at the beginning of the calendar year to entitlement issuers, the manufacturing pool, the multifamily housing pool, and the public facilities pool, based on the proportion that each allocation is in relation to the annual volume cap. If the deduction is made on or after November 1, the correction amount in excess of any remaining allocation must be deducted from any remaining allocations of entitlement issuers and the bonding authority remaining in the unified pool, based on the proportion that each allocation is in relation to the total amount of the remaining allocations and bonding authority."

Page 298, delete lines 1 to 6

Amend the title as follows:

Page 1, line 15, after the semicolon, insert "allocating bonding authority subject to a volume cap under federal tax law; allocating bonding authority to the city of Minneapolis, located in Hennepin county, and to the city of Saint Paul, located in Ramsey county;"

Page 1, lines 35 and 36, delete "and Laws 1986, Chapter 465, article 1, section 32;"

Page 2, line 29, delete "477A.018; and 477A.019" and insert "amending Minnesota Statutes 1986, sections 462C.11, subdivisions 2 and 3; 474A.02, subdivisions 1, 2, 3, 6, 7, 8, 12, 14, 16, 18, 19, 21, 26, and by adding subdivisions; 474A.03, subdivision 1, and by adding a subdivision; 474A.04, subdivisions 5, 6, and by adding a subdivision; 474A.13, subdivisions 1, 4, and 5; 474A.14; 474A.15; 474A.16; 474A.17; 474A.18; 474A.20; and 474A.21; proposing coding for new law in Minnesota Statutes, chapter 474A; repealing Minnesota Statutes 1986, sections 474A.02, subdivisions 5, 9, 10, 11, 13, 15, 17, 20, 22, 23, 24, 25, 27, 28, and 29; 474A.03, subdivisions 2 and 3; 474A.04, subdivisions 1, 2, 3, and 4; 474A.05; 474A.06; 474A.07; 474A.08; 474A.09; 474A.10; 474A.11; 474A.12; 474A.13, subdivisions 2 and 3; and 474A.19"

Page 2, line 35, after "8;" insert "Laws 1981, chapters 222, section 6; and 223, section 6, subdivision 3;"

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

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

S.F. No. 481: A bill for an act relating to natural resources; authorizing additions to and deletions from certain state parks and waysides; abolishing Old Crossing Treaty State Wayside and Rice Lake State Wayside; amending Minnesota Statutes 1986, section 85.012, subdivision 57; repealing Minnesota Statutes 1986, sections 85.013, subdivisions 19 and 21a, and 138.55, subdivision 6.

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

Page 1, after line 10, insert:

"Section 1. Minnesota Statutes 1986, section 43A.38, subdivision 2, is amended to read:

Subd. 2. [ACCEPTANCE OF GIFTS; FAVORS.] Employees in the executive branch in the course of or in relation to their official duties shall not directly or indirectly receive or agree to receive any payment of expense, compensation, gift, reward, gratuity, favor, service or promise of future employment or other future benefit from any source, except the state for any activity related to the duties of the employee unless otherwise provided by law. However, the acceptance of any of the following shall not be a violation of this subdivision:

(a) Gifts of nominal value or gifts or textbooks which may be accepted pursuant to section 15.43.

(b) Plaques or similar mementos recognizing individual services in a field of specialty or to a charitable cause.

(c) Payment of reimbursement expenses for travel or meals, not to exceed actual expenses incurred, which are not reimbursed by the state and which have been approved in advance by the appointing authority as part of the work assignment.

(d) Honoraria or expenses paid for papers, talks, demonstrations or appearances made by employees on their own time for which they are not compensated by the state.

(e) *Tips received by employees engaged in food service and room cleaning at restaurant and lodging facilities in Itasca state park.*"

Page 1, line 16, delete "in" and insert "is"

Page 2, delete lines 10 to 23 and insert:

"Subd. 2. [85.012] [Subd. 23] [GLACIAL LAKES STATE PARK, POPE COUNTY.] *The following area is added to Glacial Lakes State Park: The Southeast Quarter, the East Half of the Southwest Quarter, the Southwest Quarter of the Southwest Quarter, and the Northeast Quarter of the Southwest Quarter, the Northwest Quarter, the Northwest Quarter of the North-*

east Quarter of Section 19; that part of the Southwest Quarter of Section 20 lying westerly of County State Aid Highway 13; the East Half and the Northwest Quarter of Section 30; all in Township 124 North, Range 38 West.

The East 8.0 chains of the Northwest Quarter of the Northwest Quarter, the Northeast Quarter of the Northwest Quarter, and the Southeast Quarter of the Northwest Quarter excepting the South 250 feet thereof of Section 25, Township 124 North, Range 39 West."

Page 4, after line 25, insert:

"Sec. 6. [85.0505] [SALE OF WINE AT DOUGLAS LODGE IN ITASCA STATE PARK.]

Wine may be sold and consumed by the drink at the restaurant in Douglas Lodge in Itasca state park, subject to other laws relating to the sale of intoxicating liquor."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the semicolon, insert "authorizing acceptance of tips by food service and room cleaning employees at Itasca state park;"

Page 1, line 5, after the semicolon, insert "authorizing sale and consumption of wine by the drink at Douglas Lodge in Itasca state park;"

Page 1, line 6, delete "section" and insert "sections 43A.38, subdivision 2; and" and after the semicolon, insert "proposing coding for new law in Minnesota Statutes, chapter 85;"

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

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

S.F. No. 614: A bill for an act relating to natural resources; authorizing the commissioner to set the date for "Take a Kid Fishing Weekend"; amending Minnesota Statutes 1986, section 97A.445, subdivision 1.

Reports the same back with the recommendation that the bill do pass and be placed on the Consent Calendar. Report adopted.

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

S.F. No. 940: A bill for an act relating to state lands; authorizing a private sale of certain tax-forfeited land in St. Louis county.

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

Delete everything after the enacting clause and insert:

"Section 1. [SALE OF TAX-FORFEITED LAND; ST. LOUIS COUNTY.]

Notwithstanding the public sale requirements of Minnesota Statutes, section 282.01, St. Louis county may sell the land described in this section to Minnesota Sphagnum, Inc. of Floodwood, Minnesota, in the manner

provided for appraisal, sale, and conveyance of tax-forfeited land by Minnesota Statutes, chapter 282.

The land described in this section may be sold by private sale for a consideration not less than its appraised value. The conveyance must be in a form approved by the attorney general.

The land that may be sold is a tract of approximately 80 acres and is in St. Louis county and described as: The Northeast Quarter of the Northeast Quarter and the Northwest Quarter of the Northeast Quarter of Section 9, Township 51, Range 19.

The land is tax-forfeited and is needed for Minnesota Sphagnum, Inc. to construct a facility on it, allowing the company to more efficiently conduct its business in St. Louis county.

Sec. 2. [CITY OF WINTON LAND SALE.]

Notwithstanding Minnesota Statutes, section 282.018, St. Louis county may sell the tract of tax-forfeited land described in this section to the city of Winton. The sale must otherwise be conducted in accordance with Minnesota Statutes, chapter 282.

The land that may be sold is described as:

That part of the Northeast One Quarter of the Northeast One Quarter (NE 1/4 of NE 1/4) of Section 26, Township 63 North, Range 12 West of the 4th Principal Meridian, Saint Louis County, Minnesota, described as follows:

Assuming the East Line of said NE 1/4 of NE 1/4 to lie North 02 degrees 00' 00" West and from the Northeast Corner of said NE 1/4 of NE 1/4, being also the Northeast Corner of said Section 26, run South 02 degrees 00' 00" East along the section line 945 feet; to the point of beginning:

Thence South 70 degrees 00' 00" West, 225.00 feet:

Thence North 20 degrees 00' 00" West a distance of 800 feet more or less to Shagawa River;

Thence Easterly along Shagawa River 550 feet more or less to the East line of said Northeast One Quarter of the Northeast One Quarter (NE 1/4 of NE 1/4);

Thence South 02 degrees 00' 00" East along said East Line, 875 feet more or less to the Point of Beginning.

The land is needed by the city for the pond system of its wastewater treatment facility.

Sec. 3. [SALE OF TAX-FORFEITED LAND; LAKE COUNTY.]

Notwithstanding the public sale requirements of Minnesota Statutes, section 282.01, Lake county may sell certain tax-forfeited land to the city of Two Harbors, Minnesota.

The land described in this section may be sold by private sale for a consideration not less than its appraised value and in accordance with the provisions of Minnesota Statutes, chapter 282, relating to appraisal, sale, and conveyance of tax-forfeited land.

The conveyance must be in a form approved by the attorney general.

The land that may be sold is in Lake county and described as: The

Northeast Quarter of the Southwest Quarter of Section 28, Township 53, Range 11.

The land is needed by the city of Two Harbors for future expansion of its runway and for the installation of a nondirectional radio beacon, resulting in enhanced safety and facilities.

Sec. 4. [EFFECTIVE DATE.]

This act is effective the day after final enactment."

Amend the title as follows:

Page 1, line 3, before the period, insert "; authorizing the sale of certain tax-forfeited land to the city of Winton; authorizing private sale of certain tax-forfeited land in Lake county to the city of Two Harbors"

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

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

S.F. No. 1202: A bill for an act relating to environment; establishing a siting process for a low-level radioactive waste facility; providing for volunteer sites and an alternative site selection process; establishing a siting board; appropriating money; amending Minnesota Statutes 1986, sections 116C.832, subdivision 1, and by adding subdivisions; 116C.834, subdivision 1; and 116C.842, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 116C.

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 1986, section 116C.832, subdivision 1, is amended to read:

Subdivision 1. [TERMS DEFINED IN COMPACT.] The terms defined in article II of the Midwest Interstate Low-Level Radioactive Waste Compact have the meanings given them for the purposes of sections 116C.833 to 116C.843 and sections 6 to 9.

Sec. 2. Minnesota Statutes 1986, section 116C.832, is amended by adding a subdivision to read:

Subd. 7. [SITE.] "Site" means a site for construction and operation of a low-level radioactive waste facility.

Sec. 3. Minnesota Statutes 1986, section 116C.832, is amended by adding a subdivision to read:

Subd. 8. [SITING BOARD.] "Siting board" means the low-level radioactive waste facility siting board established under section 7, subdivision 1.

Sec. 4. Minnesota Statutes 1986, section 116C.834, subdivision 1, is amended to read:

Subdivision 1. [COSTS.] All costs incurred by the state to carry out its responsibilities under the compact and under sections 116C.833 to 116C.843 shall be paid by generators of low-level radioactive waste in this state

through fees assessed by the pollution control agency. The agency shall assess the fees in the manner provided in section 16A.128. Fees may be reasonably assessed on the basis of volume or degree of hazard of the waste produced by a generator. Costs for which fees may be assessed include, but are not limited to:

- (a) the state contribution required to join the compact;
- (b) the expenses of the Commission member and costs incurred to support the work of the interstate commission;
- (c) regulatory costs, including but not limited to costs of adopting and enforcing regulations if the state enters into a limited agreement with the United States Nuclear Regulatory Commission to assume state regulation of transportation and packaging, or disposal, of low-level radioactive wastes; and
- (d) *siting costs of a low-level radioactive waste facility under section 116C.842 and sections 6 to 9 to the extent that the costs are reasonably attributable to waste generated in this state; and*

(e) any liability the state may incur as a party state to the compact.

Sec. 5. Minnesota Statutes 1986, section 116C.842, subdivision 3, is amended to read:

Subd. 3. [DEVELOPMENT OF A SITING PROCESS.] In the event that Minnesota is ~~designated by the interstate commission~~ to be a host state for a regional low-level radioactive waste facility, the ~~agency~~ *low-level waste facility siting board established under section 7, subdivision 1*, shall develop a siting process and report to the governor, the advisory committee, and the legislature ~~with~~. *The siting board shall prepare recommendations for legislation including siting criteria, procedures for public participation, licensing, regulation, and bonding requirements. The siting process which is recommended* recommendations shall include bonding requirements sufficient to cover any costs of monitoring the facility and providing for its safety and security in the event that the licensee discontinues operation, management, or supervision of the facility for so long as the materials stored or treated at the facility pose a threat to the public health.

Sec. 6. [116C.845] [SITING DETERMINATION.]

If the governor determines that a low-level radioactive waste facility should be sited in the state, the governor shall issue an executive order and notify the chair of the environmental quality board, the director, and the chair of the advisory committee. The governor must determine whether a low-level radioactive waste facility should be sited in the state by ten days after:

- (1) *Minnesota is designated as a host state by the interstate commission under the compact;*
- (2) *Minnesota volunteers as a host state for a regional facility under the compact; or*
- (3) *Minnesota withdraws from the compact.*

Sec. 7. [116C.846] [SITING BOARD.]

Subdivision 1. [ESTABLISHMENT.] The low-level radioactive waste facility siting board is established to select a facility site when the governor issues an executive order that a facility should be sited.

Subd. 2. [MEMBERSHIP.] (a) *The siting board has 11 members consisting of the commissioner of natural resources, commissioner of transportation, chair of the environmental quality board, and eight citizen members representing each of the eight congressional districts.*

(b) *The governor must appoint the eight citizen members of the siting board by 30 days after the executive order for siting a facility is issued.*

(c) *The chair of the environmental quality board shall be the chair of the siting board.*

Subd. 3. [STAFFING AND ADMINISTRATION.] *The environmental quality board shall provide staffing and administrative assistance for the siting board.*

Subd. 4. [COMPENSATION.] *The citizen members of the siting board shall be compensated as provided in section 15.0575.*

Subd. 5. [TERMINATION.] *The siting board is terminated when the siting process is finished.*

Sec. 8. [116C.847] [SITING CRITERIA.]

Subdivision 1. [HEALTH, SAFETY, AND ENVIRONMENTAL CONSIDERATIONS.] *The siting board must maintain health, safety, and environmental considerations above all other siting criteria.*

Subd. 2. [VOLUNTEER SITE PREFERRED.] *The siting board shall attempt to select a site from an area proposed in the volunteer siting process.*

Subd. 3. [SITING BOARD TO SEEK AGREEMENTS AND RESOLUTIONS OF INTEREST.] *The chair shall actively solicit, encourage, and assist counties, together with developers, landowners, the local business community, and other interested parties, in developing resolutions of interest to enter an agreement to investigate the feasibility of siting a low-level radioactive waste facility.*

Subd. 4. [COUNTY RESOLUTION OF INTEREST.] *A county may begin to negotiate an agreement to evaluate siting a low-level radioactive facility after the county board files with the siting board a resolution of interest adopted by the county board that expresses the county board's interest in negotiations and its willingness to accept the preliminary evaluation of one or more study areas in the county for consideration as a location of a facility.*

Subd. 5. [ECONOMIC DEVELOPMENT IMPACT.] *The commissioner of energy and economic development must analyze the effects on businesses and the local economy and anticipated effects on local communities by a low-level radioactive waste facility.*

Sec. 9. [116C.848] [NONVOLUNTEER SITING PROCESS.]

If a site is not selected from the volunteer siting process, the site selection shall proceed from the process developed under section 116C.842.

Sec. 10. [APPROPRIATIONS.]

\$_____ is appropriated from the general fund from the fees assessed to low-level radioactive waste generators under section 116C.834 to the environmental quality board to pay for costs of the siting board for expenses incurred under section 116C.842 and sections 8 and 9, to be available

until June 30, 1989.

Sec. 11. [EFFECTIVE DATE.]

This act is effective the day following final enactment."

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 Environment and Natural Resources, to which was referred

S.F. No. 1184: A bill for an act relating to state lands; authorizing the conveyance of certain lands in Pine county to the Amherst H. Wilder Foundation; amending Laws 1981, chapter 354, section 1, subdivisions 1 and 5; repealing Laws 1981, chapter 354, section 1, subdivisions 2 and 3.

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

Delete everything after the enacting clause and insert:

"Section 1. Laws 1981, chapter 354, section 1, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, Section 92.45, upon recommendation of the commissioner of administration, the commissioner of natural resources, and the commissioner of corrections, the governor may transfer and convey, in the name of the state of Minnesota, to the Amherst H. Wilder Foundation, for purposes of operating a ~~youth conservation camp~~ *residential human service facility serving delinquent, needy, maladjusted, or emotionally disturbed individuals only*, the real estate now being leased from the state and operated as a youth conservation camp by the Amherst H. Wilder Foundation ~~and situated in the~~ *consisting of approximately 81 acres including all improvements located in sections 27 and 28, Wilma township, county of Pine in the St. Croix state forest. The consideration to be paid for the property shall be \$200,000.*

Sec. 2. Laws 1981, chapter 354, section 1, subdivision 5, is amended to read:

Subd. 5. [STATE OPTION TO PURCHASE.] If the property conveyed to the Amherst H. Wilder Foundation pursuant to this section is not used for the purpose of operating a ~~youth conservation camp~~ *residential human service facility serving delinquent, needy, maladjusted, or emotionally disturbed individuals*, the foundation shall offer to the ~~commissioner of natural resources~~ *state* an option to acquire the property ~~at the appraised value as certified pursuant to subdivision 3 for \$200,000 or the value as appraised in the manner provided in Minnesota Statutes, Section 94.10,~~ *at the time the option is offered, whichever value is less. The state must exercise the option to purchase within 18 months from the date upon which it receives written notice of the option.*

Sec. 3. [MILLE LACS COUNTY LAND SALE.]

Notwithstanding the provisions of Minnesota Statutes, section 92.45 or 282.018, Mille Lacs county may sell the west one-half of the west one-half of the southwest one-fourth of section 21, township 37 north, range 26 west. The county and the state shall provide a proper conveyance of

the property. The sale shall be conducted in accordance with the provisions of Minnesota Statutes, sections 282.01 to 282.132.

Sec. 4. [REPEALER.]

Laws 1981, chapter 354, section 1, subdivisions 2, 3, and 4, are repealed."

Amend the title as follows:

Page 1, line 6, delete "and 3" and insert ", 3 and 4"

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

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

S.F. No. 1160: A bill for an act relating to state lands; providing for exchange of tax-forfeited peat lands in Aitkin county.

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

Delete everything after the enacting clause and insert:

"Section 1. [EXCHANGE OF TAX-FORFEITED PEAT LANDS; AITKIN COUNTY.]

Notwithstanding Minnesota Statutes, sections 92.461 and 94.347, Aitkin county may exchange certain tax-forfeited land containing peat and described in paragraph (a), for certain privately owned lands containing peat and described in paragraph (b), in accordance with this section.

The lands described in this section must be conveyed in a form approved by the attorney general.

(a) The tax-forfeited lands, consisting of approximately 120 acres, to be exchanged are described as follows:

(1) the Southeast Quarter of the Northwest Quarter of Section 33, Township 46, Range 23;

(2) the Southwest Quarter of the Southwest Quarter of Section 33, Township 46, Range 23; and

(3) the Northwest Quarter of the Northeast Quarter of Section 33, Township 46, Range 23.

(b) The privately owned lands, consisting of approximately 163 acres, are described as follows:

(1) the Northeast Quarter of the Northwest Quarter of Section 14, Township 48, Range 24;

(2) the East 80 Rods of Government Lot 3 of Section 22, Township 48, Range 24;

(3) the West 1/2 of the Northwest Quarter of the Southeast Quarter of Section 22, Township 48, Range 24;

(4) the Southeast Quarter of the Southwest Quarter lying South of the Soo Line Railroad right-of-way of Section 15, Township 48, Range 24;

(5) the Southwest Quarter of the Southeast Quarter lying South of the Soo Line Railroad right-of-way of Section 15, Township 48, Range 24;

and

(6) *the Northeast Quarter of the Northeast Quarter of Section 15, Township 46, Range 23.*

The lands to be exchanged contain approximately equal volumes of peat.

Sec. 2. [EFFECTIVE DATE.]

This act is effective the day after final enactment."

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

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

S.F. No. 1012: A bill for an act relating to education; providing for due process termination or nonrenewal for licensed athletic coaches through a grievance procedure; amending Minnesota Statutes 1986, section 125.121, by adding a subdivision; repealing Minnesota Statutes 1986, section 125.121, subdivisions 1 and 2.

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

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

S.F. No. 911: A bill for an act relating to education; requiring school districts to teach Braille to blind pupils; proposing coding for new law in Minnesota Statutes, chapter 126.

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

Page 1, line 11, delete everything after the period

Page 1, delete line 12

Amend the title as follows:

Page 1, line 3, delete "teach" and insert "make available instruction in"

Page 1, line 3, after "Braille" insert "reading and writing"

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

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

S.F. No. 270: A bill for an act relating to education; requiring that income from some of the permanent university fund be used for scholarships; amending Minnesota Statutes 1986, section 137.022, subdivision 3, and by adding a subdivision.

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 1986, section 137.022, is amended by adding a subdivision to read:

Subd. 2a. [COORDINATE CAMPUS SCHOLARSHIPS.] The income from a portion of the permanent university fund must be distributed by

the regents for use at the Duluth, Morris, Waseca, and Crookston campuses of the University of Minnesota. The portion to be distributed to each campus shall equal the ratio of the number of full-time equivalent students at that campus, during the year preceding the year the distribution is made, to the number of full-time equivalent students at all campuses of the University of Minnesota, during the year preceding the year the distribution is made. Students in summer school, continuing education, or extension programs shall not be included.

The entire share for each campus may be used either to help endow professional chairs in academic discipline or for scholarships. One-half of the entire share for each campus may be used only to the extent that the administrators at each campus obtain money from nonstate sources in an equal amount. Money that is used to endow chairs at each campus may not provide more than half the sum of the endowments for all chairs endowed, with nonstate sources providing the remainder, but may provide more than half the endowment of an individual chair. Money that is used for scholarships at each campus may not provide more than half the sum of all scholarships, with nongovernmental sources providing the remainder, but may provide more than half of an individual scholarship. The regents shall determine minimum qualifications for recipients of scholarships under this subdivision. The administrators at each campus shall select individual recipients. The administrators at each campus shall obtain the additional money needed for endowed chairs and for nongovernmental scholarships. Any portion of the annual appropriation that is not used to endow chairs or for scholarships does not lapse and is available in subsequent years.

Sec. 2. Minnesota Statutes 1986, section 137.022, subdivision 3, is amended to read:

Subd. 3. [ENDOWED CHAIRS.] *The remaining income from the permanent university fund must be used to help endow professorial chairs in academic disciplines. This income must not provide more than half the sum of the endowments for all chairs endowed, with nonstate sources providing the remainder. The income may provide more than half the endowment of an individual chair. Any portion of the annual appropriation that is not used for this purpose lapses and must be added to the principal of the permanent university fund.*

Amend the title as follows:

Page 1, line 2, delete "some" and insert "a portion"

Page 1, line 3, after "for" insert "endowed chairs and"

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

Mr. Dicklich from the Committee on Public Utilities and Energy, to which was referred

S.F. No. 1193: A bill for an act relating to utilities; imposing minimum requirements for coin-operated telephones; providing that free or reduced telephone rates for employees of telephone companies not be paid for by ratepayers; providing for public utilities commission to reopen telephone rate case; requiring application for rehearing before judicial review; amending Minnesota Statutes 1986, sections 237.01, subdivision 2, and by adding

a subdivision; and 237.14; proposing coding for new law in Minnesota Statutes, chapter 237.

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 1986, section 237.01, subdivision 2, is amended to read:

Subd. 2. [TELEPHONE COMPANY.] "Telephone company," means and applies to any person, firm, association or any corporation, private or municipal, owning or operating any telephone line or telephone exchange for hire, wholly or partly within this state, or furnishing any telephone service to the public.

A "telephone company" does not include a radio common carrier as defined in subdivision 4. A telephone company which also conforms with the definition of a radio common carrier is subject to regulation as a telephone company. However, none of chapter 237 applies to telephone company activities which conform to the definition of a radio common carrier.

A telephone company does not include a coin telephone business as defined in section 2.

Sec. 2. Minnesota Statutes 1986, section 237.01, is amended by adding a subdivision to read:

Subd. 6. [COIN TELEPHONE BUSINESS.] "*Coin telephone business*" means a person, firm, association, or corporation that furnishes telephone service to the public solely by means of a customer-owned, coin-operated telephone set connected to the lines or transmission facilities of a telephone company, or other customer-owned telephone set provided to the public that requires payment for each local call made that is connected to the lines or transmission facilities of a telephone company.

Sec. 3. [237.245] [CHANGE, AMENDMENT, RESCISSION OF ORDERS.]

The commission may at any time, on its own motion or upon motion of an interested party, and upon notice to the telephone company and after opportunity to be heard, rescind, alter or amend any order fixing rates, tolls, charges or schedules, or any other order made by the commission, and may reopen any case following the issuance of an order therein, for the taking of further evidence or for any other reason. Any order rescinding, altering, amending or reopening a prior order shall have the same effect as an original order.

Sec. 4. [237.246] [REHEARINGS BEFORE COMMISSION; CONDITION PRECEDENT TO JUDICIAL REVIEW.]

Subdivision 1. Within 20 days after the service by the commission of any decision constituting an order or determination, any party to the proceeding and any other person, aggrieved by the decision and directly affected thereby, may apply to the commission for a rehearing in respect to any matters determined in the decision. The commission may grant and hold a rehearing on the matters, or upon any of them as it may specify in the order granting the rehearing, if in its judgment sufficient reason therefor exists.

Subd. 2. The application for a rehearing shall set forth specifically the grounds on which the applicant contends the decision is unlawful or unreasonable. No cause of action arising out of any decision constituting an order or determination of the commission or any proceeding for the judicial review thereof shall accrue in any court to any person or corporation unless the plaintiff or petitioner in the action or proceeding, within 20 days after the service of the decision, shall have made application to the commission for a rehearing in the proceeding in which the decision was made. No person or corporation shall in any court urge or rely on any ground not so set forth in the application for rehearing.

Subd. 3. Applications for rehearing shall be governed by general rules which the commission may establish. In case a rehearing is granted, the proceedings shall conform as nearly as may be to the proceedings in an original hearing, except as the commission may otherwise direct. If in the commission's judgment, after the rehearing, it shall appear that the original decision, order, or determination is in any respect unlawful or unreasonable, the commission may reverse, change, modify, or suspend the original action accordingly. Any decision, order, or determination made after the rehearing reversing, changing, modifying, or suspending the original determination shall have the same force and effect as an original decision, order, or determination. Only one rehearing shall be granted by the commission; but this shall not be construed to prevent any party from filing a new application or complaint. No order of the commission shall become effective while an application for a rehearing or a rehearing is pending and until ten days after the application for a rehearing is either denied, expressly or by implication, or the commission has announced its final determination on rehearing.

Subd. 4. Any application for a rehearing not granted within 20 days from the date of filing thereof, shall be deemed denied.

Subd. 5. It is hereby declared that the legislative powers of the state, insofar as they are involved in the issuance of orders and decisions by the commission, have not been completely exercised until the commission has acted upon an application for rehearing, as provided for by this section and by the rules of the commission, or until the application for rehearing has been denied by implication, as above provided for.

Sec. 5. [237.48] [COIN TELEPHONE BUSINESS; REQUIREMENTS.]

Subdivision 1. [SCOPE.] Except as provided in this section, chapter 237 does not apply to a coin telephone business or to the provision of coin-operated telephones by a telephone company.

Subd. 2. [SERVICES PROVIDED.] A coin telephone business and a telephone company for coin-operated telephones it provides shall offer telephone service that:

- (1) provides access for local telephone calls of unlimited duration;*
- (2) permits long-distance telephone calls through any interexchange carrier; and*
- (3) without charge and without requiring the use of a coin, permits telephone calls:*
 - (i) to an operator; and*
 - (ii) to 911 emergency telephone service; or*

(iii) in an area that does not have 911 emergency telephone service, to emergency telephone service.

Subd. 3. [HEIGHT LIMITATION.] Coin-operated telephones and telephone sets of a coin telephone business must be compatible with hearing aids and installed at a height above the ground not exceeding 54 inches to the highest working component.

Subd. 4. [MAXIMUM CHARGE.] The commission may by order establish a maximum per-call rate for telephone service provided by coin telephone businesses and for coin-operated telephones.

Subd. 5. [REQUIRED INFORMATION DISPLAYED.] On or near the coin-operated telephone and telephones operated by coin telephone businesses must be a statement conveying the following information:

- (1) the owner of the telephone;*
- (2) the procedure for reporting service difficulties;*
- (3) the method of obtaining customer refunds; and*
- (4) a statement comparing the owner's charges for long-distance calls to those of the largest interstate long-distance telephone company doing business in Minnesota. The statement must either declare that the owner's charges are the same or less than those of the largest interstate long-distance telephone company, or must state the percentage by which the owner's charges exceed that company's charges.*

Subd. 6. [INTEREXCHANGE CARRIER ACCESS.] A coin-operated telephone and telephones operated by a coin telephone business must provide access to all interexchange carriers that are available locally.

Subd. 7. [LOCAL TELEPHONE COMPANIES.] The commission may require a telephone company to provide coin-operated telephones in certain locations within the areas served by the telephone company, and provide for a maximum per-call rate for those coin-operated telephones.

Subd. 8. [PENALTY.] A coin telephone business or telephone company that violates subdivisions 1 to 5 is guilty of a petty misdemeanor."

Delete the title and insert:

"A bill for an act relating to utilities; imposing minimum requirements for coin-operated telephones; providing for public utilities commission to reopen telephone rate case; requiring application for rehearing before judicial review; amending Minnesota Statutes 1986, section 237.01, subdivision 2, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 237."

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

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

S.F. No. 691: A bill for an act relating to financial institutions; regulating incorporations and operations of banks; requiring approval of certain insider agreements; regulating acquisitions by bank holding companies; authorizing the commissioner to borrow money to satisfy obligations of certain closed institutions; regulating claims against liquidated institutions; providing for the organization of credit unions; regulating interest and

dividends paid on deposits; regulating industrial loan and thrifts; providing for the submission of certain reports; requiring the periodic examination of collection agencies; regulating consumer deficiency judgments; modifying the examination requirement for safe deposit companies and insurance premium finance companies; regulating motor vehicle installment sales; regulating bank applications; amending Minnesota Statutes 1986, sections 46.041; 46.042; 46.07, subdivision 2; 46.131, subdivision 9; 47.10, by adding a subdivision; 47.205, subdivision 2; 48.055, subdivision 5; 48.15, subdivision 2; 48.51; 48.92, subdivision 10; 48.97, subdivision 2; 48.98, subdivision 1; 48.99, subdivisions 1 and 2; 49.04, subdivision 1; 49.05, by adding a subdivision; 49.24, subdivision 5; 52.01; 52.02, subdivision 3; 52.09, subdivision 2; 52.18; 53.04, subdivision 5; 53.09, subdivision 2; 55.095; 55.15; 59A.06, subdivision 3; 168.66, subdivisions 5 and 9; 168.705; 168.71; 168.72, subdivision 1; 168.73; 168.74; 332.29, subdivision 1; 325G.22, subdivision 1; repealing Minnesota Statutes 1986, sections 48.60 and 55.13.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

SUPERVISORY CLARIFICATION ACT

Section 1. Minnesota Statutes 1986, section 46.042, is amended to read:

46.042 [NOTICE AND HEARING, WHEN NOT GIVEN.]

The commissioner of commerce may dispense with the notice and hearing provided for by section 46.041 if application is made for the incorporation of a new bank to take over the assets of one or more existing banks or if the application contemplates the reorganization of a national bank into a state bank in the same locality, *or where the application is made for the incorporation of a new bank in the same locality coincidental with the closing of an existing bank by the commissioner or federal authorities. This section does not increase the number of banks in the community affected.*

Sec. 2. Minnesota Statutes 1986, section 46.07, subdivision 2, is amended to read:

46.07 [RECORDS.]

Subd. 2. [CONFIDENTIAL RECORDS.] The commissioner shall divulge facts and information obtained in the course of examining financial institutions under the commissioner's supervision only when and to the extent required or permitted by law to report upon or take special action regarding the affairs of an institution, or ordered by a court of law to testify or produce evidence in a civil or criminal proceeding, except that the commissioner may furnish information as to matters of mutual interest to an official or examiner of the federal reserve system, the federal deposit insurance corporation, the federal savings and loan insurance corporation, the national credit union administration, *comptroller of the currency*, a legally constituted state credit union share insurance corporation approved under section 52.24, the issuer of a commitment for insurance or guarantee of the certificates of an industrial loan and thrift company approved under section 53.10, or state and federal law enforcement agencies. The commissioner shall not be required to disclose the name of a debtor of a financial

institution under the commissioner's supervision, or anything relative to the private accounts, ownership, or transactions of an institution, or any fact obtained in the course of an examination thereof, except as herein provided. For purposes of this subdivision, a subpoena is not an order of a court of law. These records are classified confidential or protected non-public for purposes of the Minnesota government data practices act and their destruction, as prescribed in section 46.21, is exempt from the provisions of chapter 138 and Laws 1971, chapter 529, so far as their deposit with the state archives.

Sec. 3. Minnesota Statutes 1986, section 46.131, subdivision 9, is amended to read:

Subd. 9. These assessments or fees shall be paid by the institution examined within 20 days after a statement of the amount has been submitted to the institution examined by the commissioner of commerce and, if not so paid, shall bear interest at the ~~discount rate charged member banks for borrowing from the Federal Reserve Bank~~ of interest provided for by section 549.09. The penalty shall be payable to the commissioner on request.

Sec. 4. [46.34] [CERTAIN SECURITIES DEPOSITED WITH THE STATE TREASURER.]

All securities required or permitted by law to be assigned to and deposited with the commissioner of commerce for any purpose must, after the effective date of this section, be assigned to and deposited with the state treasurer, who shall give a receipt therefor. This receipt must be filed with the commissioner, in lieu of the securities, and in this case neither the commissioner nor the commissioner's bonding agents are responsible for the safekeeping of these securities. The state treasurer shall perform all the duties with regard to the safekeeping of these securities which the commissioner is now required to perform. The state treasurer is subject to the same obligations and under the same liability, with reference to the safekeeping of these securities, as the commissioner. The state treasurer shall accept, release, surrender, and permit substitutions of securities assigned to and deposited with the state treasurer under the provisions of Laws 1923, chapter 155, upon order of the commissioner.

Sec. 5. Minnesota Statutes 1986, section 47.10, subdivision 3, is amended to read:

Subd. 3. [LEASEHOLD PLACE OF BUSINESS; APPROVAL OF CERTAIN LEASE AGREEMENTS.] No bank, trust company, savings bank, or building and loan association may acquire property and improvements of any nature for its place of business by lease agreement if the lessor has an existing direct or indirect interest in the management or ownership of the bank, trust company, savings bank, or building and loan association ~~unless approved without prior written approval~~ by the commissioner. This includes subsequent amendments and associated ~~personal property leases~~ leasehold improvements.

Sec. 6. Minnesota Statutes 1986, section 47.10, is amended by adding a subdivision to read:

Subd. 4. [APPROVAL OF CERTAIN INSIDER AGREEMENTS.] *No bank, trust company, savings bank, or savings association may purchase or sell real property, personal property, improvements or equipment of a value of \$25,000 or more if the purchaser or seller other than the bank, trust company, savings bank, or savings association has an existing direct*

or indirect interest in the institution without prior written approval by the commissioner.

Sec. 7. Minnesota Statutes 1986, section 47.204, subdivision 1, is amended to read:

Subdivision 1. [NO USURY LIMITS.] Notwithstanding any law to the contrary, no limitation on the rate or amount of interest, discount points, finance charges or other charges shall apply to a loan, mortgage, credit sale or advance which would have been exempt from the laws of this state pursuant to Public Law Number 96-221, title V, part A, section 501, as amended as of June 2, 1981, but for section 47.203 and which is made in this state after June 2, 1981 ~~and before August 1, 1987.~~

Sec. 8. Minnesota Statutes 1986, section 47.205, subdivision 2, is amended to read:

Subd. 2. [ASSIGNMENT OR SALE OF MORTGAGE LOANS.] If the servicing of mortgage loans financing one-to-four family owner occupied residences located in this state is sold or assigned to another person:

(1) the selling lender shall notify the mortgagor of the sale no ~~less more~~ than ten days after the actual date of transfer. The notification must include the name, address, and telephone number of the person who will assume responsibility for servicing and accept payments for the mortgage loan and the notification must also include a detailed written financial breakdown, including but not limited to, interest rate, monthly payment amount, and current escrow balance;

(2) the purchasing lender shall issue corrected coupon or payment books, if used, and shall provide notification to the mortgagor within 20 days after the first payment to the purchasing lender is due, of the name, address, and telephone number of the person from whom the mortgagor can receive information regarding the servicing of the loan, and shall inform the mortgagor of any changes made regarding the mortgage escrow accounts or servicing requirements including, but not limited to, interest rate, monthly payment amount, and current escrow balance; and

(3) the purchasing lender shall respond within 15 business days to a written request for information from a mortgagor. A written response must include the telephone number of the company representative who can assist the mortgagor.

Sec. 9. Minnesota Statutes 1986, section 47.205, subdivision 4, is amended to read:

Subd. 4. [PENALTIES.] If a lender fails to comply with the requirements of subdivisions 2 and 3, the lender is liable to the mortgagor for ~~\$500 per occurrence, in addition to~~ actual damages caused by the violation. *In addition, the lender is liable to the mortgagor for \$500 per occurrence if the violation of subdivision 2 or 3 was due to the lender's failure to exercise reasonable care.*

Sec. 10. Minnesota Statutes 1986, section 47.69, subdivision 3, is amended to read:

Subd. 3. Every financial institution using an electronic financial terminal shall maintain reasonable procedures to minimize losses from unauthorized withdrawals from its customers' accounts by use of an electronic financial terminal. After a customer makes a bona fide deposit or payment at an

electronic financial terminal and has received a receipt, any loss due to theft or other reason shall not be borne by the customer; provided, loss due to the nonpayment or dishonor of a check, or other order for payment, deposited at an electronic financial terminal shall be governed by the applicable provisions of chapter 336. A financial institution shall be liable for all unauthorized withdrawals unless the unauthorized withdrawal was (a) (1) due to the negligent conduct or the intentional misconduct of the operator of an electronic financial terminal or that operator's agent in which case the operator of an electronic financial terminal or the agent shall be liable, or (b) (2) due to the loss or theft of the customer machine readable card in which case the customer shall be liable, subject to a maximum liability of \$50, for those unauthorized withdrawals made prior to the time the financial institution is notified of the loss or theft. *The limitation on liability contained in clause (2) is effective only if the issuer is notified of unauthorized charges contained in a bill within 60 days of receipt of the bill by the person in whose name the card is issued.* For purposes of this subdivision, "unauthorized withdrawal" means a withdrawal by a person other than the customer who does not have actual, implied, or apparent authority for such withdrawal, and from which withdrawal the customer or a member of the customer's family or household receives no benefit.

Sec. 11. [47.76] [TRANSFER OF ACCOUNTS PROHIBITED; NOTICE ON CLOSING.]

(a) *No financial institution shall transfer a deposit account to another deposit account bearing different identification information or which is subject to different terms without first obtaining the written consent of at least one of the deposit account holders.*

(b) *No financial institution shall close a deposit account without first sending at least one of the deposit account holders by certified mail a notice of intent to close the deposit account. The notice must be sent to the deposit account holder's last known address on file with the financial institution at least 60 days before the financial institution closes the deposit account.*

(c) *As used in this section, the following terms have the meanings given them. "Deposit account" means a contract of deposit of funds between a depositor and a financial institution, and includes a checking account, savings account, certificate of deposit share account, and other like arrangement. "Financial institution" means any organization authorized to do business under state or federal laws relating to financial institutions, including, without limitation, banks and trust companies, savings banks, savings and loan associations, industrial loan and thrift companies, and credit unions.*

Sec. 12. Minnesota Statutes 1986, section 48.055, subdivision 5, is amended to read:

Subd. 5. Any preferred stock issued by a state bank shall be part of its capital stock structure, and the terms "capital stock" or "capital" in any laws of this state pertaining to state banks shall be deemed to also include and apply to preferred stock; ~~except that only stock issued with or having succeeded to voting rights shall qualify a director under the provisions of section 48.06.~~

Sec. 13. Minnesota Statutes 1986, section 48.15, subdivision 2, is amended to read:

Subd. 2. The department of commerce may, by majority vote of its members, which shall include the affirmative vote of the commissioner of commerce, may authorize banks organized under the laws of this state to engage in any banking activity in which banks subject to the jurisdiction of the federal government may hereafter be authorized to engage by federal legislation, ruling, or regulation. The commission may not authorize state banks as defined by section 48.01, to engage in any banking activity prohibited by the laws of this state.

Sec. 14. Minnesota Statutes 1986, section 48.21, is amended to read:

48.21 [REAL ESTATE; RESTRICTIONS ON HOLDING.]

Subdivision 1. A bank may purchase, carry as an asset, and convey real estate only:

(1) As provided for in section 47.10;

(2) If acquired through foreclosure of a mortgage given to it in good faith as security for loans made by or money due to it;

(3) If conveyed to it in satisfaction of debts previously contracted in good faith in the course of its dealings;

(4) If acquired by sale on execution or judgment of a court in its favor; or

(5) If reasonably necessary to mitigate or avoid loss on a loan or investment theretofore made.

Real estate acquired under clauses (2) to (5) shall be carried as an asset only in accordance with rules the commissioner prescribes.

Subd. 2. Real estate owned by a bank as a result of actions authorized in clauses (2) to (5) of subdivision 1 and subsequently sold to any buyer on a contract for deed may not be considered creating a liability to a bank for purposes of section 48.24.

Subd. 3. Notwithstanding any rules of the commissioner to the contrary, if real estate owned by a bank pursuant to clauses (2) to (5) of subdivision 1 is not sold or otherwise disposed of within the maximum period established by rule by the commissioner, the bank may write off any remaining balance at a rate not less than one-fifth of that balance each subsequent calendar year.

Sec. 15. Minnesota Statutes 1986, section 48.24, subdivision 7, is amended to read:

Subd. 7. Obligations of any person, co-partnership, association or corporation in the form of notes or drafts secured by shipping documents or instruments transferring or securing title covering feeder livestock which is free from all other encumbrances, when the market value of the livestock securing the obligation at the time of the making of the loan is not less than 115 percentum of the face amount of the notes covered by such documents, shall be subject under this subdivision to a limitation of 20 percent of capital and surplus in addition to 20 percent of capital and surplus as included in provisions of subdivision 1. Feeder livestock loans as referred to in this subdivision is defined to include only obligations secured by liens or giving title to cattle, sheep, goats, or hogs or poultry being fattened for market, but excluding dairy cattle, milk goats, poultry used for production of eggs, or barnyard or work animals.

Sec. 16. Minnesota Statutes 1986, section 48.51, is amended to read:

48.51 [DEMAND DEPOSITS DEFINED.]

For the purpose of this section and section 48.50, all deposits are payable on demand except:

(1) Those deposits which are evidenced by a negotiable or nonnegotiable instrument which provides on its face that the amount of the deposit is payable:

(a) on a certain date, specified in the instrument, not less than 14 days after the date of the deposit; or (b) at the expiration of a specified period not less than 14 days after the date of the instrument; or (c) upon written notice to be given not less than 14 days before the date of repayment.

(2) Those deposits which may not be withdrawn within 14 days of the making thereof.

(3) Those deposits which may not be withdrawn within 14 days of the giving of notice of an intended withdrawal.

(4) Those deposits in which the above 14-day minimums are in conflict with ~~instruments authorized by the depository institutions deregulation committee's regulations authorized by title II, Depository Institutions Deregulation and Monetary Control Act of 1980, Public Law Number 96-221 federal law or regulations.~~

Sec. 17. Minnesota Statutes 1986, section 48.61, subdivision 3, is amended to read:

Subd. 3. The bank or trust company may invest not to exceed ten percent of its capital and surplus in shares of stock in any banks or bank holding companies wherein the ownership of stock in the banks or bank holding companies is restricted to *bank holding companies* or banks authorized to do business in the state of Minnesota.

Sec. 18. Minnesota Statutes 1986, section 48.61, subdivision 5, is amended to read:

Subd. 5. In the absence of an express provision to the contrary, whenever any statute, rule, charter, trust indenture, authorizing resolution, or other instrument governing the investment of funds of a banking institution, as defined in section 48.01, subdivision 2, directs, requires, authorizes, or permits *direct investment in certain obligations of the United States or obligations, the payment of the principal of and interest on which is unconditionally guaranteed by the United States*, investment in these obligations may be made either directly or in the form of securities of, or other interests in, an investment company (1) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933; and (2) ~~whose investments are limited to these obligations and repurchase agreements fully collateralized by these obligations; if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the 400 largest United States commercial banks.~~

Investment company shares authorized pursuant to this subdivision shall Shares of investment companies whose portfolios contain investments which are subject to limits under other state law or rule as direct investments may only be held in an amount not in exceed excess of 20 percent of the banks' capital stock and paid in surplus in each such investment company.

These obligations shall be carried at the lower of cost or market on the banks' books and adjusted to market on a quarterly basis.

Sec. 19. Minnesota Statutes 1986, section 48.92, subdivision 10, is amended to read:

Subd. 10. [EQUITY CAPITAL.] "Equity capital" means the sum of common stock, preferred stock, ~~and paid in surplus, reserves for loss loans~~ and undivided profits.

Sec. 20. Minnesota Statutes 1986, section 48.97, subdivision 2, is amended to read:

Subd. 2. [INVESTMENT; REPORTING REQUIREMENTS.] Each financial institution located in this state owned by an interstate bank holding company shall fully and accurately disclose in an annual report to the commissioner of commerce *for each calendar year* the dollar value and volume of loans by zip code *census tract beginning with the year ending December 31, 1987*, approved in the previous year in nonreal estate commercial and farm lending categories established by the commissioner. Lending categories must be delineated in sufficient detail to evaluate the lender's loan performance. Loan categories may include: demand or accrual notes, installment loans, equipment loans, inventory or accounts receivable loans, small business administration loans, and FmHA guaranteed loans. Housing loans must be disclosed statewide in the same manner and form as required by the Federal Home Mortgage Disclosure Act. The annual report must also disclose by zip code *or census tract* the dollar value and volume of deposits received during the previous year. The annual report must also disclose information by the categories required in section 48.991 demonstrating that developmental loans of a sufficient quantity are being made. The report must be accompanied by a copy of the most recent disclosures required under the Federal Community Reinvestment Act and the most recent Quarterly Statement of Income and Conditions.

Sec. 21. Minnesota Statutes 1986, section 48.98, subdivision 1, is amended to read:

Subdivision 1. [PUBLIC INFORMATION.] *Notwithstanding the Minnesota government data practices act, chapter 13, and consistent with federal law*, the commissioner shall make available to the public at reasonable cost copies of all applications, including supporting documents and any other information required to be submitted to the commissioner.

Sec. 22. Minnesota Statutes 1986, section 48.99, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION CRITERIA FOR APPROVAL.] Pursuant to the present requirement of the United States Code, title 12, section 1842(d) and notwithstanding any other provision of state law, a reciprocating state bank holding company, or any subsidiary of ~~the a~~ bank holding company, may acquire a bank located in this state where the commissioner has determined that a merger, consolidation, or purchase of assets and assumption of liabilities is necessary and in the public interest to prevent the probable failure of a bank *or is made for the incorporation of a new bank in the same locality coincidental with the closing of an existing bank by the commissioner or federal authorities and does not increase the number of banks in the community affected*. The acquisition is subject to the prior written approval of the commissioner of an application submitted under this section and after the following considerations:

- (1) the financial and managerial resources of the applicant;
- (2) the future prospects of the applicant and the state bank or its subsidiary whose assets, interest in, or shares it will acquire;
- (3) the financial history of the applicant;
- (4) whether the acquisition or holding may result in undue concentration of resources or substantial lessening of competition in this state;
- (5) the convenience and needs of the public of this state; and
- (6) whether the acquisition or holding will strengthen the financial condition of the state bank.

Sec. 23. Minnesota Statutes 1986, section 49.04, subdivision 1, is amended to read:

Subdivision 1. [COMMISSIONER TAKING POSSESSION; GROUNDS FOR; RIGHTS OF THIRD PARTIES.] When it shall appear to the commissioner that any financial institution has violated its charter, or any law of the state, or is conducting its business in an unsafe or unauthorized manner, or that its capital is impaired, or if it or any of its controlling officers shall refuse to submit its books, papers, and concerns to the inspection of the commissioner, or any duly authorized assistant, or if any of its officers shall refuse to be examined upon oath touching its concerns, or if it shall suspend payment of its obligations, or furnish reason for the commissioner concluding that it is in an unsound or unsafe condition to transact the business for which it was organized, or that it is unsafe and inexpedient for it to continue business, or if it shall neglect or refuse to observe a proper order of the commissioner, the commissioner may forthwith take possession of its property and business *including forfeiture of its certificate of authorization* and retain this possession until it shall resume business or its affairs be finally liquidated, as herein provided. On taking possession of the property and business of any such financial institution, the commissioner shall forthwith give notice of that fact to any and all financial institutions or other corporations, associations, partnerships, and individuals holding, or in possession of, any of its assets. No financial institution or other corporation, association, partnership, or individual knowing of such taking possession by the commissioner, or notified, as aforesaid, shall have a lien or charge for any payment, advance, or clearance thereafter made, or liability thereafter incurred against any of the assets of the financial institution of whose property and business the commissioner shall have taken possession, as aforesaid. The financial institution may, with the consent of the commissioner, resume business upon such conditions as may be approved by the commissioner. Upon taking possession of the property and business of the financial institution, the commissioner is authorized to collect moneys due to it and to do such other acts as are necessary to conserve its assets and business, and shall proceed to liquidate the affairs thereof, if in the commissioner's opinion it cannot safely resume business, as hereinafter provided.

Sec. 24. Minnesota Statutes 1986, section 49.05, is amended by adding a subdivision to read:

Subd. 7. [COMMISSIONER MAY BORROW MONEY.] With respect to a banking institution which is or may be closed on account of inability to meet the demands of its depositors or by action of the commissioner or of a court or by action of its directors, or, in the event of its insolvency or

suspension, the commissioner may borrow from the Federal Deposit Insurance Corporation and furnish any part or all of the assets of the institution to the corporation as security for a loan from same. The order of a court of record of competent jurisdiction shall be first obtained approving this loan. The commissioner or receiver or liquidator appointed by the commissioner upon the order of a court of record of competent jurisdiction may sell to the corporation any part or all of the assets of the institution.

The provisions of this subdivision shall not be construed to limit the power of any banking institution, or the commissioner, to pledge or sell assets in accordance with any other law of this state.

Sec. 25. Minnesota Statutes 1986, section 49.24, subdivision 5, is amended to read:

Subd. 5. [REJECTION OF CLAIMS; ACTIONS; LIMITATIONS.] If the commissioner doubts the justice or validity of any claim, the commissioner may reject the same in whole or in part and serve notice of such rejection upon the claimant, either by mail or personally. An affidavit of the service of such notice made according to law shall be filed with the commissioner. An action upon a claim so rejected must be brought within 60 days after such service and the filing of proof thereof. The venue of such action shall be in the county in which such financial institution had its principal place of business prior to liquidation, and such action shall be brought jointly against the financial institution and the commissioner or receiver or liquidator appointed by the commissioner as statutory liquidator thereof. Any person having a claim against such financial institution which is not presented and filed within the time fixed in the notice to creditors may thereafter present the same and the commissioner shall allow or reject the same in whole or in part and give notice of any rejection, as hereinbefore provided. Suit on any such claim not filed within the time fixed by the notice which is rejected must be brought within 30 days after the service and filing of proof of such rejection. Any claim not filed within the time fixed in the notice to creditors but later received and filed as by this section provided and duly allowed, shall participate and share in such dividends only as shall be paid from the proceeds of those assets remaining undistributed at the time of filing of such claim, and any claim not filed prior to the declaration of a final dividend shall be barred. No action shall be commenced against any such financial institution after possession of the business and property thereof has been taken by the commissioner on any claim until such claim has been filed with and rejected, in whole or in part, by the commissioner. As to any action pending at the time the commissioner takes possession of the business and property of such financial institution which has been stayed by order of the court, a claim may be filed for the subject matter of said action. If the claim be allowed, the action shall terminate and be dismissed without costs and disbursements, but, if rejected in whole or in part, the stay order shall be vacated, and the action may continue. No interest shall be allowed or paid on any deposit or other claim from and after the closing of the financial institution and the taking over of the same by the commissioner for purposes of liquidation.

Sec. 26. Minnesota Statutes 1986, section 51A.58, is amended to read:

51A.58 [INTERSTATE BRANCHING.]

An association may, by acquisition, merger, or consolidation, establish or operate branch offices in any reciprocating state, and a savings and loan

association chartered in ~~the~~ *any reciprocating* state may establish branch offices in this state. *A savings and loan holding company with its headquarters in this state may acquire by direct or indirect ownership or control the voting shares of a savings and loan association or savings bank located in any reciprocating state.* For the purposes of this section, "reciprocating state" is: (1) a state that authorizes the establishment of branch offices in that state by an association located in this state, *or the acquisition of savings and loan associations and savings banks located in that state by a savings and loan holding company with its headquarters in this state*, under conditions no more restrictive than those imposed by the laws of Minnesota as determined by the commissioner of commerce; and (2) limited to the states specifically enumerated as reciprocating states in section 48.92, subdivision 7.

The commissioner of commerce shall adopt rules to provide that procedural requirements equivalent to those contained in sections 48.90 to 48.991 apply to reciprocal interstate branching *and acquisitions* by savings and loan associations.

Sec. 27. Minnesota Statutes 1986, section 52.01, is amended to read:
52.01 [ORGANIZATION.]

Any seven residents of the state may apply to the commissioner of commerce for permission to organize a credit union.

A credit union is a cooperative society, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes.

A credit union is organized in the following manner:

(1) The applicants execute, in duplicate, a certificate of organization by the terms of which they agree to be bound, which shall state:

(a) the name and location of the proposed credit union;

(b) the names and addresses of the subscribers to the certificate and the number of shares subscribed by each;

(2) The applicants submit the following in the form prescribed by the commissioner of commerce:

(a) a statement of the common bond of the proposed credit union;

(b) the number of potential members;

(c) the geographic dispersion of the potential members;

(d) evidence of interest, including willingness of potential members to assume responsibility for leadership and service;

(e) a two-year forecast of probable levels of assets, shares and deposits, and income and expense;

(f) the availability of other credit union services to the potential members;

(g) other information the commissioner requires;

(3) They next prepare and adopt bylaws for the general governance of the credit union consistent with the provisions of this chapter, and execute them in duplicate;

(4) The certificate and the bylaws, both executed in duplicate, are for-

warded to the commissioner of commerce with a \$100 application fee;

(5) The commissioner of commerce shall, within 60 days of the receipt of the certificate, the information required by paragraph (2), *and the by-laws, and a commitment for insurance of accounts as required by section 52.24, subdivision 2,* determine whether they comply with the provisions of this chapter, and whether or not the organization of the credit union in question would benefit its members, be economically feasible, and be consistent with the purposes of this chapter;

(6) Thereupon the commissioner of commerce shall notify the applicants of the decision. If it is favorable, the commissioner shall *upon receipt of a commitment for insurance of accounts as required by section 52.24, subdivision 2,* issue a certificate of approval, attached to the duplicate certificate of organization, and return them with the duplicate bylaws to the applicants. If it is unfavorable, the applicants may, within 60 days after the decision, appeal for a review in a court of competent jurisdiction;

(7) The applicants shall thereupon file the duplicate of the certificate of organization, with the certificate of approval attached thereto, with the secretary of state, who shall make a record of the certificate and return it, with a certificate of record attached thereto, to the commissioner of commerce for permanent records; and

(8) Thereupon the applicants shall be a credit union incorporated in accordance with the provisions of this chapter.

In order to simplify the organization of credit unions, the commissioner of commerce shall prepare approved forms of certificate of organization and bylaws, consistent with this chapter, which may be used by credit union incorporators for their guidance, and on written application of seven residents of the state, shall supply them without charge with a blank certificate of organization and a copy of the form of suggested bylaws.

Sec. 28. Minnesota Statutes 1986, section 52.02, subdivision 3, is amended to read:

Subd. 3. [APPROVAL.] Amendments to the certificate of organization or bylaws must be approved by the commissioner of commerce before they become operative. The commissioner shall not unreasonably withhold approval if the amendments do not violate any provision of this chapter or other state law. In any event, the commissioner shall approve or disapprove the proposed amendment within 60 days of the date the proposed amendment is submitted to the commissioner by the credit union. In case of disapproval the credit union shall have the right to appeal to a court of competent jurisdiction within the time limits stated in section 52.01, clause ~~(5)~~ (6). In case any amendment to the certificate of organization is adopted, the resolution, containing a full text of the amendment and verified by its president or treasurer and approved by the commissioner of commerce, shall be recorded in the office of the secretary of state.

Sec. 29. Minnesota Statutes 1986, section 52.09, subdivision 2, is amended to read:

Subd. 2. [PARTICULAR DUTIES.] The directors shall manage the affairs of the credit union and shall:

(1) act on applications for membership. This power may be delegated to a membership chair who serves at the pleasure of the board of directors and is subject to its rules. An application must contain a certification signed

by the membership chair or a member of the board showing the basis of membership;

(2) determine interest rates on loans and on deposits. The interest period on deposits may be on a daily, monthly, quarterly, semiannual or annual basis, and may be paid on all deposits whether or not the deposits have been withdrawn during the interest period. Interest may be computed on a daily basis. ~~At the discretion of the board of directors, interest need not be paid on deposit accounts of less than \$10;~~

(3) fix the amount of the surety bond required of all officers and employees handling money;

(4) declare dividends and transmit to the members recommended amendments to the bylaws;

(5) fill vacancies in the board and in the credit committee until successors are chosen and qualify at the next annual meeting;

(6) limit the number of shares and deposits which may be owned by a member, not to exceed ten percent of the outstanding shares and deposits, or \$2,000, whichever is larger, and the maximum individual loan which can be made with and without security, including liability indirectly as a comaker, guarantor, or endorser to ten percent of outstanding shares and deposits. The ten percent share and deposit limitation is not applicable to the Minnesota corporate credit union, or to credit unions insured by the National Credit Union Administration;

(7) have charge of investments including loans to members, unless a credit committee is established pursuant to section 52.08 or paragraph (13) of this subdivision;

(8) fix the salaries of the treasurer and other employees, which must be on a fixed monthly or annual basis, in dollars (not percentage);

(9) designate the depository institution in which the funds of the credit union will be deposited;

(10) authorize the officers of the credit union to borrow money from any source, as provided in section 52.15;

(11) with the permission of the commissioner of commerce, suspend any member of the credit committee or supervisory committee if it deems this action necessary to the proper conduct of the credit union, and call the members together to act on the suspension within a reasonable time after the suspension. The members at the meeting may, by majority vote of those present, sustain the suspension and remove the committee members permanently or may reinstate the committee members;

(12) provide financial assistance to the supervisory committee in carrying out its audit responsibilities;

(13) if the bylaws so provide and no credit committee has been elected pursuant to section 52.08, appoint a credit manager or a credit committee of not less than three members; and

(14) to establish different classes of shares.

Sec. 30. Minnesota Statutes 1986, section 52.18, is amended to read:
52.18 [DIVIDENDS.]

The directors of a credit union may, on a daily, monthly, quarterly, sem-

annual, or annual basis as its board of directors may determine, declare and pay a dividend from net earnings or accumulated net undivided profits remaining after statutory reserve has been set aside, which dividend may be paid on all shares whether or not they have been withdrawn during the dividend period. Dividends may be computed on a daily basis. The board of directors may classify its share accounts according to character, amount and duration and declare dividends which may be at variable rates with due regard to the conditions that pertain to each class of shares, or pay no dividend at all. A dividend shall be uniform within a classification. ~~At the discretion of the board of directors dividends may not be declared or paid on share accounts of less than \$10.~~ Shares which become fully paid up during a dividend period shall be entitled to a proportional part of the dividend calculated from the first day of the month following the payment in full. For the purpose of this section, shares which become fully paid up by the fifteenth day of any month may be treated as being paid up from the first day of the month.

Sec. 31. Minnesota Statutes 1986, section 53.04, subdivision 3a, is amended to read:

Subd. 3a. (a) The right to make loans, secured or unsecured, at the rates and on the terms and other conditions permitted licensees under chapter 56. Loans made under the authority of section 56.125 must be in amounts in compliance with section 53.05, clause (7). All other loans made under the authority of chapter 56 must be in amounts in compliance with section 53.05, clause (7), or 56.131, subdivision 1, paragraph (a), whichever is less. The right to extend credit or lend money and to collect and receive charges therefor as provided by chapter 334, or in lieu thereof to charge, collect, and receive interest at the rate of 21.75 percent per annum, including the right to contract for, charge, and collect all other charges including discount points, fees, late payment charges, and insurance premiums on the loans to the same extent permitted on loans made under the authority of chapter 56, regardless of the amount of the loan. The provisions of sections 47.20 and 47.21 do not apply to loans made under this subdivision, except as specifically provided in this subdivision. Nothing in this subdivision is deemed to supersede, repeal, or amend any provision of section 53.05. A licensee making a loan under this chapter secured by a lien on real estate shall comply with the requirements of section 47.20, subdivision 8.

(b) Loans made under this subdivision at a rate of interest not in excess of that provided for in paragraph (a) may be secured by real or personal property, or both. ~~If the proceeds of a loan made after August 1, 1987 are used in whole or in part to satisfy the balance owed on a contract for deed, the rate of interest charged on the loan must not exceed the rate provided in section 47.20, subdivision 4a.~~ If the proceeds of a loan secured by a first lien on the borrower's primary residence are used to finance the purchase of the borrower's primary residence, the loan must comply with the provisions of section 47.20.

(c) A loan made under this subdivision that is secured by real estate and that is in a principal amount of \$7,500 or more and a maturity of 60 months or more may contain a provision permitting discount points, if the loan does not provide a loan yield in excess of the maximum rate of interest permitted by this subdivision. Loan yield means the annual rate of return obtained by a licensee computed as the annual percentage rate is computed under Federal Regulation Z. If the loan is prepaid in full, the licensee must

make a refund to the borrower to the extent that the loan yield will exceed the maximum rate of interest provided by this subdivision when the prepayment is taken into account.

(d) An agency or instrumentality of the United States government or a corporation otherwise created by an act of the United States Congress or a lender approved or certified by the secretary of housing and urban development, or approved or certified by the administrator of veterans affairs, or approved or certified by the administrator of the farmers home administration, or approved or certified by the federal home loan mortgage corporation, or approved or certified by the federal national mortgage association, that engages in the business of purchasing or taking assignments of mortgage loans and undertakes direct collection of payments from or enforcement of rights against borrowers arising from mortgage loans, is not required to obtain a certificate of authorization under this chapter in order to purchase or take assignments of mortgage loans from persons holding a certificate of authorization under this chapter.

Sec. 32. Minnesota Statutes 1986, section 53.04, subdivision 5, is amended to read:

Subd. 5. The right, with the consent of the department of commerce, to (1) sell and issue for investment certificates of indebtedness, under any descriptive name, which may bear interest, if any, as their terms provide, and which may require the payment to the company of amounts, from time to time as their terms provide, and permit the withdrawal of amounts paid on them, in whole or in part, from time to time, and the credit of amounts thereon upon conditions set forth therein; and (2) receive savings accounts or savings deposits. ~~No certificate of indebtedness shall have a surrender value which is less than the total amount paid to the company therefor.~~

Sec. 33. Minnesota Statutes 1986, section 53.09, subdivision 2, is amended to read:

Subd. 2. [REPORT TO COMMISSIONER.] (1) Each industrial loan and thrift company shall annually on or before the first day of February file a report with the commissioner stating in detail, under appropriate heads, its assets and liabilities at the close of business on the last day of the preceding calendar year. This report shall be made under oath in the form prescribed by the commissioner and published once, at the expense of the industrial loan and thrift company, in a newspaper of the county of its location, and proof thereof filed immediately with the commissioner of commerce.

(2) Each industrial loan and thrift company which holds authority to accept accounts pursuant to section 53.04, subdivision 5, shall in place of the requirement in clause (1) submit the reports and make the publication required of state banks pursuant to section 48.48.

(2) (3) Within 30 days following a change in controlling ownership of the capital stock of an industrial loan and thrift company, it shall file a written report with the commissioner stating in detail the nature of such change in ownership.

Sec. 34. Minnesota Statutes 1986, section 55.15, is amended to read:

55.15 [APPLICATION.]

This chapter shall not be held or construed as limiting, restricting, or in any way affecting the operation or management of safe deposit boxes or

vaults, or a safe deposit business, by any savings bank, bank, or trust company. If any bank, savings bank, or trust company elects to transact the business of a safe deposit company under the provisions of this chapter, it shall so notify the commissioner of commerce and thereafter the provisions of sections 55.02 and 55.10 to ~~55.13~~ 55.12 shall apply to such safe deposit business and said bank, savings bank, or trust company shall have the benefit thereof. The provisions of sections 55.03 to 55.09 and the provisions of section 55.095 shall not apply to a bank, savings bank, or trust company carrying on the business of a safe deposit company.

Sec. 35. Minnesota Statutes 1986, section 56.12, is amended to read:

56.12 [ADVERTISING; TAKING OF SECURITY; PLACE OF BUSINESS.]

No licensee shall advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast, in any manner any statement or representation with regard to the rates, terms, or conditions for the lending of money, credit, goods, or things in action which is false, misleading, or deceptive. The commissioner may order any licensee to desist from any conduct which the commissioner shall find to be a violation of the foregoing provisions.

The commissioner may require that rates of charge, if stated by a licensee, be stated fully and clearly in such manner as the commissioner may deem necessary to prevent misunderstanding thereof by prospective borrowers. In lieu of the disclosure requirements of this section and section 56.14, a licensee may give the disclosures required by the federal Truth-in-Lending Act.

A licensee may take a lien upon real estate as security for any loan exceeding \$2,700 in principal amount made under this chapter. The provisions of sections 47.20 and 47.21 do not apply to loans made under this chapter, except as provided in this section. No loan secured by a first lien on a borrower's primary residence shall be made pursuant to this section if the proceeds of the loan are used to finance the purchase of the borrower's primary residence, unless:

(1) the proceeds of the loan are used to finance the purchase of a manufactured home; or

(2) the proceeds of the loan are used in whole or in part to satisfy the balance owed on a contract for deed. ~~The rate of interest charged on such a loan made after August 1, 1987, shall not exceed the rate provided in section 47.20, subdivision 4a.~~

If the proceeds of the loan are used to finance the purchase of the borrower's primary residence, the licensee shall consent to the subsequent transfer of the real estate if the existing borrower continues after transfer to be obligated for repayment of the entire remaining indebtedness. The licensee shall release the existing borrower from all obligations under the loan instruments, if the transferee (1) meets the standards of credit worthiness normally used by persons in the business of making loans, including but not limited to the ability of the transferee to make the loan payments and satisfactorily maintain the property used as collateral, and (2) executes an agreement in writing with the licensee whereby the transferee assumes the obligations of the existing borrower under the loan instruments. Any such agreement shall not affect the priority, validity or enforceability of any loan instrument. A licensee may charge a fee not in excess of one-

tenth of one percent of the remaining unpaid principal balance in the event the loan is assumed by the transferee and the existing borrower continues after the transfer to be obligated for repayment of the entire assumed indebtedness. A licensee may charge a fee not in excess of one percent of the remaining unpaid principal balance in the event the remaining indebtedness is assumed by the transferee and the existing borrower is released from all obligations under the loan instruments, but in no event shall the fee exceed \$150.

A licensee making a loan under this chapter secured by a lien on real estate shall comply with the requirements of section 47.20, subdivision 8.

No licensee shall conduct the business of making loans under this chapter within any office, room, or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith, if the commissioner finds that the character of the other business is such that it would facilitate evasions of this chapter or of the rules lawfully made hereunder. The commissioner may promulgate rules dealing with such other businesses.

No licensee shall transact the business or make any loan provided for by this chapter under any other name or at any other place of business than that named in the license. No licensee shall take any confession of judgment or any power of attorney. No licensee shall take any note or promise to pay that does not accurately disclose the principal amount of the loan, the time for which it is made, and the agreed rate or amount of charge, nor any instrument in which blanks are left to be filled in after execution. Nothing herein is deemed to prohibit the making of loans by mail.

Sec. 36. Minnesota Statutes 1986, section 325G.04, is amended by adding a subdivision to read:

Subd. 3. For purposes of subdivisions 1 and 2, "unauthorized use" means a use by a person other than the customer who does not have actual, implied, or apparent authority for the use.

Sec. 37. Minnesota Statutes 1986, section 332.29, subdivision 1, is amended to read:

Subdivision 1. The commissioner ~~may from time to time~~ shall examine the books and records of every licensee hereunder and of any person engaged in the business of debt prorating service as defined in section 332.13 *at least once every 18 calendar months*. The commissioner once during any calendar year, may require the submission of an audit prepared by a certified public accountant of the books and records of each licensee hereunder. If the licensee has, within one year previous to the commissioner's demand, had an audit prepared for some other purpose, this audit may be submitted to satisfy the requirement of this section. The commissioner may investigate any complaint concerning violations of sections 332.12 to 332.29 and may require the attendance and sworn testimony of witnesses and the production of documents.

Sec. 38. [REPEALER.]

Minnesota Statutes 1986, sections 48.60 and 55.13, are repealed.

Sec. 39. [EFFECTIVE DATE.]

Sections 1, 2, 4, 12, 13, 14, 15, 16, 18, 19, 20, 21, 22, 23, 25, 26, 27, and 28 are effective the day following final enactment. Sections 3 and

37 are effective July 1, 1987.

ARTICLE 2

REGULATORY REDUCTION ACT

Section 1. Minnesota Statutes 1986, section 55.095, is amended to read:

55.095 [DUTIES OF COMMISSIONER OF COMMERCE.]

Every safe deposit company is at all times under the supervision and subject to the control of the commissioner of commerce. ~~The commissioner's examiners shall visit at least once each year each commissioner may at any time examine a licensed safe deposit company licensed by the commissioner~~ to ascertain whether the safe deposit company is complying with the provisions of this chapter and whether its methods and systems are in accordance with law and designed to protect the property of persons doing business with it. For each examination the commissioner shall charge the actual expenses of examination. If the commissioner of commerce determines that the safe deposit company is violating the provisions of this chapter, any law of the state, or has engaged or the commissioner has reason to believe that a licensee is about to engage in an unlawful, unsafe, or unsound practice in the conduct of its business, the commissioner may proceed pursuant to sections 46.24 to 46.33 or serve notice on the safe deposit company of intention to revoke the license, stating in general the grounds therefor and giving reasonable opportunity to be heard. If for a period of 15 days after the notice, the violation continues, the commissioner of commerce may revoke the license and take possession of the business and property of the safe deposit company and maintain possession until the time the commissioner permits it to continue business, or its affairs are finally liquidated. The liquidation must proceed pursuant to sections 49.04 to 49.32.

Sec. 2. Minnesota Statutes 1986, section 59A.06, subdivision 3, is amended to read:

Subd. 3. The commissioner ~~shall~~ *may at any time* make an examination of the affairs, business, office and records of each licensee ~~at least once each year~~. Each licensee shall pay to the commissioner the actual costs of examination as well as amounts required under section 46.131, and the commissioner may maintain an action for the recovery of such costs in any court of competent jurisdiction.

Sec. 3. Minnesota Statutes 1986, section 168.66, subdivision 3, is amended to read:

Subd. 3. "Retail installment sale" means any sale evidenced by a retail installment contract wherein retail buyer agrees to buy and retail seller agrees to sell a motor vehicle at a ~~time~~ sale price payable in one or more installments *with the payment of a finance charge*.

Sec. 4. Minnesota Statutes 1986, section 168.66, subdivision 4, is amended to read:

Subd. 4. "Retail installment contract" means any agreement, entered into in this state, evidencing a retail installment sale of a motor vehicle, other than for the purpose of resale, when purchased primarily for personal, family or household use, pursuant to which title to, or a lien upon the motor vehicle is retained by the retail seller as security for the retail buyer's obligation. This term includes a mortgage, conditional sale contract, or any

contract for the bailment or leasing of a motor vehicle by which the bailee or lessee contracts to pay as compensation for its use a sum substantially equivalent to the ~~time~~ *retail installment* sale price of the motor vehicle and by which it is agreed that the bailee or lessee is bound to become, or has the option of becoming, the owner of such motor vehicle *for no additional consideration or for nominal additional consideration*. "Retail installment contract" does not include any agreement, entered into in this state, evidencing an installment sale of a motor vehicle purchased primarily for use in business. For purposes of this subdivision, "business" means a commercial or industrial enterprise which is carried on for the purpose of active or passive investment or profit.

Sec. 5. Minnesota Statutes 1986, section 168.66, subdivision 5, is amended to read:

Subd. 5. "Motor vehicle" means any device propelled or drawn by any power other than muscular power, in, upon, or by which any person or property is, or may be transported or drawn upon a highway, excepting building and road construction equipment not subject to motor vehicle registration fees, snowmobiles, *three-wheel off-road vehicles, boat, snowmobile, and other utility trailers*, farm tractors, and agricultural machinery not designed primarily for highway transportation, but which may incidentally transport persons or property on a public highway, *or any other device which may not be lawfully operated upon a highway at the time of sale*.

Sec. 6. Minnesota Statutes 1986, section 168.66, subdivision 9, is amended to read:

Subd. 9. "Cash sale price" means the price at which the seller would in good faith sell to the buyer, and the buyer would in good faith buy from the seller, the motor vehicle which is the subject matter of the retail installment contract, if such sale were a sale for cash, instead of a retail installment sale. The cash sale price may include any taxes, charges for delivery, servicing, repairing or improving the motor vehicle, including accessories and their installation, and any other charges agreed upon between the parties. *The cash price may not include a documentary fee or document administration fee in excess of \$25 for services actually rendered to, for, or on behalf of, the retail buyer in preparing, handling, and processing documents relating to the motor vehicle and the closing of the retail sale.*

Sec. 7. Minnesota Statutes 1986, section 168.66, subdivision 10, is amended to read:

Subd. 10. "~~Time sale price~~" "*Total of payments*" means the amount which the buyer contracts to pay under a retail installment contract, *excluding any down payment*.

Sec. 8. Minnesota Statutes 1986, section 168.66, subdivision 11, is amended to read:

Subd. 11. "~~Time price differential~~" means the amount by which the seller's total ~~time sale price~~ exceeds the aggregate of the cash sale price, "*Finance charge*" means any charge payable directly or indirectly by the buyer and imposed directly or indirectly by the seller as a condition of the extension of credit under a retail installment contract, and includes a *time price differential*. The term does not include the cost of any insurance and other benefits included in the retail installment contract and any other permissible cost or expense incidental to the retail installment sale or any

charge of a type payable in a comparable cash transaction, or any taxes, fees, or charges that actually are or will be paid to public officials or government agencies for determining the existence of or for perfecting, releasing, or satisfying a security interest. The term also does not include premiums for insurance against loss of or damage to property, or against liability arising out of the ownership or use of property if the insurance coverage may be obtained from a person of the buyer's choice.

Sec. 9. Minnesota Statutes 1986, section 168.705, is amended to read:

168.705 [EXAMINATIONS, SPECIAL INVESTIGATIONS, COSTS.]

For the purpose of discovering violations of sections 168.66 to 168.77 or securing information lawfully required by the administrator hereunder, the administrator may, at any time, either personally or by a person or persons duly designated by the administrator, investigate the conditional sales contracts and business related to the conditional sales contracts and examine the books, accounts, records, and files used therein, of every licensee and of every person who shall be engaged in the business of a sales finance company, whether the person shall act as principal or agent, or under or without the authority of sections 168.66 to 168.77. For that purpose, the administrator and the administrator's duly designated representative shall have free access to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all these persons. The administrator and all persons duly designated by the administrator shall have authority to require the attendance of and to examine, under oath, all persons whomsoever whose testimony the administrator may require relative to the conditional sales contract or the business or to the subject matter of any examination, investigation, or hearing.

The administrator ~~shall~~ may make an examination of the affairs, business, office, and records of each licensee at least once every two calendar years. ~~Each licensee shall pay to the administrator an amount as may be required under section 46.131, and the administrator~~ licensees as often as considered necessary. The commissioner may assess a fee covering the necessary costs of an examination or special investigation under this section, section 168.69, or reports filed under section 168.706. The fee is payable to the commissioner on the commissioner's request for payment. The commissioner may maintain an action for the recovery of the costs in any court of competent jurisdiction.

Sec. 10. Minnesota Statutes 1986, section 168.71, is amended to read:

168.71 [RETAIL INSTALLMENT CONTRACTS.]

(a) (1) Every retail installment contract shall be in writing, shall contain all the agreements of the parties, shall be signed by the retail buyer and seller, and a copy thereof shall be furnished to such retail buyer at the time of the execution of the contract.

(2) No provisions for confession of judgment or power of attorney therefor contained in any retail installment contract or contained in a separate agreement relating thereto, shall be valid or enforceable.

(3) The holder of a *precomputed* retail installment contract may, if the contract so provides, collect a delinquency and collection charge on each installment in arrears for a period not less than ten days in an amount not in excess of five percent of each installment or \$5, whichever is the less. In addition to such delinquency and collection charge, the retail installment

contract, *whether interest-bearing or precomputed*, may provide for the payment of attorneys' fees not exceeding 15 percent of the amount due and payable under such contract where such contract is referred to an attorney not a salaried employee of the holder of the contract for collection plus the court costs.

(4) Unless written notice has been given to the retail buyer of actual or intended assignment of a retail installment contract, payment thereunder or tender thereof made by the retail buyer to the last known holder of such contract shall be binding upon all subsequent holders or assignees.

(5) Upon written request from the retail buyer, the holder of the retail installment contract shall give or forward to the retail buyer a written statement of the dates and amounts of payments and the total amount unpaid under such contract. A retail buyer shall be given a written receipt for any payment when made in cash.

(b) The retail installment contract shall contain the following items:

(1) The cash sale price of the motor vehicle which is the subject matter of the retail installment contract;

(2) The *total* amount of the retail buyer's down payment, whether made in money or goods, or partly in money or partly in goods;

(3) The difference between items one and two;

(4) The charge, if any, included in the transaction for any insurance and other benefits *not included in clause (1)*, specifying the types of coverage and *benefits taxes, fees, and charges that actually are or will be paid to public officials or government agencies, including those for perfecting, releasing, or satisfying a security interest if such taxes, fees, or charges are not included in clause (1)*;

(5) Principal balance, which is the sum of item three and item four;

(6) ~~The amount of the time price differential; disclosures required by the Federal Truth-in-Lending Act.~~

~~(7) The time balance payable by the retail buyer to the retail seller and the number of installment payments required and the amount of each installment expressed in dollars or percentages, and date of each payment necessary finally to pay the time balance which is the sum of item five and item six.~~

~~Provided, however, that said items one to seven inclusive need not be stated in the sequence or order set forth above and that additional items may be included which serve to explain the calculations involved in determining the stated time balance to be paid by the retail buyer.~~

(c) Every retail seller or sales finance company, if a charge for insurance on the motor vehicle is included in a retail installment contract shall within 30 days after execution of the retail installment contract send or cause to be sent to the retail buyer a policy or policies or certificate of insurance, which insurance shall be written by a company authorized to do business in this state, clearly setting forth the amount of the premium, the kind or kinds of insurance and the scope of the coverage and all the terms, exceptions, limitations, restrictions and conditions of the contract or contracts of the insurance. The buyer of a motor vehicle under a retail installment contract shall have the privilege of purchasing such insurance from an agent or broker of the buyer's own selection and selecting an insurance company

mutually acceptable to the seller and the buyer; provided, however, that the inclusion of the cost of the insurance premium in the retail installment contract when the buyer selects the agent, broker or company, shall be optional with the seller.

(d) Any sales finance company hereunder may purchase or acquire from any retail seller any retail installment contract on such terms and conditions as may be mutually agreed upon between them.

(e) An acknowledgment by the retail buyer of the delivery of any such copy or notice as required in subsection (a) of this section contained in the body of the statement or contract shall be conclusive proof of delivery in any action or proceeding by or against any assignee of a retail installment contract.

Sec. 11. Minnesota Statutes 1986, section 168.72, subdivision 1, is amended to read:

Subdivision 1. (a) ~~The time price differential finance charge~~ authorized by sections 168.66 to 168.77 in a retail installment sale may not exceed the following ~~simple interest annual percentage~~ rates:

Class 1. Any motor vehicle designated by the manufacturer by a year model of the same or not more than one year prior to the year in which the sale is made - ~~\$10 per \$100~~ 18 percent per year.

Class 2. Any motor vehicle designated by the manufacturer by a year model of two or three years prior to the year in which the sale is made - ~~\$11 per \$100~~ 19.75 percent per year.

Class 3. Any motor vehicle not in Class 1 or Class 2 - ~~\$13 per \$100~~ 23.25 percent per year ~~plus a flat charge of \$3 for each retail installment sale.~~

(b) ~~The time price differential finance charge~~ must be computed on the principal balance *outstanding from time to time as originally determined* under section 168.71, clause (b) ~~and must be computed at the rate indicated on contracts payable in successive monthly installment payments substantially equal in amount extending for a period of one year. For purposes of this subdivision and section 168.73, contracts payable in successive monthly installment payments include those where the first installment is scheduled for not less than 15 days nor more than one month and 15 days from the date of the contract. On contracts providing for installment payments extending for a period less than or greater than one year, the time price differential must be computed proportionately.~~

(c) ~~When a retail installment contract provides for unequal or irregular installment payments, the time price differential is at the effective rate provided in clause (a) hereof, having due regard for the irregular schedule of payment. Retail installment contracts may be interest-bearing or precomputed, and fixed-rate or variable rate. For precomputed retail installment contracts, the finance charge may be calculated in advance on the assumption that all scheduled payments will be made when due and the effect of prepayment in full is governed by section 168.73. To compute time for the purpose of calculating interest under this section and section 168.73, a day may be considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same-~~

numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month. In the alternative, for interest-bearing retail installment contracts, a retail seller may charge finance charges not to exceed 1/365th of the simple interest annual percentage rate permitted in this section for each actual day elapsed from the date of the retail installment contract through and including the date of payment in full.

(d) (c) The ~~time price differential~~ finance charge is inclusive of all charges incident to investigating and making the contract, and for the extension of the credit provided for in the contract and no fee, commission, expense or other charge whatsoever may be taken, received, reserved or contracted for ~~except taxes, fees, and charges that actually are or will be paid to public officials or government agencies for determining the existence of or for perfecting, releasing, or satisfying a security interest, and except as provided in sections 168.66 to 168.77.~~

Sec. 12. Minnesota Statutes 1986, section 168.72, subdivision 4, is amended to read:

Subd. 4. A sale of a manufactured home made after July 31, 1983, is governed by the provisions of subdivision 1 for purposes of determining the lawful ~~time price differential~~ finance charge rate, except that the maximum ~~time price differential~~ finance charge for a class I manufactured home may not exceed ~~\$8 per \$100~~ 14.5 percent per year. A retail installment sale of a manufactured home that imposes a time price differential rate that is greater than the rate permitted by this subdivision is lawful and enforceable in accordance with its terms until the indebtedness is fully satisfied if the rate was lawful when the sale was made.

Sec. 13. Minnesota Statutes 1986, section 168.73, is amended to read:

168.73 [PREPAYMENT IN FULL, REFUND CREDITS, ALLOWANCE.]

Notwithstanding the provisions of any retail installment contract to the contrary, any retail buyer may pay in full at any time before maturity the debt of any retail installment contract ~~and without penalty~~. In ~~so~~ paying ~~such debt~~ a precomputed retail installment contract in full, the retail buyer shall receive a refund credit thereon for such anticipation of payments. For contracts which substantially equal scheduled monthly payments remaining after the date of prepayment in full, the refund must be calculated for all fully unexpired monthly payment periods following the date of payment in full. For all other contracts, the refund must be calculated as of the date in the month following prepayment which corresponds to the original contract date. The ~~amount of such~~ refund shall ~~represent at least as great a proportion of the time price differential after first deducting from such time price differential~~ be calculated according to the actuarial method, less an acquisition cost of \$15; ~~as the sum of the periodic time balances after the month in which date prepayment is made; bears to the sum of all the periodic time balances under the schedule of payments in the original contract which may be deducted from the refund so calculated.~~

Where the amount of the credit for anticipation of payment is less than \$1, no refund need be made.

The actuarial method means the method of allocating payments on a contract between the principal amount and finance charge at the contract rate charged under section 168.72, whereby a payment is applied first to

the accumulated finance charge and then to the unpaid principal balance based on the original terms of the contract and based on the assumption that all payments are made on the due date as originally scheduled or deferred.

Sec. 14. Minnesota Statutes 1986, section 168.74, is amended to read:

168.74 [EXTENSION OF SCHEDULES, PAYMENTS.]

The holder of a *precomputed* retail installment contract, may, upon written agreement with the retail buyer, extend the ~~schedules~~ *schedules* scheduled due date, or defer the ~~schedules~~ *schedules* scheduled payment of all or part of any installment payment or payments, or renew the balance of such contract. In any such case the holder may restate the amount of the installments and the time schedule therefor, and collect as a refinance charge for such extension, deferment or renewal, a flat service fee not to exceed \$5 and a total additional charge not exceeding ~~an amount equal to one percent per month~~ *the simple interest annual percentage rate under the original retail installment contract calculated on the respective descending balances computed from the date of such extension, deferment or renewal.*

Sec. 15. [EFFECTIVE DATE.]

Sections 1, 2, 5, and 9 of this article are effective July 1, 1987. Sections 6, 7, 8, 10, 11, 12, and 14 are effective January 1, 1988. Section 13 is effective January 1, 1988, and applies to contracts entered into on or after that date.

ARTICLE 3

APPLICATION PARITY ACT

Section 1. Minnesota Statutes 1986, section 46.041, is amended to read:

46.041 [BANK APPLICATIONS.]

Subdivision 1. **[FILING; FEE; HEARING PUBLIC INSPECTION.]** The incorporators of a bank proposed to be organized under the laws of this state shall execute and acknowledge a written application in the form prescribed by the commissioner of commerce. The application must be signed by two or more of the incorporators and request a certificate authorizing the proposed bank to transact business at the place and in the name stated in the application. The applicant shall file the application with the department with a \$1,000 filing fee and a \$500 investigation fee. The fees must be turned over by the commissioner to the state treasurer and credited to the general fund. Thereupon the applicant shall within 30 days of the receipt of the form prescribed by the commissioner, publish a notice of the filing of the application in a newspaper published in the municipality in which the proposed bank is to be located; and if there is no such newspaper, then at the county seat of the county in which the bank is proposed to be located. The notice shall be in the form prescribed by the commissioner and, in addition to the publication, the applicant shall mail a copy of the notice by certified mail to every bank located within three miles of the proposed location of the bank. If an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the state treasurer and credited by the treasurer to the general fund, must be paid by the applicant and 50 percent equally by the intervening parties. *The application file must be public, with the exception of financial data on individuals which is private under the Minnesota gov-*

ernment data practices act.

Subd. 2. [UNCONTESTED NOTICE OF FILING APPLICATION APPROVAL ORDER; PUBLICATION.] If no objection is received by the commissioner within 21 days after the publication and mailing of the notices, the commissioner may issue an order approving the application without a hearing if it is found that the applicant meets the conditions in section 46.044. Otherwise the commissioner must deny the application. Upon notice of acceptance of an application as complete in all respects for filing, the applicant shall within 30 days of the receipt of the form prescribed by the commissioner, publish a notice of the filing of the application, in a newspaper published in the municipality in which the proposed bank is to be located, and if there is no such newspaper, then at the county seat of the county in which the bank is proposed to be located. The notice must be in the form prescribed by the commissioner and, in addition to the publication, the applicant shall mail a copy of the notice by certified mail to every bank located within three miles of the proposed location of the bank.

Subd. 3. [OBJECTIONS; COMMENTS, REQUESTS FOR HEARING.] If the application is contested, the commissioner shall fix a time, within 60 days after the filing of the objection for a hearing, and the record of the hearing shall be considered by the commissioner in deciding whether or not the application shall be granted. A notice of the hearing must be published in the form prescribed by the commissioner in some newspaper published in the municipality in which the proposed bank is to be located, and if there is no such newspaper, then at the county seat of the county in which the bank is proposed to be located. The notice shall be published once, at the expense of the applicants, not less than 30 days prior to the date of the hearing. At the hearing the commissioner shall consider the application and hear the applicants and such witnesses as may appear in favor of or against the granting of the application of the proposed bank. The hearing shall be conducted by the commissioner in accordance with the provisions of sections 14.01 to 14.70. Within 21 days after the notice of application has been published, any person may submit to the commissioner either or both written comments on an application and a written request for a hearing on the application. The request must state the nature of the issues or facts to be presented and the reasons why written submissions would be insufficient to make an adequate presentation to the commissioner. Comments challenging the legality of an application should be submitted separately in writing.

Written requests for hearing must be evaluated by the commissioner who may grant or deny the request. A hearing must generally be granted only if it is determined that written submissions would be inadequate or that a hearing would otherwise be beneficial to the decision-making process. A hearing may be limited to issues considered material by the commissioner.

If a request for a hearing has been denied, the commissioner shall notify the applicant and all interested persons stating the reasons for denial. Interested parties may submit to the commissioner with simultaneous copies to the applicant additional written comments on the application within 14 days after the date of the notice of denial. The applicant shall be provided an additional seven days after the 14-day deadline has expired within which to respond to any comments submitted within the 14-day period. A copy of any response submitted by the applicant shall also be mailed simultaneously by the applicant to the interested parties. The commissioner may waive the additional seven-day comment period if so requested by the

applicant.

Subd. 4. [HEARING.] *In any case in which the commissioner grants a request for a hearing, the commissioner shall fix a time for a hearing conducted pursuant to chapter 14 to decide whether or not the application will be granted. A notice of the hearing must be published by the applicant in the form prescribed by the commissioner in a newspaper published in the municipality in which the proposed bank is to be located, and if there is no such newspaper, then at the county seat of the county in which the bank is proposed to be located. The notice must be published once, at the expense of the applicants, not less than 30 days prior to the date of the hearing. At the hearing the commissioner shall consider the application and hear the applicants and witnesses that appear in favor of or against the granting of the application of the proposed bank. If an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the state treasurer and credited by the treasurer to the general fund, must be paid by the applicant and 50 percent equally by the intervening parties.*

Subd. 5. [APPROVAL, DISAPPROVAL, AFTER HEARING.] *If, upon the hearing or upon other information submitted, it appears to the commissioner that the application should be granted, the commissioner shall, not later than 90 days after the hearing, and after the applicants have otherwise complied with the provisions of law applicable to the organization of a bank, including the provisions herein contained, make and file in the commissioner's office a written order directing the issuance of a certificate of authorization as provided by law. If the certificate of authorization is not activated within a period of 12 months from date of issuance, the commissioner may upon written notice to the applicants request a new hearing. If the commissioner decides that the application should not be granted, the commissioner shall deny the application and make a written order to that effect, file it in the commissioner's office, and forthwith give notice thereof by certified mail to one of the incorporators named in the application for the proposed bank, addressed to the incorporator at the address stated in the application. Thereupon the commissioner shall refuse to issue the certificate of authorization to the proposed bank.*

Sec. 2. [EFFECTIVE DATE.]

This article is effective the day following final enactment, and applies to pending applications at that time if any notice of the filing of the application has not been fully published."

Delete the title and insert:

"A bill for an act relating to financial institutions; regulating incorporations and operations of banks; requiring prior written approval by the commissioner for certain lease arrangements; requiring certain securities to be deposited with the state treasurer; requiring approval of certain insider agreements; providing penalties against certain lenders; regulating transfer and closing of deposit accounts; regulating real estate holdings by a bank; providing for exclusions to certain usury limits; regulating acquisitions by bank holding companies; revising the definition of feeder livestock loans for bank lending limit purposes; authorizing the commissioner to borrow money to satisfy obligations of certain closed institutions; authorizing indirect investments in eligible securities for state banks; regulating bank or trust company investments; regulating claims against liquidated institu-

tions; providing for the organization of credit unions; regulating interest and dividends paid on deposits; regulating industrial loan and thrifts; regulating interstate branch banking; providing for the submission of certain reports; modifying the maximum allowable interest rate on certain loans used to satisfy the balances owed on contracts for deed; requiring the periodic examination of debt prorated companies; modifying the examination requirement for safe deposit companies and insurance premium finance companies; regulating motor vehicle installment sales; regulating bank applications; regulating electronic financial terminals and unauthorized use of financial transaction cards; amending Minnesota Statutes 1986, sections 46.041; 46.042; 46.07, subdivision 2; 46.131, subdivision 9; 47.10, subdivision 3, and by adding a subdivision; 47.204, subdivision 1; 47.205, subdivisions 2 and 4; 47.69, subdivision 3; 48.055, subdivision 5; 48.15, subdivision 2; 48.21; 48.24, subdivision 7; 48.51; 48.61, subdivisions 3 and 5; 48.92, subdivision 10; 48.97, subdivision 2; 48.98, subdivision 1; 48.99, subdivision 1; 49.04, subdivision 1; 49.05, by adding a subdivision; 49.24, subdivision 5; 51A.58; 52.01; 52.02, subdivision 3; 52.09, subdivision 2; 52.18; 53.04, subdivisions 3a and 5; 53.09, subdivision 2; 55.095; 55.15; 56.12; 59A.06, subdivision 3; 168.66, subdivisions 3, 4, 5, 9, 10, and 11; 168.705; 168.71; 168.72, subdivisions 1 and 4; 168.73; 168.74; 325G.04, by adding a subdivision; 332.29, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 46 and 47; repealing Minnesota Statutes 1986, sections 48.60 and 55.13."

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

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

S.F. No. 801: A bill for an act relating to waters; changing the posting and publication of notice requirements for aeration operations by a permittee of the commissioner of natural resources; providing an exclusion from government tort liability; amending Minnesota Statutes 1986, sections 3.736, subdivision 3; and 378.22, subdivisions 2 and 3.

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

Page 3, after line 30, insert:

"Sec. 4. Minnesota Statutes 1986, section 378.22, is amended by adding a subdivision to read:

Subd. 5. [WATER AERATION RULES.] The commissioner of natural resources shall, by September 1, 1988, adopt rules relating to the issuance of permits for aeration, bubbler, water circulation, and similar systems used to increase dissolved oxygen or to maintain open water on the ice of public waters."

Amend the title as follows:

Page 1, line 8, before the period, insert " , and by adding a subdivision"

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred the following appointment as reported in the Journal for March 12, 1987:

DEPARTMENT OF REVENUE

COMMISSIONER

Tom Triplett

Reports the same back with the recommendation that the appointment be confirmed.

Mr. Moe, R.D. moved that the foregoing committee report be laid on the table. The motion prevailed.

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was re-referred

S.F. No. 1: A bill for an act relating to economic development; rural development; renaming and providing powers to the agricultural resource loan guaranty board; establishing a mineral resources program; establishing duties for the community development division in the department of energy and economic development; transferring the independent wastewater treatment grant program from the pollution control agency to the Minnesota public finance authority; changing the membership of the Minnesota job skills partnership board; establishing the rural development board; establishing the challenge grant program; establishing the customized training program; establishing the greater Minnesota corporation; establishing the state supplemental education grant program; establishing the Minnesota public finance authority; appropriating money; amending Minnesota Statutes 1986, sections 41A.01; 41A.02, subdivisions 3, 4, 6, and 11; 41A.05, subdivisions 1 and 2; 116.16, subdivisions 2, 5, 9, and 10, and by adding subdivisions; 116.18, subdivision 3a; 116J.955, subdivisions 1 and 2; 116L.03, subdivision 2; 462.384, subdivision 7; 462.385, subdivisions 1 and 3; 462.386, subdivision 1; 462.387, subdivisions 1, 3 and 4; 462.39, subdivisions 2 and 3; 462.391, subdivisions 2, 3 and 4; 462.395; 462.396, subdivision 1; and 462.398; proposing coding for new law in Minnesota Statutes, chapters 41A; 93; 116J; 116L; and 136A; proposing coding for new law as Minnesota Statutes, chapters 116N; 116P; and 446A; amending Laws 1983, chapter 334, section 7; repealing Minnesota Statutes 1986, sections 41A.06, subdivision 2; 116J.951; 116J.961; and 116J.965.

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

Delete everything after the enacting clause and insert:

"ARTICLE I

RURAL DEVELOPMENT BOARD

Section 1. [116N.01] [DEFINITIONS.]

Subdivision 1. [TERMS.] For the purposes of sections 1 to 7, the following terms have the meaning given them.

Subd. 2. [BOARD.] "Board" means the rural development board.

Subd. 3. [COMMISSIONER.] "Commissioner" means the commissioner of energy and economic development.

Subd. 4. [LOW INCOME.] "Low income" means equal to or below the nonmetropolitan median household income.

Subd. 5. [PRINCIPALLY.] "Principally" means at least 51 percent.

Subd. 6. [REGIONAL ORGANIZATION.] "Regional organization" or "organization" means an organization selected under section 7, subdivision 3.

Subd. 7. [RURAL.] "Rural" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

Sec. 2. [116N.02] [RURAL DEVELOPMENT BOARD.]

Subdivision 1. [MEMBERSHIP] The rural development board consists of the commissioner of energy and economic development, the commissioner of jobs and training, the commissioner of agriculture, the chair of the greater Minnesota corporation board, the state director of vocational technical education, the chancellor of the state university board, the chancellor of the state board for community colleges, the president of the University of Minnesota or the president's designee, and seven members from the general public appointed by the governor, with at least one public member from each of the regions established in section 7. Two of the public members must be local elected officials. Two of the public members must be members of farm organizations. One public member must represent the interests of business, and one public member must represent the interests of organized labor.

Subd. 2. [MEMBERSHIP TERMS.] The membership terms, compensation, removal, and filling of vacancies of public members of the board are as provided in section 15.0575.

Subd. 3. [CHAIR; OTHER OFFICERS.] The commissioner of energy and economic development shall serve as chair of the board. The board may elect other officers as is necessary from its members.

Subd. 4. [ADVISORY TASK FORCES.] The board may establish advisory task forces under section 15.014 to advise or assist the board in identifying and working with rural development issues.

Subd. 5. [STAFF] The commissioner of energy and economic development shall provide staff, consultant support, materials, and administrative services necessary for the board's activities from the community development division of the department of energy and economic development. The services must include personnel, budget, payroll, and contract administration. The board may request staff support from other agencies of state government as needed for the execution of the responsibilities of the board, and the other agencies shall furnish the staff support upon request.

Subd. 6. [EXPENSES.] The commissioner shall pay the expenses of the board and the costs of the board's programs from the rural rehabilitation revolving fund established in section 116J.955.

Sec. 3. [116N.03] [POWERS.]

Subdivision 1. [CONTRACTS.] The board may enter into contracts and grant agreements necessary to carry out its responsibilities.

Subd. 2. [GIFTS; GRANTS.] The board may apply for, accept, and disburse gifts, grants, loans, or other property from the United States, the

state, private foundations, or any other source. It may enter into an agreement required for the gifts, grants, or loans and may hold, use, and dispose of its assets in accordance with the terms of the gift, grant, loan, or agreement. Money received by the board under this subdivision must be deposited in the state treasury. The amount deposited is appropriated to the board to carry out its duties.

Sec. 4. [116N.04] [DUTIES.]

Subdivision 1. [GENERAL DUTIES.] The board shall investigate and evaluate new methods to enhance rural development, particularly methods relating to economic diversification through private enterprises, including technologically innovative industries, value-added manufacturing, agri-processing, information industries, and agricultural marketing.

Subd. 2. [ESTABLISH PROGRAMS.] The board shall establish and administer a rural rehabilitation pilot project program to award grants to public, nonprofit, or private organizations to support farm-related pilot projects for rural development. Projects must be designed to principally benefit low-income persons.

Subd. 3. [TECHNICAL ASSISTANCE.] The board shall provide technical assistance and rural development information services to state agencies, regional agencies, special districts, local governments, and the public.

Subd. 4. [BUDGET.] The board shall adopt an annual budget and work program and a biennial budget.

Subd. 5. [LEGISLATIVE REPORT.] The board shall submit an annual report to the legislature by January 31 of each year. The report must include a review of rural development in the state, an accounting of all loans made under the challenge grant program, an evaluation of rural development initiatives, and recommendations concerning state support for rural development.

Sec. 5. [116N.056] [RURAL INVESTMENT GUIDE.]

The board, after appropriate study and public hearings as necessary, shall adopt a comprehensive state rural investment guide consisting of policy statements, objectives, standards, and program criteria to guide state agencies in establishing and implementing programs relating to rural development. The guide must: (1) recognize the community and economic needs, the food and agricultural policy, and the resources of rural Minnesota; and (2) provide a plan to coordinate and allocate public and private resources to the rural areas of the state. The board shall submit the guide to the appropriate committees of the legislature.

Sec. 6. [116N.06] [BOARD REVIEW.]

The board may require state agencies to submit for review any state program relating to rural development. The board may comment on any such program and may recommend changes consistent with the rural development guide.

Sec. 7. [116N.07] [CHALLENGE GRANT PROGRAM.]

Subdivision 1. [ORGANIZATION.] The challenge grant program must make challenge grants to regional organizations selected by the board to encourage private investment, to provide jobs for low-income persons, and to promote economic development in the rural areas of the state. The board shall administer the program as provided in this section.

Subd. 2. [FUNDING REGIONS.] The board shall divide the part of the state located outside of the metropolitan area as defined in section 473.121, subdivision 2, into six regions. A region's boundaries must be coterminous with the boundaries of one or more of the development regions established under section 462.385. The board shall designate up to \$_____ for each region, to be awarded over a period of three years. The money designated to each region must be used for revolving loans and equity investments authorized under this section.

Subd. 3. [SELECTION OF ORGANIZATIONS TO RECEIVE CHALLENGE GRANT FUNDS.] The board shall select the organizations to receive the challenge grant funds and shall enter into grant agreements with the organizations. An organization must be a nonprofit corporation and must demonstrate that:

(1) its board of directors includes citizens experienced in rural development and representatives from all geographic areas in a challenge grant program region;

(2) it has the technical skills to analyze projects;

(3) it is familiar with other available public and private funding sources and economic development programs;

(4) it can initiate and implement economic development projects; and

(5) it can establish and administer a revolving loan fund.

Subd. 4. [REVOLVING LOAN FUND.] A regional organization shall establish a board certified revolving loan fund to provide loans to new and expanding businesses in rural Minnesota to promote economic development. Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing. Loan applications given preliminary approval by the organization must be forwarded to the commissioner for final approval. The amount of state money allocated for each revolving loan is appropriated from the rural rehabilitation revolving fund established in section 116J.955 to the organization's regional revolving loan fund when the commissioner gives final approval for each loan. The amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent for each loan. The amount of nonpublic money must equal at least 50 percent for each loan.

Subd. 5. [LOAN CRITERIA.] The following criteria apply to loans made under the challenge grant program:

(a) Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program.

(b) A loan must be used for a project designed principally to benefit low-income persons through the creation of job opportunities for such persons. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

(c) The minimum revolving loan is \$5,000 and the maximum is \$100,000.

(d) With the approval of the commissioner, a revolving loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

(e) A revolving loan may not exceed 50 percent of the total cost of an individual project.

(f) A revolving loan may not be used for a retail development project.

(g) A business applying for a loan must be sponsored by a resolution of the governing body of the local governmental unit within whose jurisdiction the project is located. For purposes of this paragraph, "local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian tribal council when the project is located within a federally recognized American Indian reservation or community.

Subd. 6. [REVOLVING FUND ADMINISTRATION.] (a) The board shall establish a minimum interest rate for revolving loans to ensure that necessary management costs are covered.

(b) Money repaid to a revolving loan fund must be deposited in the fund for further distribution by the regional organization, consistent with the loan criteria specified in subdivisions 4 and 5.

(c) Administrative expenses of each organization may be paid out of the interest earned on revolving loans.

Subd. 7. [RULES.] The board shall adopt rules to implement the duties specified in this section.

Subd. 8. [GRANTS TO NONPROFITS.] The board may use a portion of the money designated for a region to make challenge grants to nonprofit regional investment corporations or nonprofit venture capital funds located in that region. A grant under this subdivision may be made only if the nonprofit investment corporation or the nonprofit venture capital fund can demonstrate that at least two individuals or organizations other than the board will each make a grant or investment equal to the amount of the challenge grant made by the board.

Subd. 9. [USE OF OTHER RESOURCES.] An organization that receives challenge grant funds shall use the resources of other regional organizations in carrying out all or part of its duties.

Subd. 10. [REPORTING REQUIREMENTS.] The organization shall:

(1) submit an annual report to the board by February 15 of each year that includes a description of projects supported by the challenge grant program, an account of all loans made during the calendar year, the source and amount of all money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses; and

(2) provide for an independent annual audit to be performed in accordance with generally accepted accounting practices and auditing standards and submit a copy of each annual audit report to the board.

Sec. 8. [116N.08] [CERTIFIED STATE DEVELOPMENT COMPANY.]

Subdivision 1. [PURPOSE; OBJECTIVES.] The board may create, promote, and assist a state development company, also known as a "503" certified development company, that will qualify as a certified development company for the purposes of United States Code, title 15, section 697, and Code of Federal Regulations, title 13, section 108.503.

The board shall utilize the development company program to stimulate the state's economic activity.

The development company and its directors and officers shall comply with the organizational, operational, regulatory, and reporting requirements as promulgated by the United States Small Business Administration and the guidelines contained in the bylaws, articles of incorporation, and standard operating procedure prescribed by the Small Business Administration.

Subd. 2. [CAPITAL, LOAN LIMITS; MEMBERSHIP REQUIREMENTS.] *The capital for a certified state development company must be derived from corporate holders or members, each of whom must not have more than ten percent of the voting control of the certified state development company. The company must have a minimum of ten members. Membership must be, to the greatest extent practicable, in proportion to the population of each economic development region to the total population of the state. The loan limit of each member must be established at the time of its acceptance as a member and must be computed on the basis of the financial information contained in or made a part of its application for membership. All loan limits must be established at the thousand dollar amount nearest the amount computed in accordance with the provisions of the articles of incorporation and this section.*

Subd. 3. [MEMBERS.] *Members must be representatives of local government, community organizations, financial institutions, and businesses in Minnesota and must, upon application, have been accepted for membership by a majority vote of the members of the board of directors present at any regular or special meeting of the board at which there is a quorum. A "financial institution" is a business organization recognized under Minnesota or federal law as a banking institution, trust company, savings and loan association, insurance company, or a corporation, partnership, foundation or other institution licensed to do business in the state of Minnesota and engaged primarily in lending or investing money.*

Subd. 4. [MEMBERSHIP APPLICATIONS.] *Applications for membership must be submitted to the development company's board of directors on forms provided by the corporation and accompanied by additional information as the form may require. Application forms must provide that if the application is approved, and the applicant accepted for membership by the development company's board of directors prior to withdrawal of the application, the applicant agrees to become a member upon the acceptance and to assume all of the rights and obligations of a member. Notice of approval or rejection of an application must be forwarded, by certified or registered United States mail, to the applicant for the attention of the person signing the application, within 15 days following the date upon which the approval or rejection is made. Approval of the application constitutes acceptance of the applicant as a member of the corporation.*

Subd. 5. [OFFICERS.] *The executive officers of the corporation are a president, one or more vice presidents including the executive vice president, a secretary, and a treasurer. None of the officers, except the president, need be directors. One person may hold the offices and perform the duties of any two or more of the offices. The development company's board of directors by majority vote may leave unfilled for any period it may fix any office except that of president, treasurer, or secretary.*

Subd. 6. [ASSISTANCE.] *The commissioner of energy and economic*

development shall make available the professional staff of the department to provide services to the certified state development company including, but not limited to, accounting, legal, and business assistance services. The staff must have the capability to package, process, close and service loans made through the development company.

Subd. 7. [REPORTS.] The development company shall submit to the Small Business Administration annual reports on its operation. When requested by the Small Business Administration, interim reports of a similar nature must be provided. The reports must be provided in accordance with the instructions and attachments set forth by the Small Business Administration. The development company shall comply with all regulations issued under the small business investment act of 1958, as amended, as well as applicable state and federal laws affecting its operation.

Subd. 8. [REVOLVING ACCOUNT.] The certified state development company may charge a one time processing fee up to the maximum allowed by the Small Business Administration on a debenture issued for loan purposes. In addition, a fee for servicing loans may be imposed up to the maximum allowed by the Small Business Administration based on the unpaid balance of each debenture. These fees must be deposited into a dedicated fund in the state treasury. Money in the dedicated fund is appropriated to the department of energy and economic development to pay the costs of administration of the program, compensate members of the board of directors pursuant to section 15.0575, subdivision 3, and to create and operate a pool of money for investment in projects which further the purposes of this section.

Sec. 9. [REPEALER.]

Minnesota Statutes 1986, sections 116J.951; 116J.961; and 116J.965, are repealed.

ARTICLE 2

GREATER MINNESOTA CORPORATION

Section 1. [116P01] [CITATION.]

Sections 1 to 9 may be cited as the "greater Minnesota corporation act."

Sec. 2. [116P02] [DEFINITIONS.]

Subdivision 1. [SCOPE.] The definitions in this section apply to this chapter.

Subd. 2. [BOARD.] "Board" means the board of directors of the greater Minnesota corporation.

Subd. 3. [CORPORATION.] "Corporation" means the greater Minnesota corporation.

Subd. 4. [FUND.] "Fund" means the greater Minnesota fund.

Sec. 3. [116P03] [CORPORATION; BOARD OF DIRECTORS; POWERS.]

Subdivision 1. [NAME.] The greater Minnesota corporation is a public corporation of the state and is not a state agency. All business of the corporation must be conducted under the name "greater Minnesota corporation."

Subd. 2. [BOARD OF DIRECTORS.] The corporation is governed by a board of 11 directors. The board may determine the compensation of its members.

Subd. 3. [ARTICLES AND BYLAWS.] The board of directors shall adopt bylaws necessary for the conduct of the business of the corporation, consistent with the provisions of this chapter.

Subd. 4. [PLACES OF BUSINESS.] The board shall locate and maintain the corporation's places of business within the state.

Subd. 5. [MEETINGS AND ACTIONS OF THE BOARD.] The board shall meet at least twice a year and may hold additional meetings upon giving notice in accordance with the bylaws of the corporation. Board meetings are subject to section 471.705, except when information or data described in subdivision 7 is discussed.

Subd. 6. [CLOSED MEETINGS; RECORDING.] The board of directors may by a majority vote in a public meeting decide to hold a closed meeting authorized under subdivision 5. The time and place of the closed meeting must be announced at the public meeting. A written roll of members present at the closed meeting must be made available to the public after the closed meeting. The proceedings of a closed meeting must be tape recorded at the expense of the board and must be preserved by the board for two years. The data on the tape is considered nonpublic data pursuant to section 13.02, subdivision 9.

Subd. 7. [APPLICATION AND INVESTIGATIVE DATA.] The following data is classified as private data with regard to data on individuals under section 13.02, subdivision 12, or as nonpublic data with regard to data not on individuals under section 13.02, subdivision 9, whichever is applicable:

(1) financial data, statistics, and information furnished in connection with assistance or proposed assistance under section 6, including credit reports, financial statements, statements of net worth, income tax returns, either personal or corporate, and any other business and personal financial records;

(2) correspondence between members of the corporation board or employees of the corporation and applicants or other persons or entities regarding assistance or proposed assistance, and any investigative data obtained by the corporation board or employees of the corporation in relation to the assistance under section 6;

(3) security information, trade secret information, or labor relations information, as defined in section 13.37, subdivision 1, disclosed to members of the corporation board or employees of the corporation pursuant to section 6.

Subd. 8. [ADVISORY COMMITTEES.] The board shall establish a research advisory committee and a finance advisory committee and may establish other advisory committees it considers necessary. Committee members are compensated as provided in section 15.059, subdivision 3.

(a) The research advisory committee must consist of five members who have extensive experience in science and technology research. The research advisory committee shall review all research grant proposals submitted to the board. The board shall not give final approval to a research grant until it has received the research advisory committee's evaluation and recommendations or until 30 days have elapsed since the proposal was

submitted to the research advisory committee, whichever occurs first.

(b) The finance advisory committee must consist of five members who have extensive experience in business development, finance, banking, or venture capital investments. The finance advisory committee shall advise the board on equity investments.

Subd. 9. [CONFLICT OF INTEREST.] A director of the corporation may not participate in or vote on any decision of the board relating to an organization in which the director has either a direct or indirect financial interest.

Sec. 4. [116P04] [CORPORATE PERSONNEL.]

Subdivision 1. [GENERALLY.] (a) The board shall appoint and set the compensation for a president, who serves as chief executive officer of the corporation, and who may appoint subordinate officers. The president's salary may not exceed 95 percent of the governor's salary. The board may designate the president as its general agent. Subject to the control of the board, the president shall employ employees, consultants, and agents the president considers necessary.

(b) The board shall define the duties and designate the titles of the employees and agents.

Subd. 2. [STATUS OF EMPLOYEES.] Employees, officers, and directors of the corporation are not state employees, but, at the option of the board, may participate in the following plans for employees in the unclassified service: the state retirement plan, the state deferred compensation plan, and the health insurance and life insurance plans.

Sec. 5. [116P05] [POWERS OF THE CORPORATION.]

(a) Except as otherwise provided in this article, the corporation has the powers granted to a business corporation by section 302A.161, subdivisions 3, 4, 5, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, and 22.

(b) The state is not liable for any obligations of the corporation.

Sec. 6. [116P06] [ACTIVITIES.]

Subdivision 1. [GRANTS.] The corporation may make dollar-for-dollar matching grants for applied research and development to the University of Minnesota, a state university, a community college, a Minnesota private college or university, or an area vocational technical institute.

Subd. 2. [EQUITY INVESTMENTS.] Subject to the limitations in section 11, except as otherwise provided in this subdivision, the corporation may acquire an interest in a product or a private business entity. The corporation may enter into joint venture agreements with other private corporations to promote economic development and job creation. The corporation may not acquire an interest in a business entity engaged in a trade or industry whose profits are directly regulated by the state.

Subd. 3. [CONSULTING AND TECHNICAL SERVICES.] The corporation may provide general consulting and technical services to colleges or universities or to businesses and may set fees or charges for the services.

Subd. 4. [RESEARCH.] The corporation may identify opportunities for scientific research and technological innovation and advise colleges and universities of the research private business.

Subd. 5. [REGIONAL FINANCE CENTERS.] The corporation may contract with the regional organizations selected in article 1, section 7, subdivision 3, to establish up to six regional finance centers.

Subd. 6. [ON-SITE RESEARCH.] The corporation may construct, acquire, lease, own, or operate one or more on-site research facilities in Minnesota.

Sec. 7. [116P07] [GREATER MINNESOTA FUND.]

(a) The greater Minnesota fund is a fund in the state treasury. The board may create separate accounts within the fund for use in accordance with the fund's purposes. Money in the fund may be deposited in an institution designated as a depository for state funds under section 9.031. Money in the fund not needed for the immediate purposes of the corporation may be invested by the corporation in any way authorized by section 11A.24. Money in the fund may be used as provided in this chapter.

(b) The fund consists of:

- (1) appropriations made to the corporation;*
- (2) fees and charges collected by the corporation;*
- (3) income from investments and purchases;*
- (4) revenue from loans, rentals, royalties, dividends, and other proceeds collected in connection with lawful corporate purposes; and*
- (5) gifts, donations, and bequests made to the corporation.*

Sec. 8. [116P08] [AUDITS.]

The legislative auditor shall audit the corporation at least once a year and oftener if considered necessary or as directed by the legislature or the legislative audit commission. The corporation is liable to the state for the total cost and expenses of the audit, including the salaries paid to the examiners while actually engaged in making the examination. The legislative auditor may bill the corporation either monthly or at the completion of the audit. All collections received for the audits must be deposited in the general fund.

Sec. 9. [116P09] [REPORTS.]

The board shall report to the appropriate committees of the legislature and the governor on the activities of the corporation by January 1 of each year. The report must include, at least, a description of projects supported by the fund, an account of all loans and grants made by the fund during the calendar year, the source and amount of all money collected and distributed by the fund, the fund's assets and liabilities, an explanation of administrative expenses, and any amendments to the operational plan. Reports must be made to the legislature as required by section 3.195.

Sec. 10. [INITIAL APPOINTMENTS.]

Notwithstanding section 3, subdivision 2, the governor shall appoint the initial members of the board of directors of the greater Minnesota corporation, subject to the advice and consent of the senate, as follows: four to six-year terms, four to four-year terms, and three to two-year terms. As the terms of the initial appointments expire, appointments must be made by the board, subject to the advice and consent of the senate.

Sec. 11. [OPERATIONAL PLAN.]

The board of directors of the greater Minnesota corporation shall prepare a comprehensive operational plan and submit the plan to the governor and the legislature by November 15, 1987. The operational plan must include at least the following:

- (1) operating procedures;*
- (2) accounting procedures;*
- (3) grant procedures;*
- (4) loan procedures;*
- (5) personnel procedures;*
- (6) investment procedures; and*
- (7) board conduct and ethics.*

If the board proposes to make equity investments under section 6, subdivision 2, the board shall explain in the report how the investments will be made, how much money will be invested in them, how much private money is expected to be invested in the same investments, and why equity investments would be more desirable and effective than the other means of promoting development that are available to the board. No equity investments may be made unless the board has first submitted the information required by this section. In addition, the operational plan must include a budget proposal and a five-year strategic plan setting out its objectives and general strategy for achieving those objectives. It must identify sources and amounts of available nongovernmental money and the purposes for which that money may be used.

Sec. 12. [APPROPRIATION.]

\$_____ is appropriated from the general fund to the greater Minnesota corporation established by section 3. This appropriation is available until expended.

Sec. 13. [EFFECTIVE DATE.]

Section 6, subdivision 2, is effective April 1, 1988. Sections 1; 2; 3; 4; 5; 6, subdivisions 1, 3, 4, 5, and 6; 7; 8; 9; 10; and 11 are effective the day following final enactment.

ARTICLE 3

MINNESOTA PUBLIC FACILITIES AUTHORITY

Section 1. Minnesota Statutes 1986, section 116.16, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] In this section and sections 116.17 and 116.18:

(1) Agency means the Minnesota pollution control agency created by this chapter;

(2) Municipality means any county, city, and town, the metropolitan waste control commission established in chapter 473 and the metropolitan council when acting under the provisions of that chapter or an Indian tribe or an authorized Indian tribal organization, and any other governmental subdivision of the state responsible by law for the prevention, control, and abatement of water pollution in any area of the state;

(3) Pollution control fund means the Minnesota state water pollution control fund created by subdivision 1;

(4) Bond account means the Minnesota state water pollution control bond account created in the state bond fund by section 116.17, subdivision 4;

(5) Terms defined in section 115.01 have the meanings therein given them;

(6) The eligible cost of any municipal project, except as otherwise provided in clauses (7) and (8), includes (a) preliminary planning to determine the economic, engineering, and environmental feasibility of the project; (b) engineering, architectural, legal, fiscal, economic, sociological, project administrative costs of the agency and the municipality, and other investigations and studies; (c) surveys, designs, plans, working drawings, specifications, procedures, and other actions necessary to the planning, design, and construction of the project; (d) erection, building, acquisition, alteration, remodeling, improvement, and extension of disposal systems; (e) inspection and supervision of construction; and (f) all other expenses of the kinds enumerated in section 475.65.

(7) For state independent grant and matching grant purposes hereunder, the eligible cost for grant applicants shall be the eligible cost as determined by the United States environmental protection agency under the Federal Water Pollution Control Act, ~~as amended~~, United States Code, title 33, ~~section 1314, et seq~~ sections 1281 to 1299.

(8) Notwithstanding clause (7), for state grants under the state independent grants program, the eligible cost includes the acquisition of land for stabilization ponds, the construction of collector sewers for totally unsewered statutory and home rule charter cities and towns described under section 368.01, subdivision 1 or 1a, that are in existence on January 1, 1985, and the provision of reserve capacity sufficient to serve the reasonable needs of the municipality for 20 years in the case of treatment works and 40 years in the case of sewer systems. Notwithstanding clause (7), for state grants under the state independent grants program, the eligible cost does not include the provision of service to seasonal homes, or cost increases from contingencies that exceed three percent of as-bid costs or cost increases from unanticipated site conditions that exceed an additional two percent of as-bid costs.

(9) *Authority means the Minnesota public facilities authority established in section 10.*

Sec. 2. Minnesota Statutes 1986, section 116.16, subdivision 5, is amended to read:

Subd. 5. [RULES.] (a) The agency shall promulgate permanent rules and may promulgate emergency rules for the administration of grants and loans authorized to be made from the fund or from federal funds under the Federal Water Pollution Control Act, ~~as amended~~, which rules, however, shall not be applicable to the issuance of bonds by the commissioner of finance as provided in section 116.17. The rules shall contain as a minimum:

(1) procedures for application by municipalities;

(2) conditions for the administration of the grant or loan;

(3) criteria for the ranking of projects in order of priority for grants or loans, based on factors including the extent and nature of pollution, tech-

nological feasibility, assurance of proper operation, maintenance and replacement, and participation in multimunicipal systems; and

(4) such other matters as the agency and the director find necessary to the proper administration of the grant program.

(b) Except as otherwise provided in sections 116.16 to 116.18, the rules for the administration of state independent grants must comply, to the extent practicable, with provisions relating directly to protection of the environment contained in the Federal Water Pollution Control Act, as amended, and regulations and guidelines of the United States environmental protection agency promulgated under the act, except provisions regarding allocation contained in section 205 of the act and regulations and guidelines promulgated under section 205 of the act. This provision does not require approval from federal agencies for the issuance of grants or for the construction of projects under the state independent grants program.

(c) *For purposes of awarding independent state grants, the agency may exempt municipalities with a population of less than 1,500 from state and federal regulations and guidelines relating to facilities planning and procurement under sections 116.16 to 116.18, except regulations and guidelines applicable to the issuance of a national pollutant discharge elimination system permit or state disposal system permit.*

Sec. 3. Minnesota Statutes 1986, section 116.16, subdivision 9, is amended to read:

Subd. 9. [APPLICATIONS.] Applications by municipalities for grants or loans from the fund shall be made to the ~~director of the agency~~ authority on forms requiring information prescribed by rules of the agency. *The authority shall send the application to the agency within ten days of receipt.* The director shall certify to the ~~agency~~ authority those applications which appear to meet the criteria set forth in sections 116.16 to 116.18 and the rules promulgated hereunder, and the ~~agency~~ authority shall award the grants or loans on the basis of the criteria and priorities established by the ~~agency~~ in its rules and in sections 116.16 to 116.18. A municipality that is designated under agency rules to receive state or federal funding for a project and that does not make a timely application for or that refuses the funding is not eligible for either state or federal funding for that project in that fiscal year or the subsequent year.

Sec. 4. Minnesota Statutes 1986, section 116.16, is amended by adding a subdivision to read:

Subd. 11. [AWARDS OF GRANTS AND LOANS.] *Upon certification by the state pollution control director, the authority shall notify the municipalities that are to receive a grant or loan and advise the municipality of the grant agreement or loan form or other document that must be executed to complete the grant or loan. Upon certification from the state pollution control director that the work has been completed and that payment is proper, the authority shall pay to the municipality the periodic grant or loan payment.*

Sec. 5. Minnesota Statutes 1986, section 116.16, is amended by adding a subdivision to read:

Subd. 12. [AMENDMENTS.] *A municipality that seeks an amendment to a previously awarded grant or loan shall follow the same procedure contained in subdivision 9 for applying to the authority. The request for a*

grant or loan amendment must be forwarded by the authority to the agency for consideration, and the authority shall process a grant or loan amendment that is approved by the agency.

Sec. 6. Minnesota Statutes 1986, section 116.18, subdivision 2a, is amended to read:

Subd. 2a. [STATE MATCHING GRANTS PROGRAM BEGINNING OCTOBER 1, 1984.] For projects tendered, on or after October 1, 1984 1987, a grant of federal money under section 201(g), section 202, 203, or 206(f) of the Federal Water Pollution Control Act, as amended, United States Code, title 33, sections 1251 to 1376, at 55 percent or more of the eligible cost for construction of the treatment works, state money appropriated under subdivision 1 must be expended for up to ~~30~~ 50 percent of the nonfederal share of the eligible cost of construction for municipalities for which the construction would otherwise impose significant financial hardship; provided, that not less than ten percent of the eligible cost must be paid by the municipality or agency constructing the project. If a municipality is tendered federal and state grants in a percentage cumulatively exceeding 90 percent of the eligible cost of construction, the state pollution control agency shall reduce the grant to the municipality under this chapter to the extent necessary to ensure that not less than ten percent of the eligible cost will be paid by the municipality. The amounts of the matching grants must be based on per connection capital cost, median household income, and per capita adjusted assessed valuation with populations of 25,000 or less.

Sec. 7. Minnesota Statutes 1986, section 116.18, subdivision 3a, is amended to read:

Subd. 3a. [STATE INDEPENDENT GRANTS PROGRAM.] (a) The ~~agency Minnesota public facilities authority established in section 10~~ may award independent grants for projects certified by the state pollution control director for 50 percent or, if the ~~agency requires advanced treatment~~, 65 ~~population of the municipality is 25,000 or less~~, 80 percent of the eligible cost of construction. The ~~agency may award independent grants for up to an additional 30 percent or, if the agency requires advanced treatment, up to an additional 25 percent of the eligible cost of construction to municipalities for which the construction would otherwise impose significant financial hardship; the amounts of the additional grants shall be based on per connection capital cost, median household income, and per capita adjusted assessed valuation.~~ These grants may be awarded in separate steps for planning and design in addition to actual construction. Until December 31, 1990, not more than 20 percent of the total amount of grants awarded under this subdivision in any single fiscal year may be awarded to a single grantee.

(b) Up to ten percent of the money to be awarded as grants under this subdivision in any single fiscal year shall be set aside for municipalities having substantial economic development projects that cannot come to fruition without municipal wastewater treatment improvements. The agency shall forward its municipal needs list to the ~~commissioner of energy and economic development authority~~ at the beginning of each fiscal year, and the ~~commissioner authority~~ shall review the list and identify those municipalities having substantial economic development projects. After the first 90 percent of the total available money is allocated to municipalities in accordance with agency priorities, the set-aside shall be used by the ~~agency~~

authority to award grants to remaining municipalities that have been identified.

(c) Grants may also be awarded under this subdivision to reimburse municipalities willing to proceed with projects and be reimbursed in a subsequent year conditioned upon appropriation of sufficient money under subdivision 1 for that year. **The maximum amount of the reimbursement the agency may commit in any single fiscal year is equal to the amount newly appropriated to the state grants programs for that year.**

(d) **A municipality that applies for a state independent grant to be reimbursed for a project must receive an additional five percent of the total eligible cost of construction beyond the normal percentage to which the municipality is entitled under paragraph (a).**

Sec. 8. [446A.01] [MINNESOTA PUBLIC FACILITIES AUTHORITY ACT.]

Sections 1 to 22 may be cited as the "Minnesota public facilities authority act."

Sec. 9. [446A.02] [DEFINITIONS.]

Subdivision 1. [TERMS.] For the purposes of sections 1 to 22, the terms in this section have the meanings given them.

Subd. 2. [AUTHORITY.] "Authority" means the Minnesota public facilities authority.

Subd. 3. [FEDERAL WATER POLLUTION CONTROL ACT.] "Federal Water Pollution Control Act" means the Federal Water Pollution Control Act, as amended, United States Code, title 33, sections 1281 to 1299.

Subd. 4. [GOVERNMENTAL UNIT.] "Governmental unit" means a state agency, home rule charter or statutory city, county, sanitary district, or other governmental subdivision.

Subd. 5. [INFRASTRUCTURE CAPITAL PROJECT.] "Infrastructure capital project" or "project" means the acquisition, construction, improvement, expansion, repair, or rehabilitation of all or part of any structure, facility, or equipment necessary for a wastewater treatment system, water supply system, or any system which may be authorized and designated by the legislature as an infrastructure capital project.

Subd. 6. [TREATMENT WORKS.] "Treatment works" means the acquisition, construction, improvement, expansion, repair, or rehabilitation of all or part of any structure, facility, or equipment necessary for a wastewater treatment or water supply system.

Sec. 10. [446A.03] [MINNESOTA PUBLIC FACILITIES AUTHORITY.]

Subdivision 1. [MEMBERSHIP] The Minnesota public facilities authority consists of the commissioner of energy and economic development, the commissioner of finance, the director of public service, the director of the pollution control agency, and three additional members appointed by the governor from the general public with the advice and consent of the senate.

Subd. 2. [CHAIR; OTHER OFFICERS.] The commissioner of energy and economic development shall serve as the chair and chief executive officer of the authority. The authority may elect other officers as necessary from its members.

Subd. 3. [MEMBERSHIP TERMS.] The membership terms, compensation, removal, and filling of vacancies of public members of the authority are as provided in section 15.0575.

Subd. 4. [BOARD ACTIONS.] A majority of the authority, excluding vacancies, constitutes a quorum to conduct its business, to exercise its powers, and for all other purposes.

Subd. 5. [ADMINISTRATIVE SERVICES.] The community development division of the department of energy and economic development shall provide administrative services to the authority.

Subd. 6. [PERSONAL LIABILITY.] Members and officers of the authority are not liable personally for any debt or obligation created or incurred by the authority.

Sec. 11. [446A.04] [POWERS; DUTIES.]

Subdivision 1. [BYLAWS; RULES.] The authority shall adopt bylaws for its organization and internal management and may adopt rules covering its operations, properties, and facilities.

Subd. 2. [POWER TO SUE; ENTER CONTRACTS.] The authority may sue and be sued. The authority may make and enter into contracts, leases, and agreements necessary to perform its duties and exercise its powers.

Subd. 3. [GIFTS; GRANTS.] The authority may apply for, accept, and disburse gifts, grants, loans, or other property from the United States, the state, private sources, or any other source for any of its purposes. Money received by the authority under this subdivision must be deposited in the state treasury. The amount deposited is appropriated to the authority to carry out its duties.

Subd. 4. [CONTRACT FOR SERVICES.] The authority may retain or contract for the services of attorneys, accountants, financial advisors, and other consultants or agents needed to perform its duties and exercise its powers.

Subd. 5. [FEES.] The authority may set and collect fees for costs incurred by the authority for its financings and the establishment and maintenance of reserve funds.

Sec. 12. [446A.05] [INFRASTRUCTURE CAPITAL PROJECT LOANS.]

Subdivision 1. [LOANS.] The authority may make and contract to make loans to governmental units to finance infrastructure capital projects that the governmental unit may construct or acquire. A loan may not be used to pay current expenses or obligations, except for temporary financing. A loan must be secured by notes or bonds of the borrowing governmental unit.

Subd. 2. [RULES.] The authority may adopt rules governing loans awarded under this section.

Sec. 13. [446A.06] [INDEPENDENT WASTEWATER TREATMENT GRANTS.]

Subdivision 1. [AWARD OF GRANTS.] The authority shall award independent state grants to municipalities selected by the pollution control agency upon certification by the agency that the municipal projects and applications have been reviewed and approved by the agency in accordance with sections 116.16 to 116.18 and agency rules.

Subd. 2. [RULES.] The authority shall adopt rules containing procedures for the administration of its duties as provided in subdivision 1.

Sec. 14. [446A.07] [WATER POLLUTION CONTROL REVOLVING FUND.]

Subdivision 1. [ESTABLISHMENT OF FUND.] The authority shall establish a water pollution control revolving fund to provide loans for the purposes and eligible costs authorized under title VI of the Federal Water Pollution Control Act. The fund must be credited with repayments.

Subd. 2. [STATE ACCOUNT.] A state matching fund is established to be used in compliance with federal matching requirements specified in the Federal Water Pollution Control Act. A state grant and loan fund is established to provide grants and loans to governmental units for the planning and construction of treatment works, the acquisition of land for stabilization ponds, and the provision of reserve capacity sufficient to serve the reasonable needs of the governmental unit for 20 years in the case of treatment works and 40 years in the case of sewer systems.

Subd. 3. [CAPITALIZATION GRANT AGREEMENT.] The authority shall enter an agreement with the administrator of the United States Environmental Protection Agency to receive capitalization grants. The authority may exercise powers necessary to comply with the requirements specified in the agreement which must be in compliance with the Federal Water Pollution Control Act.

Subd. 4. [INTENDED USE PLAN.] The pollution control agency shall annually prepare and submit to the United States Environmental Protection Agency an intended use plan. The plan must identify the intended uses of the amounts available to the water pollution control revolving fund, including a list of wastewater treatment projects and other eligible activities to be funded during the fiscal year. The agency may not submit the plan until it has received the review and comment of the authority or until 30 days have elapsed since the plan was submitted to the authority, whichever occurs first.

Subd. 5. [APPLICATIONS.] Applications by municipalities and other entities identified in the annual intended use plan for loans from the water pollution control revolving fund must be made to the authority on forms requiring information prescribed by the rules of the agency adopted under this section. The authority shall send the applications to the agency within ten days of receipt. The director shall certify to the authority those applications that appear to meet the criteria set forth in the Federal Water Pollution Control Act, this section, and rules of the agency.

Subd. 6. [AWARD AND TERMS OF LOANS.] The authority shall award loans to those municipalities and other entities certified by the agency. The terms and conditions of the loans must be in conformance with the Federal Water Pollution Control Act, this section, and rules of the agency, and authority adopted under this section.

Subd. 7. [LOAN CONDITIONS.] When making loans from the revolving fund, the authority shall comply with the conditions of the Federal Water Pollution Control Act, including:

(a) Loans must be made at or below market interest rates, including interest-free loans, at terms not to exceed 20 years.

(b) *The annual principal and interest payments must begin no later than one year after completion of a project. Loans must be fully amortized no later than 20 years after project completion.*

(c) *A loan recipient shall establish a dedicated source of revenue for repayment of the loan.*

(d) *The fund must be credited with all payments of principal and interest on all loans.*

Subd. 8. [OTHER USES OF REVOLVING FUND.] *The water pollution control revolving fund may be used as provided in title VI of the Federal Water Pollution Control Act, including the following uses:*

(1) *to buy or refinance the debt obligation of governmental units for treatment works incurred after March 7, 1985, at or below market rates;*

(2) *to guarantee or purchase insurance for local obligations to improve credit market access or reduce interest rates;*

(3) *to provide a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the authority if the bond proceeds are deposited in the fund;*

(4) *to provide loan guarantees for similar revolving funds established by a governmental unit other than state agencies;*

(5) *to earn interest on fund accounts; and*

(6) *for the reasonable costs incurred by the authority and the agency of administering the fund and conducting activities required under the Federal Water Pollution Control Act, including water quality management planning under section 205(j) of the act and water quality standards continuing planning under section 303(e) of the act.*

Amounts spent under clause (6) may not exceed the amount allowed under the Federal Water Pollution Control Act. Five percent of the revolving loan fund repayments may be used by the agency and the authority for the purposes listed in clause (6).

Subd. 9. [DISBURSEMENTS.] *Disbursements from the revolving fund must be made in accordance with the applicable state and federal law governing the disbursements; except that no disbursement for any project may be made to any governmental unit until and unless the authority has determined the total estimated cost of the project and ascertained that financing of the project is assured by:*

(1) *a loan authorized by state law or the appropriation of proceeds of bonds or other money of the governmental unit to a fund for the construction of the project; and*

(2) *an irrevocable undertaking, by resolution of the governing body of the governmental unit, to use all money made available for the project exclusively for the project, and to pay any additional amount by which the cost of the project exceeds the estimate by the appropriation to the construction fund of additional funds or the proceeds of additional bonds to be issued by the governmental unit.*

Subd. 10. [RULES OF THE AUTHORITY.] *The authority shall adopt rules containing procedures for the administration of its duties as provided in this section, including loan interest rates, the amounts of loans, and municipal financial need.*

Subd. 11. [RULES OF THE AGENCY.] The agency shall adopt permanent rules and may adopt emergency rules relating to the procedure for and preparation of the annual intended use plan and other matters that the agency considers necessary for proper loan administration.

Sec. 15. [446A.08] [DEFINITIONS.]

Subdivision 1. [TERMS.] For the purposes of sections 16 to 21, each term defined in this section has the meaning given it.

Subd. 2. [CONSERVATION.] "Conservation" means a product or system designed to reduce the amount of energy needed for an energy-consuming activity or process. Conservation includes thermal insulation and air infiltration control in buildings, products, or methods that reduce energy consumption for transportation or soil tillage practices, improvements in combustion efficiency or heat transfer efficiency in boilers, furnaces, or direct-fired process heaters, and changes to industrial production equipment that result in lower energy use per unit of output.

Subd. 3. [MUNICIPALITY.] "Municipality" means a city, town, county, school district, special taxing district, or a municipal power agency governed by chapter 453, or a group of those units operating under an agreement to jointly undertake projects.

Subd. 4. [ALTERNATIVE ENERGY RESOURCE.] "Alternative energy resource" means a source of energy available from indigenous Minnesota resources including peat, biomass, solar energy, wind, municipal wastes, agricultural or forestry wastes, hydropower, and agricultural crops suitable for conversion to an energy fuel.

Subd. 5. [RENEWABLE ENERGY RESOURCE.] "Renewable energy resource" means a source of energy occurring in Minnesota which, when consumed for energy purposes, is replaced within a matter of days, months, or years by new or additional supplies of the energy source. Renewable energy resources include forestry products and forest harvest residues, solar energy, wind energy, water power, and agricultural wastes.

Subd. 6. [ENERGY RECOVERY.] "Energy recovery" means the extraction of energy from materials, components, or processes which would normally represent wasted energy resources. Municipal solid wastes, volatile sewer gases, and power plant waste heat offer the potential for energy recovery.

Subd. 7. [RESOURCE RECOVERY.] "Resource recovery" means the cost effective collection, extraction, or reuse of resources from materials, components, or processes which would normally represent wasted resources or energy, such collection, extraction or reuse to result in a lesser energy intensity than would be required to produce the same product from any nonwaste materials.

Subd. 8. [QUALIFIED ENERGY IMPROVEMENTS.] "Qualified energy improvements" means any capital improvements to public land or buildings, including the installation of equipment, undertaken by a municipality for the principal purpose of energy conservation or to reduce usage of conventional energy sources, as provided by rules adopted by the authority.

Subd. 9. [COST-EFFECTIVE.] "Cost-effective" means that the present value of a project's benefits exceeds the present value of its costs over the

life of the project. Only the costs and benefits that can be quantified in dollars may be included in determining whether a project is cost-effective. The discount rate used in determining present value must include the time value and incremental carrying cost of money. For qualified energy projects for conservation of energy, a project is cost-effective when it has a payback period of ten years or less and the payback period is less than the useful life of the project.

Sec. 16. [446A.09] [HEALTH CARE EQUIPMENT LOANS.]

Subdivision 1. [AUTHORITY.] The authority may make or participate in making health care equipment loans. The loans may be made only from the proceeds of bonds or notes issued pursuant to subdivision 2. Before making a commitment for a loan, the authority shall forward the application to the commissioner of health for review under subdivision 3. The authority may not approve or enter into a commitment for a loan unless the application has been approved by the commissioner of health.

Subd. 2. [BONDS AND NOTES.] The authority may issue its bonds and notes to provide money for the purposes specified in subdivision 1. The principal amount of bonds and notes issued and outstanding under this subdivision at any time may not exceed \$95,000,000. The bonds and notes issued to make the loans may not be insured by the authority but must be insured by a letter of credit or bond insurance issued by a private insurer.

Subd. 3. [ADMINISTRATION.] (a) The commissioner of health shall review each loan application received from the authority to determine whether the application is an eligible application. An application is eligible if the following criteria are satisfied:

(1) the hospital is owned and operated by a county, district, municipality or nonprofit corporation;

(2) the loan would not be used to refinance existing debt;

(3) the hospital was unable to obtain suitable financing from other sources;

(4) the loan is necessary to establish or maintain patient access to an essential health care service that would not otherwise be available within a reasonable distance from that facility; and

(5) the project to be financed by the loan is cost-effective and efficient.

(b) The authority shall determine whether the allocation available for the health care equipment loan program is sufficient for all eligible applications received during a specified period of time. If the allocations are sufficient, the authority shall approve all eligible applications. If the allocations are not sufficient, the authority shall compare the relative merits of the eligible applications with respect to the criteria in clauses (4) and (5), rank the applications in order of priority, and approve the applications in order of priority to the extent possible within the available allocation.

(c) The authority may charge a reasonable fee under section 16A.128 to an applicant for the costs of review of the application. The authority shall transfer to the commissioner of health from the fees collected an amount sufficient to pay the costs of the commissioner of health in the review of applications. The commissioner of health may adopt permanent rules to implement subdivisions 1 to 3. The authority may adopt permanent rules to implement subdivisions 1 to 3.

Sec. 17. [446A.10] [ENERGY LOANS.]

The authority may make, purchase, or participate with financial institutions in making or purchasing energy loans. The authority shall obtain the best available security for all loans. The authority may provide for or require the insurance or guaranteeing of the loans or authority participations in whole or in part. Loans or participations may be serviced by financial institutions or other persons designated by the authority.

Sec. 18. [446A.11] [ENERGY FUND.]

The energy fund is a separate fund in the state treasury under the control of the authority. Money in the fund is appropriated to the authority to accomplish the authority's purposes.

Sec. 19. [446A.12] [ENERGY LOAN INSURANCE PROGRAM.]

Subdivision 1. [ENERGY LOAN INSURANCE ACCOUNT.] The energy loan insurance account is part of the energy fund. The account must be used by the authority as a revolving account, and all money in the account is appropriated to the authority, for carrying out the provisions of this section with respect to loans insured under subdivision 2.

Subd. 2. [INSURANCE OF LOANS.] The authority is authorized, upon application by a financial institution, to insure loans for cost-effective qualified energy projects as provided in this section; and under terms as the authority may prescribe by rule, to make commitments for the insuring of loans prior to the date of their execution or disbursement. If the authority determines that the energy loan insurance account is or will be depleted, the authority may by resolution transfer money from the energy development account.

Subd. 3. [REQUIREMENTS.] The authority may by rule establish requirements for energy loans to be eligible for insurance under this section, relating to:

- (1) maximum principal amount, amortization schedule, interest rate, delinquency charges, and other terms;*
- (2) the portion of the loan to be insured;*
- (3) acceleration and other remedies;*
- (4) covenants regarding insurance, repairs, and maintenance of the project;*
- (5) conditions regarding subordination of the loan security, if any, of the project to other liens against the property;*
- (6) the aggregate principal amount of loans to be insured in relation to the reserves from time to time on hand in the insurance account, and priorities as to the loans to be insured; and*
- (7) any other matters determined by the authority.*

The authority shall by rule establish criteria for analyzing the cost-effectiveness of projects.

Subd. 4. [CONCLUSIVE EVIDENCE OF INSURABILITY.] Any contract of insurance executed by the authority under this section is conclusive evidence of the eligibility of the loan for insurance, and the validity of any contract of insurance properly executed and in the hands of any approved lender is not contestable, except for fraud or misrepresentation on the part of the financial institution.

Subd. 5. [PREMIUMS.] The authority is authorized to fix premium charges for the insurance of loans under this section at levels that in its judgment, taking into consideration other amounts available in the account, will be sufficient to cover and maintain a reserve for loan losses.

Subd. 6. [PROCEDURES UPON DEFAULT.] The authority may establish procedures to be followed by financial institutions and to be taken by the authority in the event of default upon an energy loan, including:

(1) time for filing claims;

(2) rights and interests to be assigned and documents to be furnished by the financial institution;

(3) principal and interest to be included in the claim; and

(4) conditions, if any, upon which the authority will pay the entire principal amount in default, after foreclosure and receipt of marketable title to the property.

Subd. 7. [INVESTMENT INTEREST.] All interest and profits accruing from investment of the account's money must be credited to and be a part of the account, and any loss incurred in the principal of the investments of the account must be borne by the account.

Subd. 8. [MAXIMUM AUTHORIZED INSURANCE.] The authority may not at any time issue insurance under this section aggregating in excess of an amount equal to the current balance contained in the account multiplied by ten.

Sec. 20. [446A.13] [REVENUE BOND LOAN PROGRAM.]

Subdivision 1. [REVENUE BONDS.] The authority may borrow money and may issue bonds, notes, or other obligations as evidence of the borrowing as provided in sections 462A.08 to 462A.17. The authority may sell any of its obligations at public or private sale, at the price or prices as the authority determines are appropriate, notwithstanding the limitations on sale price in section 462A.09.

Subd. 2. [ENERGY DEVELOPMENT ACCOUNT.] The energy development account is part of the energy fund and is eligible to receive appropriations. The authority may irrevocably pledge and appropriate all or a segregated portion of the energy development account to make principal and interest payments when due on all or one or more series of its obligations for which other money is not available. If the energy development account is or will be depleted, the authority may by resolution transfer money from the energy loan insurance account.

Subd. 3. [INVESTMENT INCOME.] All interest and profits accruing from investment of the energy development account's money must be credited to and be part of the energy development account, and any loss incurred in the principal of the investment of the reserve account must be borne by the energy development account. Assets of the energy development account may be invested only in direct obligations or obligations of agencies of the United States or in insured depository accounts, up to the amount of the insurance, in any institution insured by an agency of the United States government, or in other obligations or depository accounts referred to in section 11A.24, subdivision 4, except clause (d) of that subdivision. Other money of the authority must be invested or deposited in the manner and with the security provided in bond or note resolutions or indentures under

which obligations of the authority are issued for the program.

Subd. 4. [ADDITIONAL POWERS.] *The authority has corporate powers necessary to the implementation and operation of the revenue bond loan program authorized by this section.*

Subd. 5. [FUNDING.] *All proceeds of the authority's bonds, notes, and other obligations, any amounts granted or appropriated to the authority to make, purchase, or insure loans, or for bond reserves, all income from the investment thereof, and all revenues from loans, fees, and charges of the authority are annually appropriated to the authority to accomplish its purposes and may 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 authority.*

Sec. 21. [446A.14] [LOANS TO MUNICIPALITIES.]

Subdivision 1. [APPLICATIONS.] *Municipalities may apply for loans to finance the acquisition or construction of qualified energy improvements on applications provided by the authority.*

Subd. 2. [LOANS TO MUNICIPALITIES.] *The authority shall approve applications from municipalities for loans to finance improvements to public buildings for the purpose of energy conservation, reduction of the use of conventional energy sources, or the use of alternative energy resources, and make recommendations on the applications to the commissioner of finance, in the event of the authorization and issuance of bonds of the state for this purpose. This program includes the district heating loan program established under section 116J.36 and the program of energy improvement loans to schools established under section 116J.37.*

Subd. 3. [MUNICIPAL OBLIGATION.] *A loan may not be made to a municipality until it has entered into an agreement with the state providing that the municipality shall make payments of principal and interest at least equal in the aggregate to the principal amount of the loan plus interest at the rate payable on the state bonds. The commissioner of finance shall determine the annual amounts of the payments. The amounts due each year are payable prior to the times transfers are required to be made pursuant to section 16A.641. The agreement must obligate the municipality to levy an ad valorem property tax equal to the amounts necessary to make the payments. The amount required to be levied may be reduced by any other available amounts contained in a special fund dedicated to payment of the loan obligation.*

Subd. 4. [RECEIPTS.] *The principal and interest in repayment of the loans authorized by this section must be deposited in the state treasury and credited to the state bond fund and are appropriated to the commissioner of finance for the purpose of that fund.*

Sec. 22. [446A.15] [REPORT; AUDIT.]

The authority shall report to the legislature and the governor by January 1 of each year. The report must include a complete operating and financial statement covering the authority's operations during the year, including amounts of income from all sources. Books and records of the authority are subject to audit by the legislative auditor in the manner prescribed for state agencies.

Sec. 23. [GOVERNOR'S ACTION.]

The governor may request the administrator of the environmental protection agency to make available to the state, capitalization grants to be deposited in the water pollution control revolving fund established under section 14, for the fiscal year beginning October 1, 1987. The governor may request that up to 75 percent of the amount allotted to the state for the fiscal year beginning October 1, 1987, be made available for deposit in the water pollution control revolving fund.

Sec. 24. [TRANSFER OF AUTHORITY.]

(a) Any continuing obligation with respect to grants made before September 30, 1984, under Minnesota Statutes 1984, section 116.18, subdivision 2, remains with the pollution control agency.

(b) The pollution control agency shall continue to administer the combined sewer overflow program under Minnesota Statutes, section 116.162, and the appropriations for the program.

Sec. 25. [REPEALER.]

Minnesota Statutes 1986, section 116.167, is repealed.

Sec. 26. [EFFECTIVE DATE.]

Sections 1, 2, 3, 4, 5, 6, 7, 13, 14, 15, 16, and 17 are effective on July 1, 1988.

ARTICLE 4

EDUCATION AND TRAINING PROGRAMS

Section 1. Minnesota Statutes 1986, section 116L.03, subdivision 2, is amended to read:

Subd. 2. [APPOINTMENT.] Members shall be appointed as follows: four members appointed by the speaker of the house; one member appointed by the minority leader of the house; four members appointed by the majority leader of the senate; one member appointed by the minority leader of the senate; eight members appointed by the governor; and the ~~commissioners of the departments~~ commissioner of energy and economic development, ~~education, and jobs and training~~ the commissioner of jobs and training, and the state director of vocational technical education.

Sec. 2. [116L.06] [RURAL TRAINING PROGRAM.]

Subdivision 1. [DEFINITIONS.] For the purposes of this section, "low-income" means equal to or below the nonmetropolitan median household income. "Principally" means at least 51 percent. "Rural Minnesota" means the part of the state outside the metropolitan area as defined in section 473.121, subdivision 2.

Subd. 2. [TRAINING PROGRAM.] The partnership may provide grants to educational or other nonprofit institutions for training for new or expanding businesses located in rural Minnesota. Grants may be awarded only for training projects designed principally to benefit low-income persons. The partnership shall follow the criteria and guidelines in sections 116L.02 and 116L.04 to establish and administer the program.

Subd. 3. [NEW BUSINESS SET-ASIDE.] The partnership may set aside up to 50 percent of the amount available for the rural training program to provide grants for new businesses locating in rural Minnesota. A set-aside grant may not be made for an existing business located in the met-

ropolitan area as defined in section 473.121, subdivision 2, that relocates to rural Minnesota. The partnership shall use the guidelines in section 116L.04 to establish and administer the program, except that a committee consisting of the commissioner of energy and economic development, the executive director of the Minnesota job skills partnership board, and the state director of vocational technical education may give final approval for training applications by a majority vote of the committee. Any amount left in the set-aside program at the end of the 1988 fiscal year may be used for the rural training program established by subdivision 2.

Sec. 3. [136A.134] [GRANTS TO DISLOCATED RURAL WORKERS.]

Subdivision 1. [ESTABLISHMENT OF PROGRAM.] The higher education coordinating board shall develop policies and procedures for the administration of a dislocated rural worker grant program and the allocation of the program funds to eligible institutions and shall supervise the operation of the program.

Subd. 2. [ELIGIBLE INSTITUTIONS.] For purposes of this section, "eligible institution" has the meaning given it in section 136A.101.

Subd. 3. [APPLICANTS.] An applicant may be considered for a dislocated rural worker grant if the applicant:

(1) is a resident of the area of the state located outside of the metropolitan area defined in section 473.121, subdivision 2;

(2) is enrolled in an adult farm management program or a program designed to provide preparation for available employment within the local labor market or in an area to which the individual is willing to relocate;

(3) has met the financial need criteria established by the board; and

(4) can demonstrate that one of the following criteria has been met:

(i) the applicant or applicant's spouse has been separated from employment or has received a notice of separation from employment as a result of job obsolescence, plant shutdown, regional decline in the applicant's customary occupation, or industry slowdown, and the applicant or the applicant's spouse is unlikely to return to work for that employer or in that occupation within 12 months following separation from employment;

(ii) the applicant is a displaced homemaker; or

(iii) the applicant or the applicant's spouse is a farmer who can demonstrate severe household financial need.

Subd. 4. [PROGRAM RECIPIENTS.] An eligible institution shall select a recipient of a dislocated rural worker grant in accordance with guidelines, policies, and rules established by the board. The board may adopt emergency rules for awarding grants only for the fiscal year beginning July 1, 1987.

Subd. 5. [PROGRAM COORDINATION; INFORMATION.] The board shall develop and provide information to dislocated workers in rural areas about post-secondary education opportunities and student financial aid programs. The board shall also provide for the coordination of dislocated rural worker grants with other available student financial aid programs. Dislocated rural worker grants must be awarded in a manner that maximizes the use of existing federal and state student financial aid programs.

Sec. 4. Laws 1983, chapter 334, section 7, is amended to read:

Sec. 7. [REPEALER.]

Sections 1 to 6 are repealed June 30, 1987 1989.

Sec. 5. [APPROPRIATION.]

\$_____ is appropriated from the rural rehabilitation revolving fund to the Minnesota job skills partnership board for the customized rural training program established in section 2. This appropriation is available until expended.

Sec. 6. [SUPPLEMENTAL EDUCATION GRANT PROGRAM FUNDING.]

\$_____ is appropriated from the general fund and \$_____ is appropriated from the rural rehabilitation revolving fund to the higher education coordinating board for the dislocated rural worker grant program established in section 3, to be available until June 30, 1988.

ARTICLE 5

MISCELLANEOUS

Section 1. [93.001] [POLICY FOR MINERAL DEVELOPMENT.]

It is the policy of the state to provide a long-term commitment to mineral exploration evaluation, development, production, and commercialization to provide a diversified mineral economy in the state.

Sec. 2. [93.002] [MINERAL COORDINATING COMMITTEE.]

Subdivision 1. [ESTABLISHMENT.] The mineral coordinating committee is established to provide planning and assistance for diversified mineral development. The mineral coordinating committee consists of the director of the minerals division of the department of natural resources, the director of the Minnesota geological survey, the director of the University of Minnesota mineral resources research center, and the director of the natural resources research institute. The director of the minerals division of the department of natural resources shall serve as chair. A member of the committee may designate another person of the member's organization to act in the member's place. The commissioner of natural resources shall provide staff and administrative services necessary for the committee's activities.

Subd. 2. [MINERAL DIVERSIFICATION PLAN.] The mineral coordinating committee shall prepare and adopt a ten-year plan for mineral diversification. The plan must include a strategy to:

- (1) increase the knowledge of the state's mineral potential;*
- (2) stimulate the development of mineral resources in the state;*
- (3) provide for basic minerals research; and*
- (4) the plan must also prioritize minerals programs under subdivision 3.*

Subd. 3. [MINERALS PROGRAMS.] The mineral diversification plan must address at least the following: aeromagnetic surveys, glacial till geochemistry surveys, geologic drilling and mapping, LMIC minerals data base, drill core examination and assay, industrial minerals characterization and research, bedrock geochemistry, nonferrous minerals research, reclamation studies, economic evaluation of mineral resources, improved

geophysical and remote sensing base, acquisition of sampling equipment and analyses, determination of mineral rights ownership, ferrous minerals research, evaluation of mineral resource occurrence, evaluation of value added processes, ore deposit modeling, and basic mineral research.

Subd. 4. [SUBMISSION OF PLAN AND FUNDING PRIORITIES.] (a) The minerals coordinating committee shall submit the minerals diversification plan to the legislature by December 31, 1987.

(b) By January 15 of each odd-numbered year, the minerals coordinating committee shall submit recommendations for funding priorities of the minerals diversification plan to the chairs of the house appropriations and environment and natural resources committees and the chairs of the senate finance and environment and natural resources committees.

Sec. 3. [116J.874] [COMMUNITY DEVELOPMENT DIVISION.]

Subdivision 1. [DUTIES.] The community development division is a division within the department of energy and economic development. It shall:

(1) be responsible for administering all state community development and assistance programs, including the economic recovery fund, the outdoor recreation grant program, the rural development board programs, and the Minnesota public facilities authority loan and grant programs;

(2) be responsible for state administration of federally funded community development and assistance programs, including the small cities development grant program and land and water conservation program;

(3) be responsible for state administration of the regional development commissions;

(4) provide technical assistance to rural communities with respect to community development;

(5) coordinate the development and review of state rural development policies;

(6) provide staff and consultant services to the rural development board; and

(7) be responsible for coordinating community assistance and development programs.

Sec. 4. Minnesota Statutes 1986, section 116J.955, subdivision 1, is amended to read:

116J.955 [RURAL REHABILITATION REVOLVING FUND.]

Subdivision 1. [ESTABLISHMENT.] The rural rehabilitation revolving fund is established as an account in the state treasury. The money transferred to the state as a result of liquidating the rural rehabilitation corporation trust, and money derived from transfer of the trust to the state, must be credited to the rural rehabilitation revolving fund. ~~The principal amount of the rural rehabilitation revolving fund, \$9,300,000, may not be spent and must be invested by the state investment board. The income attributable to investment of the principal is appropriated to the commissioner for the activities of the rural development council.~~

Sec. 5. Minnesota Statutes 1986, section 116J.955, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURE OF INVESTMENT INCOME FUND.] The commissioner may ~~only use the income from the investment of the rural rehabilitation revolving fund for the purposes that are allowed under the Minnesota rural rehabilitation corporation's charter and agreement with the United States Secretary of Agriculture as provided in Public Law Number 499, 81st Congress, enacted May 3, 1950 and as allowed under section 116J.961, subdivision 8 article 1, sections 2 and 7, and article 4, sections 5 and 6.~~ Not more than three percent of the book value of the Minnesota rural rehabilitation corporation's assets may be used for administrative purposes in a year without approval of the United States Secretary of Agriculture. *The commissioner may create separate accounts within the fund for use in accordance with the fund's purposes.*

Sec. 6. Minnesota Statutes 1986, section 462.384, subdivision 7, is amended to read:

Subd. 7. ~~"Director"~~ "Commissioner" means the ~~director commissioner of state planning agency exercising the authority conferred by sections 116K.01 to 116K.13~~ energy and economic development.

Sec. 7. Minnesota Statutes 1986, section 462.385, subdivision 1, is amended to read:

Subdivision 1. Development regions for the state shall be those regions so designated by the governor by executive order. The order shall provide for public hearings within each proposed region after which any county may request assignment to a region other than that proposed by the order. If a request for reassignment is unacceptable to the ~~director commissioner~~, the county shall remain in the originally designated region until the next session of the legislature for its review and final assignment.

Sec. 8. Minnesota Statutes 1986, section 462.385, subdivision 3, is amended to read:

Subd. 3. The ~~director commissioner~~ shall conduct continuous studies and analysis of the boundaries of regions and shall make recommendations for their modification where necessary. Modification may be initiated by a county, a commission, or by the ~~director commissioner~~ and will be accomplished in accordance with this section as in the case of initial designation.

Sec. 9. Minnesota Statutes 1986, section 462.386, subdivision 1, is amended to read:

Subdivision 1. All coordination, planning, and development regions assisted or created by the state of Minnesota or pursuant to federal legislation shall conform to the regions designated by the executive order except where, after review and approval by the ~~director commissioner~~, nonconformance is clearly justified. The ~~director commissioner~~ shall develop working agreements with state and federal departments and agencies to insure conformance with this subdivision.

Sec. 10. Minnesota Statutes 1986, section 462.387, subdivision 1, is amended to read:

Subdivision 1. [PETITION.] Any combination of counties or municipalities representing a majority of the population of the region for which a commission is proposed may petition the ~~director commissioner~~ by formal resolution setting forth its desire to establish, and the need for, the establishment of a regional development commission. For purposes of this section the population of a county does not include the population of a mu-

nicipality within the county.

Sec. 11. Minnesota Statutes 1986, section 462.387, subdivision 3, is amended to read:

Subd. 3. [ESTABLISHMENT.] Upon receipt of a petition as provided in subdivision 1 a regional development commission shall be established by the ~~director~~ *commissioner* and the notification of all local government units within the region for which the commission is proposed. The notification shall be made within 60 days of the director's receipt of a petition under subdivision 1.

Sec. 12. Minnesota Statutes 1986, section 462.387, subdivision 4, is amended to read:

Subd. 4. [SELECTION OF MEMBERSHIP.] The ~~director~~ *commissioner* shall call together each of the membership classifications except citizen groups, defined in section 462.388, within 60 days of the establishment of a regional development commission for the purpose of selecting the commission membership.

Sec. 13. Minnesota Statutes 1986, section 462.39, subdivision 2, is amended to read:

Subd. 2. [FEDERAL PROGRAMS.] The commission is the authorized agency to receive state and federal grants for regional purposes from the following programs:

(1) Section 403 of the Public Works and Economic Development Act of 1965 (economic development districts);

(2) Section 701 of the Housing Act of 1954, as amended (multicounty comprehensive planning);

(3) Omnibus Crime Control Act of 1968;

and for the following to the extent feasible as determined by the governor:

(a) Economic Opportunity Act of 1964;

(b) Comprehensive Health Planning Act of 1965;

(c) Federal regional manpower planning programs;

(d) Resource, conservation, and development districts; or

(e) Any state and federal programs providing funds for multicounty planning, coordination, and development purposes. The ~~director~~ *commissioner* shall, where consistent with state and federal statutes and regulations, review applications for all state and federal regional planning and development grants to a commission.

Sec. 14. Minnesota Statutes 1986, section 462.39, subdivision 3, is amended to read:

Subd. 3. [PLANNING.] The commission shall prepare and adopt, after appropriate study and such public hearings as may be necessary, a comprehensive development plan for the region. The plan shall consist of a compilation of policy statements, goals, standards, programs, and maps prescribing guides for an orderly and economic development, public and private, of the region. The comprehensive development plan shall recognize and encompass physical, social, or economic needs of the region, and those future developments which will have an impact on the entire region in-

cluding but not limited to such matters as land use, parks and open space land needs, access to direct sunlight for solar energy systems, the necessity for and location of airports, highways, transit facilities, public hospitals, libraries, schools, public and private, housing, and other public buildings. In preparing the development plan the commission shall use to the maximum extent feasible the resources studies and data available from other planning agencies within the region, including counties, municipalities, special districts, and subregional planning agencies, and it shall utilize the resources of the ~~director~~ commissioner to the same purpose. No development plan or portion thereof for the region shall be adopted by the commission until it has been submitted to the ~~director~~ commissioner for review and comment and a period of 60 days has elapsed after such submission. When a development plan has been adopted, the commission shall distribute it to all local government units within the region.

Sec. 15. Minnesota Statutes 1986, section 462.391, subdivision 2, is amended to read:

Subd. 2. [REVIEW OF INDEPENDENT AGENCIES.] The commission shall review all long term comprehensive plans of each independent commission, board, or agency prepared for its operation and development within the region but only if the plan is determined by the commission to have a regional effect, a multicomunity effect, or to have a substantial effect on regional development. Each plan shall be submitted to the commission before any action is taken to place the plan or any part thereof, into effect. No action shall be taken to place any plan or any part thereof into effect until 60 days have elapsed after the date of its submission to the commission or until the commission finds and notifies the submitting commission, board, or agency that the plan is consistent with its development plan for the region and the orderly and economic development of the region, whichever first occurs. If, within 60 days after the date of submission, the commission finds that a plan, or any part thereof, is inconsistent with its comprehensive plan for the region or detrimental to the orderly and economic development of the region, or any part thereof, the plan shall be indefinitely suspended. An affected independent commission, board, or agency may appeal the decision of the commission suspending a plan, or part thereof, to the commission, and if the commission and the affected independent commission, board, or agency are unable to agree as to an adjustment of the plan, so that it may receive the commission's approval, then a record of the disagreeing positions shall be made and presented for consideration and disposition by the ~~director~~ commissioner.

Sec. 16. Minnesota Statutes 1986, section 462.391, subdivision 3, is amended to read:

Subd. 3. [REVIEW OF FEDERAL AND STATE AID PROGRAMS.] The commission shall review all applications of governmental units, independent commissions, boards, or agencies operating in the region for a loan or grant from the United States of America or any agency, including state agencies and colleges or universities, for public facilities, studies, or any other purpose if the application clearly is related to the region, whether or not the review is required by the federal government. The review shall advise the granting authority as to relationship of the application to the comprehensive plans and priorities of the region as established by the region. All review actions together with copies of applications shall be submitted on a regular basis for informational purposes to the ~~director~~ commissioner. The requirements of this subdivision do not apply to ap-

plications of governmental units or other political subdivisions which have been reviewed by a subregion or subdistrict which has been designated by the United States government as an authorized areawide review agency under section 204 of the Demonstration Cities and Metropolitan Development Act of 1966. All review actions, together with copies of applications, shall be submitted by the subregion on a regular basis to the commission for informational purposes.

Sec. 17. Minnesota Statutes 1986, section 462.391, subdivision 4, is amended to read:

Subd. 4. [REVIEW PROCEDURES.] The commission shall develop, in consultation with the ~~director~~ *commissioner*, formal procedures for the review of plans, applications, and other matters required to be submitted to it by sections 462.381 to 462.398. The procedures shall be embodied in a formal resolution adopted after public hearing. After adoption the resolution shall be transmitted to each governmental unit and independent agency, board, or commission within the region.

Sec. 18. Minnesota Statutes 1986, section 462.395, is amended to read:

462.395 [DUTIES OF STATE AGENCIES.]

All state departments and agencies shall cooperate with regional development commissions established under sections 462.381 to 462.398 and shall make available to them studies, reports, data, and other informational and technical assistance within financial and personnel limitations. The ~~director~~ *commissioner* shall coordinate the state's assistance programs to regional planning and development commissions.

Sec. 19. Minnesota Statutes 1986, section 462.396, subdivision 1, is amended to read:

Subdivision 1. The ~~director~~ *commissioner* shall determine the amount of and make grants to any commission created under sections 462.381 to 462.398 from appropriations made available for those purposes, provided a work program is submitted acceptable to the ~~director~~ *commissioner*. Any regional commission may levy a tax on all taxable property in the region to provide money for the purposes of sections 462.381 to 462.398.

Sec. 20. Minnesota Statutes 1986, section 462.398, is amended to read:

462.398 [TERMINATION OF COMMISSION.]

Subdivision 1. Any combination of counties or municipalities representing a majority of the population of the region for which a commission exists may petition the ~~director~~ *commissioner* by formal resolution stating that the existence of the commission is no longer in the public welfare and interest and is not needed to accomplish the purposes of the regional development act of 1969. For purposes of this section the population of a county does not include the population of a municipality within the county. Any formal resolution adopted by the governing body of a county or municipality for the termination of a commission shall be effective for a period of one year for the purpose of determining the requisite population of the region needed to petition the ~~director~~ *commissioner*.

Subd. 2. Within 35 days of the receipt of the petition, the ~~director~~ *commissioner* shall fix a time and place within the region for a hearing. The ~~director~~ *commissioner* shall give notice of the hearing by publication once each week for two successive weeks before the date of the hearing in a

legal newspaper in each of the counties which the commission represents. The hearing shall be conducted by members of the commission. If the commission determines that the existence of the commission is no longer in the public welfare and interest and that it is not needed to accomplish the purposes of the regional development act of 1969, the commission shall recommend to the ~~director~~ *commissioner* that the ~~director~~ *commissioner* terminate the commission. Within 60 days after receipt of the recommendation, the ~~director~~ *commissioner* shall terminate the commission by giving notice of the termination to all government units within the region for which the commission was established. Unless otherwise provided by this subdivision, the hearing shall be in accordance with sections 14.01 to 14.70.

Subd. 3. The ~~director~~ *commissioner* shall not accept a petition for termination more than once in 30 months for each regional development commission.

Sec. 21. [APPROPRIATION.]

Subdivision 1. [MINERALS PROGRAMS.] \$_____ is appropriated from the general fund to the commissioner of natural resources for acceleration of geological mapping of the state, acceleration of the evaluation of the state's mineral potential and other natural resources, and provide analytical support for the minerals industry according to the mineral diversification plan or a minerals industry acceleration plan developed by the minerals coordinating committee.

Subd. 2. [COUNTY FORESTRY ASSISTANCE PROGRAMS.] \$_____ is appropriated from the general fund to the commissioner of natural resources for grants to counties or groups of counties for county forestry assistance programs. The commissioner of natural resources shall make the appropriation available to counties with the amount proportional to the acreage of forested tax-forfeited land managed by the county. As a condition of receiving funds, the commissioner of natural resources shall require work plans, semiannual progress reports, and final project reports.

Subd. 3. [FORESTRY MANAGEMENT.] \$_____ is appropriated from the general fund to the commissioner of natural resources for implementation of the forestry management plan required in Minnesota Statutes, section 89.011, on land that is not managed for the school trust fund.

Sec. 22. [INSTRUCTION TO REVISOR.]

The revisor of statutes is directed to change the words "commissioner of energy and economic development" and "department of energy and economic development" whenever they appear in Minnesota Statutes to "commissioner of trade and economic development" and "department of trade and economic development" in Minnesota Statutes 1988, and subsequent editions of the statutes.

Sec. 23. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment.

ARTICLE 6

MINNESOTA DEVELOPMENT PROGRAM

Section 1. Minnesota Statutes 1986, section 41A.01, is amended to read:

41A.01 [PURPOSE.]

Sections 41A.01 to 41A.06 41A.08 provide a framework for an agricultural resource loan guaranty program, the purposes of which are to further the development of the state's agricultural resources and improve the market for its agricultural products and rural small business development in the state. All credit advanced pursuant to loan guaranty commitments is to be secured by subrogation of the state to mortgage security and other security interests granted to the private lender, in proportion to the amount advanced by the state. A loan guaranty board is established to investigate the feasibility of each project, its conformity to public policy and to environmental standards, the qualifications of the owners, operators, and lenders, and the nature and extent of the security, prior to commitment. The board shall also seek to secure financial participation by private persons not supported by the guaranty, to assure that in these respects each project satisfies and will continue to satisfy criteria which are adequate in the judgment of the board.

Sec. 2. Minnesota Statutes 1986, section 41A.02, subdivision 3, is amended to read:

Subd. 3. [AGRICULTURAL RESOURCE LOAN GUARANTY MINNESOTA DEVELOPMENT BOARD; BOARD.] "Agricultural resource loan guaranty Minnesota development board" or "board" means consists of the commissioner of finance as chair, the commissioner of agriculture, the commissioner of commerce, the commissioner of energy and economic development, and the director of the pollution control agency, the chair of the greater Minnesota corporation, and two public members with extensive experience in finance, appointed by the governor.

Sec. 3. Minnesota Statutes 1986, section 41A.02, subdivision 4, is amended to read:

Subd. 4. [AGRICULTURAL RESOURCE LOAN GUARANTY MINNESOTA DEVELOPMENT FUND; GUARANTY DEVELOPMENT FUND.] "Agricultural resource loan guaranty Minnesota development fund" or "guaranty development fund" means the fund created by section 41A.05.

Sec. 4. Minnesota Statutes 1986, section 41A.02, subdivision 6, is amended to read:

Subd. 6. [AGRICULTURAL RESOURCE PROJECT; PROJECT.] "Agricultural resource project" or "project" means (1) any facility, or portion of a facility, located in the state which is operated or to be operated primarily for the production from agricultural resources of marketable products, (2) buildings, equipment, and land used for the commercial production of turkeys or turkey products, or (3) a facility or portion of a facility used for the commercial production of fish or of products made from commercially-produced fish. The land in clause (2) is limited to land on which buildings and equipment are situated and immediately surrounding land used for storage, waste disposal, or other functions directly related to the commercial production of turkeys or turkey products at that project site. A project includes a facility or portion of a facility for mixing or producing substances to be mixed with other substances for use as a fuel or as a substitute for petroleum or petrochemical feedstocks.

Sec. 5. Minnesota Statutes 1986, section 41A.02, subdivision 11, is amended to read:

Subd. 11. [LENDER.] "Lender" means a corporation or any investment or commercial banking institution, savings and loan institution, insurance

company, investment company, or other financial institution or institutional investor making, purchasing, or participating in a loan or any part of a loan, or a public entity authorized to make agricultural loans.

Sec. 6. Minnesota Statutes 1986, section 41A.02, is amended by adding a subdivision to read:

Subd. 16. [ELIGIBLE SMALL BUSINESS.] "Eligible small business" means an enterprise determined by the board to constitute a small business concern as defined in regulations of the United States Small Business Administration pursuant to United States Code, title 15, sections 631 to 647, as amended from time to time.

Sec. 7. Minnesota Statutes 1986, section 41A.02, is amended by adding a subdivision to read:

Subd. 17. [SMALL BUSINESS DEVELOPMENT LOAN.] "Small business development loan" means a loan to a business that is an "eligible small business" for the financing of (a) capital expenditures on an interim or long-term basis for the acquisition or improvement of land, acquisition, construction, rehabilitation, removal, or improvement of buildings, or the acquisition and installation of fixtures and equipment useful to conduct a small business, including all facilities of a capital nature useful or suitable for any business engaged in any enterprise promoting employment including, without limitation, those facilities included within the meaning of the term "project" as defined in section 474.02, subdivisions 1 to 1f, and section 474.03, subdivision 4; or (b) short-term costs of conducting a small business.

Sec. 8. [41A.021] [SUCCESSOR STATUS.]

The board is the legal successor in all respects of the agricultural resource loan guaranty board established by Laws 1984, chapter 502, article 10, and all bonds, resolutions, contracts, and liabilities of the agricultural resource loan guaranty board are the bonds, resolutions, contracts, and liabilities of the board as renamed and reconstituted by section 41A.02, subdivision 3.

Sec. 9. [41A.022] [MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY; SUCCESSOR STATUS.]

The board is the legal successor in all respects of the Minnesota energy and economic development authority with regard to the small business finance agency loan program established by Laws 1980, chapter 547. All bonds, resolutions, contracts, and liabilities of the Minnesota energy and economic development authority relating to the program are the bonds, resolutions, contracts, and liabilities of the board.

Sec. 10. [41A.023] [POWERS.]

In addition to other powers granted by this chapter, the board may:

- (1) sue and be sued;*
- (2) acquire, hold, lease, and transfer any interest in real and personal property for its corporate purposes;*
- (3) sell at public or private sale any instrument or obligation evidencing a loan;*
- (4) obtain insurance on its property;*

(5) obtain municipal bond insurance, letters of credit, surety obligations, or similar agreements from financial institutions;

(6) enter into other agreements or transactions, without regard to chapter 16B, that the board considers necessary or appropriate to carry out the purposes of this chapter with federal or state agencies, political subdivisions of the state, or other persons, firms, or corporations;

(7) establish and collect fees;

(8) accept appropriations, gifts, grants, and bequests;

(9) use money received from any source for any legal purpose or program of the board;

(10) participate in loans for agricultural resource projects in accordance with section 11;

(11) provide small business loans in accordance with section 12; and

(12) guarantee or insure bonds or notes issued by the board.

Sec. 11. [41A.035] [AGRICULTURAL RESOURCES LOAN PARTICIPATION.]

The board may participate in loans made to finance agricultural resource projects by purchasing from a lender up to 75 percent of the amount of each eligible loan. If the participation loan is in an amount of \$500,000 or less, the loan may be for 100 percent of the cost of the project. If the participation loan exceeds \$500,000, the loan may not exceed 80 percent of the cost of the project. The lender shall service the loan or cause it to be serviced in a manner that equally protects the lender's and the board's interests.

Sec. 12. [41A.036] [RURAL SMALL BUSINESS DEVELOPMENT LOANS.]

Subdivision 1. [LOANS; LIMITATIONS.] (a) The board may make, purchase, or participate with financial institutions in making or purchasing small business loans not exceeding \$1,000,000 in principal amount with respect to small business loans made or purchased by the board and not exceeding \$1,000,000 principal amount with respect to the board's share when the board participates in making or purchasing small business loans.

(b) With respect to loans that the board makes or purchases or participates with, the board may determine or provide for their servicing, the percentage of board participation, if any, the times the loans or participations are payable and the amounts of payment, their amount and interest rates, their security, if any, and other terms, conditions, and provisions necessary or convenient in connection with them and may enter into all necessary contracts and security instruments in connection with them. The board may enter into commitments to purchase or participate with financial institutions or other persons upon the terms, conditions, and provisions determined by it. Loans or participations may be serviced by financial institutions or other persons designated by the board.

(c) The board shall obtain the best available security for all loans. The board may provide for or require the insurance or guaranteeing of the loans or board participations in whole or in part by the federal government or a department, agency, or instrumentality of it, by an appropriate board account, or by a private insurer.

Subd. 2. [SMALL BUSINESS DEVELOPMENT LOANS; PREFERENCES.] The following eligible small businesses have preference among all business applicants for small business development loans:

(1) businesses located in rural areas of the state that are experiencing the most severe unemployment rates in the state;

(2) businesses that are likely to expand and provide additional permanent employment in rural areas of the state;

(3) businesses located in border communities that experience a competitive disadvantage due to location;

(4) businesses that have been unable to obtain traditional financial assistance due to a disadvantageous location, minority ownership, or other factors rather than due to the business having been considered a poor financial risk;

(5) businesses that utilize state resources and reduce state dependence on outside resources, and that produce products or services consistent with the long-term social and economic needs of the state; and

(6) businesses located in designated enterprise zones, as described in section 273.1312, subdivision 4.

Sec. 13. Minnesota Statutes 1986, section 41A.05, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT OF FUND.] For the purpose of developing the state's agricultural resources by extending credit on real estate security, the agricultural resource loan guaranty The Minnesota development fund is established as a special and dedicated separate account in the general fund to be held and invested separately from all other funds of the state. All money appropriated to the fund, and all guaranty fees, retail sales taxes, property tax increments, and other money from any source which may be credited to the fund pursuant to law or pursuant to the terms of grants, contributions, or contracts are appropriated and shall remain available for the purposes of the fund until those purposes have been fully accomplished to the board to carry out the purposes of this chapter. The board may establish within the guaranty Minnesota development fund reserve funds, project accounts, or other restrictions it determines necessary or appropriate to carry out the purposes of this chapter. Except as otherwise provided in this section, the fund may be used only for paying amounts due under loan guaranties and principal and interest assistance contracts entered into by the state, pursuant to the agricultural resource loan guaranty program.

Sec. 14. Minnesota Statutes 1986, section 41A.05, subdivision 2, is amended to read:

Subd. 2. [ISSUANCE OF BONDS.] (a) Subject to section 16A.80, upon application pursuant to section 41A.04, The board by resolution may exercise the powers of a rural development authority under sections 362A.01 to 362A.05 and the powers of a municipality under chapter 474 for the purposes of providing money to pay the costs of financing a project, including the issuance of bonds and the loan application of the bond proceeds pursuant to a lease, loan, loan guaranty, loan participation, or other agreement. The bonds must be issued, sold, and secured on the terms and conditions and in the manner determined by resolution of the board. Sections 16A.80 and 474.23 do not apply to the bonds. Not-

withstanding subdivision 1, a reserve established for the bonds provided by the borrower, including out of bond proceeds, may be deposited and held in a separate account in the ~~guaranty~~ Minnesota development fund and applied to the last installments of principal or interest on the bonds, subject to the reserves being withdrawn for any purpose permitted by subdivision 1. The board may by resolution or indenture pledge any or all amounts in the ~~guaranty~~ fund, including any reserves and investment income on amounts in the fund, to secure the payment of principal and interest on any or all series of bonds, upon the terms and conditions as provided in the resolution or indenture. To the extent the board deems necessary or desirable to prevent interest on bonds from becoming subject to federal income taxation, (1) the amounts in the ~~guaranty~~ fund shall be invested in obligations or securities with restricted yields and (2) the investment income on the amounts are released from the pledge securing the bonds or loan guaranty and appropriately applied to prevent taxation.

(b) Bonds issued pursuant to this chapter are not general obligations of the state or the board. The full faith and credit and taxing powers of the state and the board are not and may not be pledged for the payment of the bonds. No person may compel the levy of a tax for the payment or compel the appropriation of money of the state or the board for the payment of the bonds, except as specifically provided in this chapter.

(c) The issuance of bonds pursuant to this subdivision is subject to sections ~~474.18 to 474.25~~ 474A.11 and 474A.13. For purposes of sections ~~474.16~~ 474A.01 to ~~474.20~~ 474A.21, the board is a local issuer and may apply for allocations of authority to issue private activity obligations and may enter into an agreement for the issuance of obligations by another issuer.

Sec. 15. [INSTRUCTION TO REVISOR.]

The revisor of statutes is directed to change the phrase "agricultural resource loan guaranty board" wherever it appears in Minnesota Statutes to "Minnesota development board" in the next and subsequent editions of the statutes.

Sec. 16. [INSTRUCTION TO REVISOR.]

The revisor of statutes is directed to change the phrase "agricultural resource loan guaranty fund" wherever it appears in Minnesota Statutes to "Minnesota development fund" in the next and subsequent editions of the statutes.

Sec. 17. [REPEALER.]

Minnesota Statutes 1986, section 41A.06, subdivision 2, is repealed.

ARTICLE 7

MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY

Section 1. Minnesota Statutes 1986, section 16A.80, subdivision 2a, is amended to read:

Subd. 2a. [EXEMPT AGENCIES.] This section does not apply to:

- (1) the housing finance agency;
- (2) the state board of investment;

- (3) the iron range resources and rehabilitation board;
- (4) the higher education coordinating board; *and*
- (5) the higher education facilities authority; *and*
- (6) ~~the energy and economic development authority.~~

Sec. 2. Minnesota Statutes 1986, section 116J.36, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] In this section:

(a) *"Authority" means the Minnesota public facilities authority established in article 3, section 10.*

~~(a)~~ (b) "Construction costs" means all costs associated with the construction, modification or expansion of a district heating system except for preliminary planning costs and detailed design costs. Construction costs include the cost of debt service from the time a construction loan is made until five years after the beginning of the operation of the district heating system constructed or the part of the system being modified or expanded.

~~(b)~~ (c) "District heating" means the use of a central energy conversion facility to produce hot water or steam for a district heating system. District heating facilities may also produce electricity in addition to hot water or steam.

~~(c)~~ (d) "Municipality" means any county, city, town, school district or a municipal power agency formed pursuant to sections 453.53 to 453.62. Municipality also means a public utility, as defined in section 452.01, subdivision 3, owned and operated by a city, however organized. For purposes of a district heating system only, municipality also means a nonprofit corporation organized pursuant to the provisions of chapter 317 whose membership is limited to the mayor and governing body of the city in which the district heating system is located.

~~(d)~~ (e) "District heating system" means any existing or proposed facility for (1) the production, through cogeneration or otherwise, of hot water or steam to be used for district heating, or (2) the transmission and distribution of hot water or steam for district heating either directly to heating consumers or to another facility or facilities for transmission and distribution, or (3) any part or combination of the foregoing facilities.

~~(e)~~ (f) "Qualified energy improvement" means a cost-effective capital improvement to public land, buildings, or energy using systems, other than a district heating system, including the purchase or installation of equipment to reduce the usage of conventional energy sources or to use alternative energy resources. Qualified energy improvements also include waste-to-energy facilities that meet the criteria specified in subdivision 8a and any rule adopted under that subdivision. Qualified energy improvements shall meet all environmental and permitting standards established by state and federal law.

Sec. 3. Minnesota Statutes 1986, section 116J.36, subdivision 3b, is amended to read:

Subd. 3b. [GRANT ELIGIBILITY, DISTRICT HEATING.] ~~The commissioner of energy and economic development authority~~ may provide planning grants to municipalities for planning related to the development of district heating systems. The municipality must demonstrate that a com-

munity heatload survey and map have been successfully completed, that potential district heating load is sufficiently large to justify further consideration, and that sufficient resources are available for the municipality to meet its financial requirements. Eligible planning grant costs include project definition, development of preliminary financing and distribution system plans, and obtaining commitment for detailed planning or design and preparation of a final report. The amount of the grant to a municipality is limited to 90 percent of eligible planning costs and shall not exceed \$70,000 as established by rule or emergency rule.

Sec. 4. Minnesota Statutes 1986, section 116J.36, subdivision 3c, is amended to read:

Subd. 3c. [GRANT ELIGIBILITY, QUALIFIED ENERGY IMPROVEMENTS.] The ~~commissioner of energy and economic development~~ *authority* may provide planning grants to municipalities for planning related to the development of qualified energy improvements. The municipality must demonstrate that sufficient resources are available for the municipality to meet its financial requirements. Eligible planning grant costs include definition of the improvement, development of preliminary financing plans, and obtaining commitment for detailed planning or design and preparation of a final report. The amount of a grant to a municipality is limited to 90 percent of eligible planning costs and must not exceed \$100,000 as established by rule or emergency rule.

Sec. 5. Minnesota Statutes 1986, section 116J.36, subdivision 8, is amended to read:

Subd. 8. [LOAN APPROVAL.] The ~~commissioner of energy and economic development~~ *authority* shall prepare and submit to the ~~energy and economic development authority~~ separate lists of loan requests for district heating systems and qualified energy improvements. The list for district heating loans shall contain the supporting information required by subdivisions 3, 4, 5, 6, and 7. The list for qualified energy improvements shall contain the supporting information required by subdivisions 3a, 3c, 4a, 5, and 6. The recommendation of the authority shall be transmitted to the commissioner of finance. The commissioner of finance shall sell bonds and make loans for district heating projects and qualified energy improvements only upon the recommendation of the authority.

Sec. 6. Minnesota Statutes 1986, section 116J.36, subdivision 8a, is amended to read:

Subd. 8a. [CRITERIA FOR QUALIFIED ENERGY IMPROVEMENTS.] Qualified energy improvements eligible for loans must meet criteria established in rule by the ~~commissioner of energy and economic development~~ *authority*. Rules shall include criteria for analyzing the cost-effectiveness of improvements. Rules relating to qualified energy improvements involving a waste-to-energy facility must be adopted in consultation with the waste management board and the pollution control agency. An improvement involving a waste-to-energy facility must be part of a solid waste management plan approved by the pollution control agency or a plan approved under section 473.803.

Sec. 7. Minnesota Statutes 1986, section 116J.36, subdivision 11, is amended to read:

Subd. 11. [RULES.] The ~~commissioner of energy and economic development~~ *authority* shall adopt rules necessary to carry out the programs of

this section. The ~~commissioner of energy and economic development~~ *authority* may adopt emergency rules pursuant to sections 14.29 to 14.36, meeting the requirements of this section. The rules shall contain as a minimum:

- (a) Procedures for application by municipalities; and
- (b) Criteria for reviewing grant and loan applications.

Sec. 8. Minnesota Statutes 1986, section 116J.37, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] In this section:

(a) "Commissioner" means the commissioner of energy and economic development. Upon passage of legislation creating a body known as the Minnesota ~~energy public facilities~~ *authority*, the duties assigned to the commissioner in this section are delegated to the authority.

(b) "Maxi-audit" has the meaning given in section 116J.06, subdivision 12.

(c) "Energy conservation investments" mean all capital expenditures that are associated with conservation measures identified in a maxi-audit and that have a ten-year or less payback period. Public school districts that received a federal institutional building grant in 1984 to convert a heating system to wood, and that apply for an energy conservation investment loan to match a federal grant for wood conversion, shall be allowed to calculate payback of conservation measures based on the costs of the traditional fuel in use prior to the wood conversion.

Sec. 9. [116J.970] [COMMUNITY DEVELOPMENT CORPORATIONS.]

Subdivision 1. [TERMS.] For the purposes of this section, the following terms shall have the meanings given them:

Subd. 2. [ECONOMIC DEVELOPMENT REGION.] "Economic development region" means an area so designated in the governor's executive order number 60, dated June 12, 1970, as amended.

Subd. 3. [FEDERAL POVERTY LEVEL.] "Federal poverty level" means the income level established by the United States Community Services Administration in Code of Federal Regulations, title 45, section 1060.2-2.

Subd. 4. [LOW INCOME.] "Low income" means an annual income below the federal poverty level.

Subd. 5. [ADMINISTRATION.] The community development division of the department of energy and economic development shall administer this section and shall enforce the rules related to the community development corporations promulgated by the commissioner. The commissioner may amend, suspend, repeal or otherwise modify these rules as provided for in chapter 14.

Subd. 6. [GRANTS; CORPORATIONS ELIGIBLE.] (a) The commissioner shall designate a community development corporation as eligible to receive grants under this section if the corporation is a nonprofit corporation incorporated under chapter 317 and meets the other criteria in this subdivision.

(b) *The corporation, in its articles of incorporation or bylaws, shall designate a specific geographic community within which it will operate. As least ten percent of the population within the designated community must have low incomes. Within the metropolitan area as defined in section 473.121, subdivision 2, a designated community must be an identifiable neighborhood or a combination of neighborhoods or home rule charter or statutory cities, townships, unincorporated areas, or combinations of those entities. Outside the metropolitan area, designated communities, so far as possible, may not cross existing economic development boundaries. If a proposed geographic area overlaps the designated community of a community development corporation existing before August 1, 1987, the proposed community development corporation must obtain the written consent of the existing community development corporation before the proposed corporation may be designated as eligible to receive grants under this section.*

(c) *The corporation must limit voting membership to residents of its designated area.*

(d) *The corporation shall have a board of directors with 15 to 30 members unless the corporation can demonstrate to the satisfaction of the authority that a smaller or larger board is more advantageous. At least 40 percent of the directors must have incomes that do not exceed 80 percent of the county median family income or 80 percent of the statewide median family income as determined by the state demographer, and the remaining directors must be members of the business or financial community and the community at large. To the greatest extent possible, directors must be residents of the designated community, but in no event may fewer than 60 percent of the directors be residents of the designated community. Directors who meet the income limitations of this paragraph must be elected by the members of the corporation. The remaining directors may be elected by the members or appointed by the directors who meet the income limitations of this paragraph.*

(e) *The corporation shall hire low-income residents of the designated community to fill nonmanagerial and nonprofessional positions.*

(f) *The corporation shall demonstrate that it has or will have the technical skills to analyze projects, that it is familiar with other available public and private funding sources and economic development programs, and that it is capable of packaging economic development projects.*

Subd. 7. [GRANT APPROVAL FOR PROJECTS.] The commissioner shall approve a grant to a community development corporation only for a project carried on within the designated community, except when the corporation demonstrates that a project carried on outside will have a significant impact inside the designated community.

Subd. 8. [USE OF GRANT.] The commissioner may approve a grant to a community development corporation for planning, including organization of the corporation, training of the directors, creation of a comprehensive community economic development plan, and development of a proposal for a venture grant, or for establishment of a business venture, including assistance to an existing business venture, purchase of partial or full ownership of a business venture, or development of resources or facilities necessary for the establishment of a business venture.

Subd. 9. [ASSIGNEE.] The department must be named as an assignee

of the rights of a state-funded community development corporation on any loan or other evidence of debt provided by a community development corporation to a private enterprise. The assignment of rights must provide that it will be effective upon the dormancy or cessation of existence of the community development corporation. "Dormancy" for the purpose of this section means the continuation of the corporation in name only without any functioning officers or activities. Upon the cessation of the activities of a state-funded community development corporation, any assigned money paid to the department must be deposited into the economic development fund to be used for the purposes set out in this chapter.

Subd. 10. [FACTORS FOR GRANT APPROVAL.] Factors considered by the commissioner in approving a grant to a community development corporation must include the creation of employment opportunities, the maximization of profit, and the effect on securing money from sources other than the state.

Subd. 11. [PROHIBITION.] Grants under this section are not available for programs conducted by churches or religious organizations or for securing or developing social services.

Subd. 12. [NO EXCLUSION.] A person may not be excluded from participation in a program funded pursuant to this section because of race, color, religion, sex, age, or national origin.

Sec. 10. [TRANSFER OF MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY RESPONSIBILITIES.]

Subdivision 1. [RESPONSIBILITIES TRANSFERRED TO DEPARTMENT OF FINANCE.] The responsibility for administering the loans that have been made from the following programs is transferred from the Minnesota energy and economic development authority to the department of finance: the hazardous waste processing facilities program under section 116M.07, subdivision 9; the special assistance program under section 116M.07, subdivision 11; and the technology product loan program.

Subd. 2. [RESPONSIBILITIES TRANSFERRED TO MINNESOTA PUBLIC FACILITIES AUTHORITY.] The responsibilities for the health care equipment loan program under section 116M.07, subdivisions 7a, 7b, and 7c; the municipal energy loan programs under sections 116M.10, subdivision 6, and 116M.13; the public school energy conservation loan program under section 116J.37; the energy loan insurance program under section 116M.11, subdivision 2; and the district heating and qualified energy improvement loan program under section 116J.36 are transferred from the Minnesota energy and economic development authority to the Minnesota public facilities authority established in article 3, section 10. Section 15.039 applies to the transfer of responsibilities.

Subd. 3. [RESPONSIBILITIES TRANSFERRED TO RURAL DEVELOPMENT BOARD.] The responsibilities for the certified development company program under section 116M.05 are transferred from the Minnesota energy and economic development authority to the rural development board established in article 1, section 2. Section 15.039 applies to the transfer of responsibilities.

Subd. 4. [RESPONSIBILITIES TRANSFERRED TO MINNESOTA DEVELOPMENT BOARD.] The responsibilities for the small business loan program under section 116M.07, subdivision 2, are transferred from the Minnesota energy and economic development authority to the Minnesota

development board established in article 6, section 2. Section 15.039 applies to the transfer of responsibilities.

Subd. 5. [OTHER RESPONSIBILITIES.] *The commissioner of administration shall transfer all other responsibilities for programs under the Minnesota energy and economic development authority not provided for in subdivision 1, 2, 3, or 4 to either the department of finance or the Minnesota public facilities authority, as the commissioner of administration determines appropriate.*

Sec. 11. [MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY; SUCCESSOR STATUS.]

Subdivision 1. [DEPARTMENT OF FINANCE.] *Except for the following programs: the small business loan program under section 116M.07, subdivision 2; the certified development company program under section 116M.05; and the energy loan programs specified in subdivision 2, the department of finance is the legal successor in all respects of the Minnesota energy and economic development authority with regard to the programs repealed in section 13. All bonds, resolutions, contracts, and liabilities of the Minnesota energy and economic development authority relating to the programs repealed in section 13 are the bonds, resolutions, contracts, and liabilities of the department of finance.*

Subd. 2. [MINNESOTA PUBLIC FACILITIES AUTHORITY.] *The Minnesota public facilities authority is the legal successor in all respects of the Minnesota energy and economic development authority with regard to the energy loan programs under sections 116M.10, subdivision 6; 116M.12; and 116M.13. All bonds, resolutions, contracts, and liabilities of the Minnesota energy and economic development authority relating to the energy loan programs specified in this subdivision are the bonds, resolutions, contracts, and liabilities of the Minnesota public facilities authority established in article 3, section 10.*

Sec. 12. [ECONOMIC DEVELOPMENT FUND.]

The fund balance of the economic development fund created in section 116M.06, subdivision 4, less any amounts committed, obligated, or reserved pursuant to carrying out the purposes of chapter 116M, is deposited in the greater Minnesota fund created in article 2, section 7. Amounts committed, obligated, or reserved pursuant to any contractual agreements entered by the Minnesota energy and economic development authority in carrying out the purposes of chapter 116M, except for the small business loan program under section 116M.07, subdivision 2, must remain in the economic development fund under the administration of the department of finance. All funds designated or committed to the small business loan program under section 116M.07, subdivision 2, are transferred to the Minnesota development board established in article 6, section 2, to be deposited in a separate account with the Minnesota development fund.

Sec. 13. [REPEALER.]

Minnesota Statutes 1986, sections 116M.01; 116M.02; 116M.03; 116M.04; 116M.05; 116M.06; 116M.07; 116M.08; 116M.09; 116M.10; 116M.11; 116M.12; 116M.13; 472.11, subdivisions 3, 5, 6, 7, 8, and 9; 472.12, subdivisions 2, 3, and 4; 472.125; and 472.13, subdivisions 2, 3, and 4, are repealed."

Delete the title and insert:

"A bill for an act relating to economic development; rural development; renaming and providing powers to the agricultural resource loan guaranty board; establishing a mineral resources program; establishing duties for the community development division in the department of energy and economic development; transferring the independent wastewater treatment grant program from the pollution control agency to the Minnesota public finance authority; changing the membership of the Minnesota job skills partnership board; establishing the rural development board; establishing the challenge grant program; establishing the customized training program; establishing the greater Minnesota corporation; establishing the state supplemental education grant program; establishing the Minnesota public finance authority; appropriating money; amending Minnesota Statutes 1986, sections 16A.80, subdivision 2a; 41A.01; 41A.02, subdivisions 3, 4, 6, 11, and by adding subdivisions; 41A.05, subdivisions 1 and 2; 116.16, subdivisions 2, 5, 9, and by adding subdivisions; 116.18, subdivisions 2a and 3a; 116J.36, subdivisions 2, 3b, 3c, 8, 8a, and 11; 116J.37, subdivision 1; 116J.955, subdivisions 1 and 2; 116L.03, subdivision 2; 462.384, subdivision 7; 462.385, subdivisions 1 and 3; 462.386, subdivision 1; 462.387, subdivisions 1, 3 and 4; 462.39, subdivisions 2 and 3; 462.391, subdivisions 2, 3 and 4; 462.395; 462.396, subdivision 1; and 462.398; proposing coding for new law in Minnesota Statutes, chapters 41A; 93; 116J; 116L; and 136A; proposing coding for new law as Minnesota Statutes, chapters 116N; 116P; and 446A; amending Laws 1983, chapter 334, section 7; repealing Minnesota Statutes 1986, sections 41A.06, subdivision 2; 116.167; 116J.951; 116J.961; 116J.965; 116M.01; 116M.02; 116M.03; 116M.04; 116M.05; 116M.06; 116M.07; 116M.08; 116M.09; 116M.10; 116M.11; 116M.12; 116M.13; 472.11, subdivisions 3, 5, 6, 7, 8, and 9; 472.12, subdivisions 2, 3, and 4; 472.125; and 472.13, subdivisions 2, 3, and 4."

And when so amended the bill do pass and be re-referred to the Committee on Taxes and Tax Laws. Mr. Davis questioned the reference thereon and, under Rule 35, the bill was referred to the Committee on Rules and Administration.

SECOND READING OF SENATE BILLS

S.F. Nos. 578, 607, 1137, 292, 1335, 1108, 1029, 286, 389, 1005, 1276, 170, 481, 614, 940, 1184, 1160, 1012, 911, 1193 and 691 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 362 and 799 were read the second time.

MOTIONS AND RESOLUTIONS

Mr. Solon moved that the names of Messrs. Dicklich and Purfeerst be added as co-authors to S.F. No. 1152. The motion prevailed.

Mr. Luther moved that the name of Mr. Merriam be added as a co-author to S.F. No. 1204. The motion prevailed.

Mr. Vickerman moved that the name of Mr. Purfeerst be added as a co-author to S.F. No. 1349. The motion prevailed.

Mr. Chmielewski moved that the name of Mr. Stumpf be added as a co-author to S.F. No. 1395. The motion prevailed.

Ms. Peterson, D.C. moved that the name of Mr. Johnson, D.J. be added as a co-author to S.F. No. 1410. The motion prevailed.

Mr. Davis moved that the names of Messrs. Schmitz and Jude be added as co-authors to S.F. No. 1416. The motion prevailed.

Messrs. DeCramer and Frederickson, D.J. introduced—

Senate Resolution No. 52: A Senate resolution congratulating the boys and girls basketball teams from Tracy/Milroy High School for their excellent 1986-1987 seasons.

Referred to the Committee on Rules and Administration.

Mr. Merriam moved that S.F. No. 892, No. 29 on General Orders, be stricken and re-referred to the Committee on Finance. The motion prevailed.

Mr. DeCramer moved that S.F. No. 469, No. 13 on General Orders, be stricken and re-referred to the Committee on Finance. The motion prevailed.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. Hughes in the chair.

After some time spent therein, the committee arose, and Mr. Hughes reported that the committee had considered the following:

S.F. Nos. 248 and 557, which the committee recommends to pass.

S.F. No. 63, which the committee recommends to pass, subject to the following motions:

Mrs. Lantry moved to amend S.F. No. 63 as follows:

Page 2, delete lines 13 to 18 and insert:

“(3) Plates issued for passenger automobiles as defined in section 168.011, subdivision 7, ~~motorcycles, motorized bicycles, and motor scooters~~ shall be issued for a six-year period ~~starting not later than October 1986, or until the next general reissuance of plates every six years thereafter, whichever is less; and. All plates issued under this paragraph must be replaced if they are six years old or older at the time of annual registration or will become so during the registration period.~~”

Page 4, after line 31, insert:

“Sec. 4. [TRANSITION.]

Except as provided in this section, all passenger automobile license plates issued under Minnesota Statutes 1986, section 169.12, subdivision 1, paragraph (3), must be replaced in a general reissuance beginning no later than July 1, 1987. In the general reissuance required by this section, the commissioner of public safety shall not require the replacement of passenger automobile license plates that were issued less than two years before the date on which the general reissuance begins. The commissioner shall require the replacement of passenger automobile license plates that were issued less than two years before the date on which the general reissuance begins when they are six years old at the time of annual registration or will become so during the registration period.”

Page 4, line 34, after the period, insert “Section 4 is repealed January

1, 1990."

Renumber the sections in sequence

Amend the title as follows:

Page 1, delete lines 2 and 3 and insert "relating to motor vehicles; providing that passenger automobile license plates be issued every six years;"

Page 1, line 4, delete "the vehicle;"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 36, as follows:

Those who voted in the affirmative were:

Anderson	Diessner	Laidig	Moe, R.D.	Storm
Belanger	Frederick	Larson	Novak	Taylor
Benson	Frederickson, D.J.	McQuaid	Olson	Waldorf
Bernhagen	Hughes	Mehrkens	Piper	Wegscheid
Brataas	Johnson, D.E.	Metzen	Purfearer	
DeCramer	Knaak	Moe, D.M.	Schmitz	

Those who voted in the negative were:

Adkins	Dahl	Kroening	Pehler	Spear
Beckman	Davis	Langseth	Peterson, D.C.	Stumpf
Berg	Dicklich	Lantry	Peterson, R.W.	Vickerman
Berglin	Frank	Lessard	Pogemiller	Willet
Bertram	Frederickson, D.R.	Luther	Ramstad	
Brandl	Freeman	Marty	Reichgott	
Chmielewski	Gustafson	Merriam	Renneke	
Cohen	Jude	Morse	Samuelson	

The motion did not prevail. So the amendment was not adopted.

Mr. Pehler moved to amend S.F. No. 63 as follows:

Page 2, delete lines 13 to 18 and insert:

"(3) Plates issued for passenger automobiles as defined in section 168.011, subdivision 7, ~~motorcycles, motorized bicycles, and motor scooters~~ shall be issued for a six-year period ~~starting not later than October 1986, or until the next general reissuance of plates every six years thereafter, whichever is less; and~~ All plates issued under this paragraph must be replaced if they are six years old or older at the time of annual registration or will become so during the registration period."

Page 4, line 23, delete "\$2" and insert "\$2.10"

Page 4, line 28, after the period, insert "When the license plates are issued, the applicant must pay 35 cents toward the fee imposed by this section. The remainder of the fee must be paid in 35-cent installments over the next five years when the registration fee required under section 168.017 is due."

Page 4, after line 31, insert:

"Sec. 4. [TRANSITION.]

Passenger automobile license plates issued under Minnesota Statutes, section 168.12, subdivision 1, paragraph (3), before the effective date of this section must be replaced during the sixth year after they were issued."

Renumber the sections in sequence

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 34 and nays 27, as follows:

Those who voted in the affirmative were:

Anderson	DeCramer	Johnson, D.E.	Mehrkens	Piper
Belanger	Dicklich	Knaak	Metzen	Purförst
Benson	Diessner	Laidig	Moe, D.M.	Schmitz
Bernhagen	Frederick	Lantry	Moe, R.D.	Storm
Brataas	Frederickson, D.J.	Larson	Novak	Taylor
Chmielewski	Freeman	Lessard	Olson	Wegscheid
Cohen	Hughes	McQuaid	Pehler	

Those who voted in the negative were:

Adkins	Davis	Langseth	Peterson, R.W.	Stumpf
Beckman	Frank	Luther	Ramstad	Vickerman
Berg	Frederickson, D.R.	Marty	Reichgott	Willet
Berglin	Gustafson	Merriam	Renneke	
Bertram	Jude	Morse	Solon	
Dahl	Kroening	Peterson, D.C.	Spear	

The motion prevailed. So the amendment was adopted.

S.F. No. 593, which the committee recommends to pass with the following amendment offered by Ms. Berglin:

Page 7, line 21, delete "*advanced*" and insert "*advance*"

Amend the title as follows:

Page 1, line 4, delete everything before "amending"

The motion prevailed. So the amendment was adopted.

On motion of Mr. Moe, R.D., the report of the Committee of the Whole, as kept by the Secretary, was adopted.

INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Mr. Beckman introduced—

S.F. No. 1419: A bill for an act relating to veterans; establishing a veterans advisory committee; proposing coding for new law in Minnesota Statutes, chapter 198.

Referred to the Committee on Veterans.

Messrs. Merriam and Dahl introduced—

S.F. No. 1420: A bill for an act relating to taxation; sales and use; including machinery used for sod growing in the definition of farm machinery; amending Minnesota Statutes 1986, section 297A.01, subdivision 15.

Referred to the Committee on Agriculture.

Messrs. Solon and Moe, R.D. introduced—

S.F. No. 1421: A resolution memorializing the United States Congress to amend the Employment Retirement Security Act to permit the direct regulation of self-insured health care plans.

Referred to the Committee on Health and Human Services.

Mr. Cohen introduced—

S.F. No. 1422: A bill for an act relating to crime victims; requiring courts to impose minimum fines on persons convicted of assault or sexual abuse; requiring that the proceeds of these minimum fines be forwarded to local victim assistance programs and the state crime victim and witness advisory council; clarifying certain ambiguous language; amending Minnesota Statutes 1986, section 609.101.

Referred to the Committee on Judiciary.

Mr. Beckman introduced—

S.F. No. 1423: A bill for an act relating to taxation; providing an income tax credit for investors in businesses located in small towns; amending Minnesota Statutes 1986, section 290.069, subdivision 6, and by adding a subdivision.

Referred to the Committee on Taxes and Tax Laws.

Mr. Taylor introduced—

S.F. No. 1424: A bill for an act relating to the city of Mankato; authorizing a special assessment against Mankato State University for street improvements; appropriating funds.

Referred to the Committee on Finance.

Mr. Dicklich introduced—

S.F. No. 1425: A bill for an act relating to retirement; allowing a certain Hibbing council member to revoke an option for public employees retirement association membership in order to begin receiving an annuity.

Referred to the Committee on Governmental Operations.

Mrs. Adkins introduced—

S.F. No. 1426: A bill for an act relating to insurance; clarifying the authority of school districts to self-insure for property and casualty coverage; amending Minnesota Statutes 1986, section 471.98, subdivision 2.

Referred to the Committee on Education.

Ms. Reichgott introduced—

S.F. No. 1427: A bill for an act relating to natural resources; providing for surface water regulation on Twin Lakes in the city of Robbinsdale.

Referred to the Committee on Environment and Natural Resources.

Mr. Metzen introduced—

S.F. No. 1428: A bill for an act relating to the attorney general; creating a consumer protection account; providing for its administration; amending Minnesota Statutes 1986, section 8.31, subdivisions 2b, 3, and by adding subdivisions.

Referred to the Committee on Commerce.

Mr. Chmielewski introduced—

S.F. No. 1429: A bill for an act relating to taxation; income; excluding certain military pension income from the age limits; amending Minnesota Statutes 1986, section 290.08, subdivision 26.

Referred to the Committee on Taxes and Tax Laws.

Mr. Dahl introduced—

S.F. No. 1430: A bill for an act relating to public safety; establishing the fire safety cigarette act; prohibiting the sale of cigarettes and little cigars that do not meet certain standards for fire safety; proposing coding for new law in Minnesota Statutes, chapter 299F

Referred to the Committee on General Legislation and Public Gaming.

Mr. Knaak introduced—

S.F. No. 1431: A bill for an act relating to Ramsey county; authorizing coordinated erosion and sediment control programs by water management organizations and the Ramsey soil and water conservation district; proposing coding for new law in Minnesota Statutes, chapter 383A.

Referred to the Committee on Environment and Natural Resources.

Messrs. Belanger, Mehrkens and Mrs. McQuaid introduced—

S.F. No. 1432: A bill for an act relating to traffic regulations; requiring the commissioner of transportation to allow high-occupancy vehicles to use exclusive bus ramps on controlled-access trunk highways; proposing coding for new law in Minnesota Statutes 1986, chapter 169.

Referred to the Committee on Transportation.

Mr. Morse introduced—

S.F. No. 1433: A bill for an act relating to public offices; fixing resignation effective dates; prohibiting contingent resignations; permitting the submission and withdrawal of prospective resignations in certain circumstances; providing for appeals in statewide election contests; amending Minnesota Statutes 1986, sections 2.722, subdivision 4; 209.09; 351.01; and 480A.06, subdivision 1.

Referred to the Committee on Elections and Ethics.

Mr. Knutson, by request, introduced—

S.F. No. 1434: A bill for an act relating to education; eliminating teachers' right to strike if either the teachers or the school district request arbitration;

amending Minnesota Statutes 1986, section 179A.16, subdivisions 2 and 7; and 179A.18, subdivision 2.

Referred to the Committee on Employment.

Mses. Reichgott; Peterson, D.C.; Mr. Novak, Ms. Berglin and Mr. Johnson, D.J. introduced—

S.F. No. 1435: A bill for an act relating to aids to local governments; providing for reductions in aids paid to school districts and other local units of government that do not meet requirements of the pay equity law; proposing coding for new law in Minnesota Statutes, chapters 124 and 477A.

Referred to the Committee on Education.

Without objection, the Senate reverted to the Order of Business of Motions and Resolutions.

MOTIONS AND RESOLUTIONS

Mr. Solon moved that S.F. No. 1000 be withdrawn from the Committee on Education and re-referred to the Committee on Finance. The motion prevailed.

Mr. Merriam moved that S.F. No. 635 be withdrawn from the Committee on Finance and re-referred to the Committee on Taxes and Tax Laws. The motion prevailed.

Without objection, the Senate proceeded to the Order of Business of Introduction and First Reading of Senate Bills.

INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Mr. Metzen introduced—

S.F. No. 1436: A bill for an act relating to the permanent school fund; modifying the sale procedures for certain trust fund lands leased for lake-shore cabin purposes; appropriating money; amending Minnesota Statutes 1986, sections 92.46, subdivision 1; and 92.67; repealing Laws 1986, chapter 449, section 6.

Referred to the Committee on Education.

Mr. Brandl introduced—

S.F. No. 1437: A bill for an act relating to economic development; providing for review of state-funded scientific and technologically related research; creating a division of science and technology within the department of energy and economic development; creating research review committees and providing for their powers and duties; amending Minnesota Statutes 1986, section 116J.01, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 116J; repealing Minnesota Statutes 1986, section 116J.94.

Referred to the Committee on Economic Development and Housing.

Mr. Luther introduced—

S.F. No. 1438: A bill for an act relating to courts; providing the court of appeals with jurisdiction to issue writs of certiorari to the tax court and workers' compensation court of appeals; providing for office equipment for trial judges; appropriating money; amending Minnesota Statutes 1986, sections 175A.01, subdivision 2; 175A.10; 176.471; 176.481; 176.491; 176.501; 176.511, subdivisions 4 and 5; 271.01, subdivision 5; 271.07; 271.09, subdivision 1; 271.10; 271.12; 271.19; 480A.06, subdivision 3; 480.15, by adding a subdivision; 484.68, subdivisions 3 and 5.

Referred to the Committee on Judiciary.

Messrs. Dicklich and Johnson, D.J. introduced—

S.F. No. 1439: A bill for an act relating to employment; providing for distribution of certain taconite tax proceeds to iron range resources and rehabilitation board for the purposes of funding an employment program and a research and development program; appropriating money; amending Minnesota Statutes 1986, section 298.28, subdivisions 4, 7, 10, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 298.

Referred to the Committee on Employment.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 2:00 p.m., Monday, April 13, 1987. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate