

### THIRTY-SEVENTH DAY

St. Paul, Minnesota, Thursday, April 23, 1987

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

### CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. Peg Chamberlin.

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

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

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 communication was received.

April 21, 1987

The Honorable Fred C. Norton  
Speaker of the House of Representatives

The Honorable Jerome M. Hughes  
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1987 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Date Approved 1987	Date Filed 1987
457		37	April 20	April 21
	134	38	April 20	April 21
	312	39	April 20	April 21
	838	40	April 20	April 21

Sincerely,

Joan Anderson Growe  
Secretary of State

### MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 136, 725 and 1067.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 22, 1987

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 554:

H.F. No. 554: A bill for an act relating to natural resources; changing certain provisions relating to state park motor vehicle permits; amending Minnesota Statutes 1986, section 85.05, subdivision 2.

The House respectfully requests that a Conference Committee of three members be appointed thereon.

Rukavina, Munger and Thiede have been appointed as such committee on the part of the House.

House File No. 554 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 22, 1987

Mr. Pehler moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 554, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. 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. 638, 706 and 1141.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 22, 1987

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 490, 1147, 1355, 830 and 1266.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 22, 1987

### FIRST READING OF HOUSE BILLS

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

H.F. No. 638: A bill for an act relating to elections; requiring election judges to inform voters of certain laws; providing for selection of a party in certain primary elections; amending Minnesota Statutes 1986, sections 204C.13, subdivision 2; and 206.80.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 550, now on General Orders.

H.F. No. 706: A bill for an act relating to juveniles; clarifying certain recent changes to the juvenile court act; clarifying the hearing and records procedures of the juvenile court; providing for the enforcement of juvenile court restitution orders; permitting administrative docketing of certain unpaid county reimbursements; clarifying certain crime victim notification and protection laws; amending Minnesota Statutes 1986, sections 260.155, subdivisions 1 and 1a; 260.156; 260.161; 260.185, by adding a subdivision; 548.091, subdivision 1; 595.02, subdivision 4; 609.115, subdivision 1; 609.3471; 611A.031; and 611A.035; proposing coding for new law in Minnesota Statutes, chapter 611A; repealing Minnesota Statutes 1986, sections 609.115, subdivisions 1b and 1c; and 636.08.

Referred to the Committee on Judiciary.

H.F. No. 1141: A bill for an act relating to the city of Champlin; permitting the city to use unexpended public improvement funds for a low-income special assessment grant program.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1087, now on General Orders.

H.F. No. 490: A bill for an act relating to elections; increasing the size of the board of education of special school district No. 1 of the city of Minneapolis to nine members providing for six members to be elected by districts; requiring compliance with certain campaign disclosure provisions; amending Minnesota Statutes 1986, sections 383B.041; 383B.042, subdivisions 5 and 9; 383B.053, subdivision 1; and 383B.058; and Laws 1959, chapter 462, section 3, subdivision 1, as amended and renumbered.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1101.

H.F. No. 1147: A bill for an act relating to public employment; state university and community college supplemental retirement plan; reducing

the age for the redemption of investment shares; investment options; defining terms and conditions of public employment; allowing expanded payment of certain accumulated sick leave; amending Minnesota Statutes 1986, sections 136.81, subdivision 3; 136.82, subdivision 1; 179A.03, subdivision 19; and 465.72, subdivision 2.

Referred to the Committee on Governmental Operations.

H.F. No. 1355: A bill for an act relating to the city of Minneapolis; giving the city certain powers pertaining to conventions and tourism activities; providing for the use of certain tax revenues; amending Laws 1986, chapter 396, section 4, subdivision 3.

Referred to the Committee on Taxes and Tax Laws.

H.F. No. 830: A bill for an act relating to state energy contracts; imposing additional requirements on bidders for state energy efficiency installment purchase contracts; amending Minnesota Statutes 1986, section 16B.16, subdivision 1.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 206, now on General Orders.

H.F. No. 1266: A bill for an act relating to Hennepin county; providing bonding authority for library construction and betterment; amending Minnesota Statutes 1986, section 383B.245.

Referred to the Committee on Taxes and Tax Laws.

## REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted, with the exception of reports pertaining to appointments. The motion prevailed.

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

S.F. No. 1188: A bill for an act relating to traffic regulations; providing for the operation by certain police departments and sheriff's offices of specially marked vehicles for highway traffic law enforcement; amending Minnesota Statutes 1986, section 169.98, subdivision 1, and by adding a subdivision.

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

Page 2, delete section 2 and insert:

"Sec. 2. Minnesota Statutes 1986, section 169.98, is amended by adding a subdivision to read:

*Subd. 2a. The chief of police of a home rule or statutory city, and the sheriff of a county, may authorize within the jurisdiction the use of specially marked police or sheriff's vehicles for primary use in the enforcement of highway traffic laws and ordinances when in the judgment of the chief of police or sheriff the use of specially marked vehicles will contribute to the safety of the traveling public. A specially marked vehicle is a vehicle that is marked only with the shield of the city or county and the name of the proper authority on the right front door of the vehicle. The number of specially marked vehicles owned by a police department of a city of the first class may not exceed ten percent of the total number of vehicles used*

*by that police department in traffic law enforcement, and a city or county that uses fewer than 11 vehicles in traffic law enforcement may not own more than one specially marked vehicle. A specially marked vehicle may be operated only by a uniformed officer and must be equipped and operated to indicate clearly to the driver of a vehicle signalled to stop that the specially marked vehicle is being operated by a police department or sheriff's office."*

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

H.F. No. 1390: A bill for an act relating to utilities; providing for representation of small business by attorney general in certain proceedings relating to utility rates, service, and other matters; amending Minnesota Statutes 1986, section 8.33.

Reports the same back with the recommendation that the bill do pass and be placed on the Consent Calendar. Report adopted.

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was referred

S.F. No. 1309: A bill for an act relating to children; creating an office for children in the state planning agency; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116K.

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

Page 1, line 17, delete "An" and insert "The"

Page 1, line 18, delete "is created" and delete "to" and insert "shall"

Page 1, line 21, delete "agencies" and insert "departments"

Page 2, line 6, delete the first "and" and after "families" insert ", and other appropriate councils and commissions"

Page 2, line 21, delete "and"

Page 2, line 23, before the period, insert "; and"

(7) *continually assess options and alternative models for coordination of policies, programs, and services for Minnesota children"*

Page 2, line 27, delete "shall" and insert "must"

Page 2, line 34, delete "compliment shall be" and insert "complement is"

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

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was re-referred

S.F. No. 924: A bill for an act relating to human services; creating the office of ombudsman for older Minnesotans; proposing coding for new law in Minnesota Statutes, chapter 256.

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

Page 1, delete section 1 and insert:

"Section 1. [256.974] [OFFICE OF OMBUDSMAN FOR OLDER MINNESOTANS; LOCAL PROGRAMS.]

*The ombudsman for older Minnesotans serves in the classified service under section 256.01, subdivision 7, in an office within the Minnesota board on aging that incorporates the long-term care ombudsman program required by the Older Americans Act, Public Law 98-456, United States Code, title 42, section 3027(a)(12), and established within the Minnesota board on aging. The Minnesota board on aging may make grants to local programs or area agencies on aging for the provision of ombudsman services to clients in county or multicounty areas. Individuals providing local ombudsman services must be qualified to perform the duties required by section 3."*

Page 2, line 2, delete "(a)" and insert "(1)"

Page 2, line 3, delete "(b)" and insert "(2)"

Page 2, line 16, delete everything after "The" and insert "ombudsman shall:"

Page 2, line 17, delete "to"

Page 3, line 2, delete "Any" and insert "A"

Page 3, line 3, delete "pursuant to" and insert "under"

Page 3, line 4, delete "his or her" and insert "the person's"

Page 3, lines 10 and 11, delete "shall be" and insert "is"

Page 3, lines 11, 13, 21, 27, and 32, delete "office" and insert "ombudsman"

Page 3, lines 14 and 15, delete "or acute care facility"

Page 3, line 16, after "(2)" insert "enter any acute care facility without notice during normal business hours;

(3)"

Page 3, line 18, delete "(3)" and insert "(4)"

Page 3, line 21, delete "shall have" and insert "has"

Page 3, line 23, delete "office's" and insert "ombudsman's"

Page 3, line 27, delete "must" and insert "shall"

Page 4, delete section 5 and insert:

"Sec. 5. [256.9744] [OFFICE DATA.]

*Subdivision 1. [CLASSIFICATION.] Except as provided in this section, data maintained by the office under sections 1 to 6 are private data on individuals or nonpublic data as defined in section 13.02, subdivision 9 or 12, and must be maintained in accordance with the requirements of Public Law 98-459, United States Code, title 42, section 3027(a)(12)(D).*

*Subd. 2. [RELEASE.] Data maintained by the office that does not relate to the identity of a complainant or a resident of a long-term facility may*

*be released at the discretion of the ombudsman responsible for maintaining the data. Data relating to the identity of a complainant or a resident of a long-term facility may be released only with the consent of the complainant or resident or by court order."*

Page 4, line 18, delete "shall" and insert "must"

Page 4, line 23, delete "shall be as provided in" and insert "are governed by"

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

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was referred

H.F. No. 354: A bill for an act relating to state government; providing for a job class entitled chiropractor in the state civil service; proposing coding for new law in Minnesota Statutes, chapter 43A.

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

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

S.F. No. 468: A bill for an act relating to state government; appropriating money to fund a nonprofit institute for invention and innovation; proposing coding for new law in Minnesota Statutes, chapter 138.

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

Delete everything after the enacting clause and insert:

"Section 1. [INVENTION/INNOVATION CENTER; GRANT AWARD.]

*Subdivision 1. [ELIGIBLE CORPORATIONS.] The Minnesota historical society shall award a grant to a nonprofit corporation incorporated under Minnesota Statutes, chapter 317, that meets the requirements specified in this section. The grant shall be used to establish an invention/innovation center and support system that shall administer programs throughout the state.*

*Subd. 2. [INVENTION/INNOVATION CENTER PLAN.] In order to be considered for a grant award, a corporation must submit a comprehensive invention/innovation center plan to the Minnesota historical society that includes the following:*

- (1) the objectives of the corporation for the invention/innovation center;*
- (2) the specific activities or means by which the corporation intends to pursue or implement the objectives;*
- (3) the extent to which the specific activities will encourage and assist in the creation, development, and expansion of businesses located in Minnesota and will provide employment opportunities;*
- (4) a statement of the intended outcomes to be achieved by implementation of the plan and the estimated time over which they will occur;*
- (5) a financing program and budget that identifies the financial resources*

*necessary to implement the plan; and*

*(6) any other information that the Minnesota historical society may require.*

*Subd. 3. [ANNUAL FINANCIAL AUDIT.] At the end of each calendar year beginning in 1988, the legislative auditor shall conduct a financial audit to review the spending of state funds under this act. Before spending any state funds to implement an invention/innovation center plan, the corporation must consult with the legislative auditor to determine appropriate accounting methods and principles that will assist the legislative auditor in conducting its financial audit. The results of the financial audit must be submitted to the legislative audit commission.*

*Subd. 4. [ANNUAL REPORT.] A corporation that receives a grant under this section must provide a detailed annual report on the invention/innovation center plan being implemented. The report must describe the status of the plan implementation and analyze whether the plan objectives are being met. The report must be submitted to the Minnesota historical society and to the legislature by June 30 of each year, as provided in Minnesota Statutes, section 3.195.*

## Sec. 2. [APPROPRIATION.]

*§\_\_\_\_\_ is appropriated from the general fund to the Minnesota historical society for the purposes specified in section 1, to be available until June 30, 1989."*

Delete the title and insert:

*"A bill for an act relating to state government; providing for a grant to establish an invention/innovation center and support system; appropriating money."*

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

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

S.F. No. 1454: A bill for an act relating to small business; authorizing the bureau of small business within the department of energy and economic development to engage in certain collaborative activities with small business development centers; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116J.

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

Page 1, delete section 1

Page 1, line 19, delete "116J.682" and insert "116J.681"

Page 2, line 14, delete "2" and insert "1"

Page 2, line 16, delete ", 2, and 3" and insert "and 2"

Renumber the sections in sequence

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



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

S.F. No. 1404: A bill for an act relating to local government; providing the Lake county housing and redevelopment authority with certain port authority powers.

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

Page 1, line 10, after "458.192," insert "*subdivision 10,*"

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. Moe, D.M. from the Committee on Governmental Operations, to which was referred

S.F. No. 1223: A bill for an act relating to state departments and agencies; creating a commission for the quincentennial of the Hispanic presence in the western hemisphere.

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

Page 1, delete lines 8 to 10 and insert:

*"Subdivision 1. [MEMBERSHIP] The Minnesota Hispanic quincentennial commission consists of seven members, as follows:"*

Page 1, line 11, delete "*one member of the governor's staff*" and insert "*three members knowledgeable in Hispanic history and culture,*"

Page 1, delete lines 13 to 16

Page 1, line 17, delete "(4)" and insert "(2)"

Page 1, line 19, delete "(5)" and insert "(3)"

Page 1, line 21, delete "(6)" and insert "(4)"

Page 1, line 23, delete "(7)" and insert "(5)"

Page 2, line 8, delete "*shall have power to*" and insert "*may*"

Page 2, line 9, delete "*shall*" and insert "*must*"

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

S.F. No. 1296: A bill for an act relating to Gillette Children's Hospital; clarifying the hospital's exemption from certain tax provisions; amending Minnesota Statutes 1986, section 250.05, by adding subdivisions.

Reports the same back with the recommendation that the bill do pass and be placed on the Consent Calendar. Report adopted.

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred

S.F. No. 1441: A bill for an act relating to taxation; property; allowing the county board to grant a reduction in property taxes on nonhomestead property that is accidentally destroyed; amending Minnesota Statutes 1986, section 273.123, subdivision 7.

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was re-referred

S.F. No. 760: A bill for an act relating to taxation; providing for conveyance of certain tax-forfeited land to its previous owner.

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred

S.F. No. 852: A bill for an act relating to taxes; exempting from gasoline excise tax propane fuel for vehicles operating under permit; amending Minnesota Statutes 1986, sections 296.01, subdivision 25; 296.02, subdivision 1a; 296.025, subdivision 1a; 296.026; and 296.028.

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred

H.F. No. 955: A bill for an act relating to port authority powers for the city of Roseville; amending Laws 1985, chapter 301, section 3.

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was re-referred

S.F. No. 748: A bill for an act relating to local improvements; authorizing the levy of special assessments for highway sound barriers; amending Minnesota Statutes 1986, sections 429.011, by adding a subdivision; and 429.021, subdivision 1.

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1009 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1009	1108				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1009 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1009 and insert the language after the enacting clause of S.F. No. 1108, the first engrossment; further, delete the title of H.F. No. 1009 and insert the title of S.F. No. 1108, the first engrossment.

And when so amended H.F. No. 1009 will be identical to S.F. No. 1108, and further recommends that H.F. No. 1009 be given its second reading and substituted for S.F. No. 1108, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 947 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
947	940				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 947 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 947 and insert the language after the enacting clause of S.F. No. 940, the first engrossment; further, delete the title of H.F. No. 947 and insert the title of S.F. No. 940, the first engrossment.

And when so amended H.F. No. 947 will be identical to S.F. No. 940, and further recommends that H.F. No. 947 be given its second reading and substituted for S.F. No. 940, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1170 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

<b>GENERAL ORDERS</b>		<b>CONSENT CALENDAR</b>		<b>CALENDAR</b>	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1170		1165			

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1170 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1170 and insert the language after the enacting clause of S.F. No. 1165, the first engrossment; further, delete the title of H.F. No. 1170 and insert the title of S.F. No. 1165, the first engrossment.

And when so amended H.F. No. 1170 will be identical to S.F. No. 1165, and further recommends that H.F. No. 1170 be given its second reading and substituted for S.F. No. 1165, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1267 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

<b>GENERAL ORDERS</b>		<b>CONSENT CALENDAR</b>		<b>CALENDAR</b>	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1267		1206			

and that the above Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 31 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

<b>GENERAL ORDERS</b>		<b>CONSENT CALENDAR</b>		<b>CALENDAR</b>	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
31		176			

and that the above Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 332 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
332	388				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 332 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 332 and insert the language after the enacting clause of S.F. No. 388, the first engrossment; further, delete the title of H.F. No. 332 and insert the title of S.F. No. 388, the first engrossment.

And when so amended H.F. No. 332 will be identical to S.F. No. 388, and further recommends that H.F. No. 332 be given its second reading and substituted for S.F. No. 388, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1120 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1120	1484				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1120 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1120 and insert the language after the enacting clause of S.F. No. 1484, the first engrossment; further, delete the title of H.F. No. 1120 and insert the title of S.F. No. 1484, the first engrossment.

And when so amended H.F. No. 1120 will be identical to S.F. No. 1484, and further recommends that H.F. No. 1120 be given its second reading and substituted for S.F. No. 1484, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

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

S.F. No. 1234: A bill for an act relating to agriculture; appropriating money for control of pseudorabies in swine herds.

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

Mr. Pehler from the Committee on Education, to which was re-referred

S.F. No. 1082: A bill for an act relating to special school district No. 1, Minneapolis; requiring a subsidy be paid to Minneapolis retired teachers for health insurance; authorizing a levy; repealing Minnesota Statutes 1986, section 62E.081.

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

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

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.

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

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, 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 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; Laws 1983, chapter 334, section 7; 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; 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.

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

Page 2, after line 8, insert:

*"Subd. 4. [LOCAL GOVERNMENTAL UNIT.] "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."*

Renumber the subdivisions in sequence

Page 3, line 21, after "board's" insert "staff and"

Page 4, line 11, after "award" insert "up to \$500,000 in"

Page 5, line 20, delete "\$\_\_\_\_\_" and insert "\$1,000,000"

Page 7, line 5, delete everything after the period

Page 7, delete lines 6 to 11

Page 7, after line 31, insert:

*"Subd. 9. [LOCAL GOVERNMENTAL UNIT LOANS.] A local governmental unit may receive a revolving loan under this section if the local governmental unit has established a local-revolving loan fund and can provide at least an equal match to the loan received from a regional organization. The maximum revolving loan available to a local governmental unit under this section is \$50,000. The money loaned to a local governmental unit by a regional organization must be matched by the local revolving loan fund and used to provide loans to businesses to promote local economic development. One-half of the money loaned to a local governmental unit under this section by a regional organization must be repaid into the regional organization's revolving loan fund. One-half of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit."*

Page 7, delete lines 32 to 34 and insert:

*"Subd. 10. [REGIONAL COOPERATION.] An organization that receives challenge grant funds shall cooperate with other regional organizations, including regional development commissions, community development corporations, community action agencies, and the Minnesota small business development centers and satellites, in carrying out challenge grant program responsibilities."*

Renumber the subdivisions in sequence

Page 8, line 14, delete "'503'"

Page 11, after line 3, insert:

*"Sec. 10. [APPROPRIATION.]*

*\$300,000 is appropriated from the general fund to the commissioner of energy and economic development to be used to provide grants to regional organizations selected under section 7 to administer the regional revolving loan program."*

Page 14, line 7, delete "dollar-for-dollar"

Page 14, line 18, delete "state" and insert "department of commerce or the department of public service"

Page 14, line 36, after "may" insert "require the commissioner of finance to"

Page 15, line 1, delete "Money in"

Page 15, delete line 2

Page 15, line 3, delete everything before "Money"

Page 15, line 6, delete "may" and insert "is appropriated to the corporation to"

Page 17, line 1, delete "\$\_\_\_\_\_" and insert "\$10,000,000" and after "fund" insert "for transfer"

Page 17, line 2, delete everything after "Minnesota"

Page 17, line 3, delete everything before the period and insert "fund"

Page 19, line 26, delete "exempt" and insert "waive the federal planning requirement for"

Page 19, line 27, delete everything after "1,500"

Page 19, delete lines 28 to 30

Page 19, line 31, delete everything before the period and insert "by rules"

Page 20, lines 31 and 33, delete "agency" and insert "state pollution control director"

Page 24, line 15, delete the second "and" and insert ". The department of energy and economic development"

Page 25, lines 7 and 17, delete "authority" and insert "department of energy and economic development"

Page 25, line 14, delete "municipal" and insert "municipalities"

Page 25, line 27, delete "ACCOUNT" and insert "FUNDS"

Page 25, line 32, delete everything after "works" and insert "and other purposes specified under section 116.16, subdivision 2, paragraphs (6), (7), and (8)."

Page 25, delete lines 33 to 36

Page 28, line 24, delete "and"

Pages 28 to 30, delete section 15

Page 30, line 15, delete "446A.09" and insert "446A.08"

Pages 31 to 36, delete sections 17 to 21

Page 36, line 12, delete "446A.15" and insert "446A.09"

Page 37, after line 1, insert:

"Sec. 19. [STATE INDEPENDENT GRANTS PROGRAM.]

(a) The state pollution control agency may award independent grants for projects for 50 percent or, if the population of the municipality is 25,000



or less, 80 percent of the eligible cost of construction. 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) 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.

(c) 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)."

Page 37, line 3, after the period, insert "Section 19 is repealed July 1, 1988."

Page 37, line 5, delete "2," and delete "6," and delete everything after "13," and insert "and 18 are"

Page 37, line 6, after the period, insert "Section 19 is effective the day following final enactment."

Renumber the sections of article 3 in sequence

Page 39, line 31, delete "\$\_\_\_\_\_" and insert "\$2,000,000"

Page 39, line 36, delete "\$\_\_\_\_\_" and insert "\$500,000"

Page 40, line 1, delete "\$\_\_\_\_\_" and insert "\$500,000"

Page 40, line 8, delete "a" and insert "for the diversification of the state's mineral economy through"

Page 40, line 9, delete "commitment to" and insert "support of" and after "exploration" insert a comma

Page 40, line 10, delete everything after "commercialization"

Page 40, line 11, delete everything before the period

Page 40, line 14, delete "provide planning and assistance" and insert "plan"

Page 40, line 33, after the semicolon, insert "and"

Page 40, line 34, delete "provide for" and insert "promote" and delete "; and" and insert a period

Page 40, delete lines 35 and 36 and insert:

*"The plan must also include a two-year plan that establishes funding priorities for the minerals programs under subdivision 3. The funding priorities must be updated every two years."*

Page 41, lines 17 and 18, delete "recommendations for funding priorities of the mineral diversification plan" and insert "the two-year funding priority plan required under subdivision 2"

Page 41, line 29, delete "and"

Page 41, line 30, after "programs" insert ", the main street program, the Minnesota community improvement program, the governor's design

*team, the Minnesota beautiful program, and the enterprise zone program"*

Page 42, after line 8, insert:

*"Subd. 2. [GENERAL COMPLEMENT AUTHORITY.] The community development division may combine all related state and federal complement positions into general complement positions, to carry out the responsibilities under subdivision 1. The number of general complement positions must not exceed the aggregate number of all state and federal positions that are to be combined. Records of the actual number of employee hours charged to each state and federal account must be maintained for each general complement position."*

Page 42, line 32, after "2" insert ", 4,"

Page 49, after line 19, insert:

**"Sec. 21. [DEPARTMENT OF ENERGY AND ECONOMIC DEVELOPMENT; REORGANIZATION.]**

*Subdivision 1. [FINANCIAL MANAGEMENT DIVISION.] The financial management division of the department of energy and economic development is abolished. Incumbents of the division are transferred as provided in subdivision 2, paragraph (a), to the community development division of the department of energy and economic development. All employee benefits and classifications of the transferred incumbents are maintained.*

*Subd. 2. [COMMUNITY DEVELOPMENT DIVISION.] (a) The community development division of the department of energy and economic development is increased by a complement of 17. Four positions must be assigned to the Minnesota development program. Thirteen positions must be assigned to the Minnesota public facilities authority.*

*(b) The community development division of the department of energy and economic development is increased by a complement of five, to serve in the unclassified service under the rural development board.*

*Subd. 3. [BUSINESS FINANCE SPECIALIST POSITIONS.] Six business finance positions in the project management office of the department of energy and economic development are abolished."*

Page 49, line 21, delete "\$\_\_\_\_\_" and insert "\$1,000,000"

Page 49, line 30, delete "\$\_\_\_\_\_" and insert "\$1,750,000"

Page 50, line 3, delete "\$\_\_\_\_\_" and insert "\$250,000"

Renumber the sections of article 5 in sequence

Page 50, line 28, delete "rural small business" and insert "economic"

Page 51, line 15, delete "extensive"

Page 51, line 31, after "products," delete "or"

Page 51, line 33, after "fish" insert ", or (4) real or personal property used or useful in connection with a new or expanding business, that is not used for the production of livestock, other than poultry, or for the production of crops, plants, or milk"

Page 52, line 2, after the period, insert "The land in clause (2) does not include land used for the growing or raising of crops or the grazing of livestock other than poultry."

Page 52, line 17, after "means" insert ": (1)"

Page 52, lines 20 and 21, delete ", as amended from time to time" and insert "; or (2) a business eligible to receive assistance under section 12"

Page 53, delete section 9 and insert:

"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 under the general bond resolution for the Minnesota small business development loan program, as amended and restated by the authority on September 24, 1986. All bonds, resolutions, contracts, and liabilities of the Minnesota energy and economic development authority relating to the Minnesota small business development loan program are the bonds, resolutions, contracts, and liabilities of the Minnesota development board."*

Page 53, line 36, after "fees" insert "without regard to chapter 14 and section 16A.128"

Page 54, line 6, after "business" insert "development"

Page 54, line 20, delete "RURAL"

Page 55, after line 32, insert:

"Subd. 3. [LOAN CRITERIA.] *A business is not eligible to receive assistance under this section unless the board passes a resolution designating the business as being in need of special assistance. The resolution shall include findings that the designation and receipt of the special assistance is of exceptional benefit to the state in that at least three of the following criteria are met:*

*(1) in order to expand or remain in Minnesota, the business has demonstrated that it is unable to obtain suitable financing from other sources;*

*(2) special assistance will enable a business not currently located in Minnesota to locate a facility within Minnesota which directly increases the number of jobs within the state;*

*(3) the business will create or retain significant numbers of jobs within a community in Minnesota;*

*(4) the business has a significant potential for growth and jobs or economic activities within Minnesota within the ensuing five-year period; and*

*(5) the business will maintain a significant level of productivity within Minnesota within the ensuing five-year period.*

Subd. 4. [LOCAL GOVERNMENTAL UNIT SPONSOR; RESOLUTION.] *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."*

Page 56, line 12, after "may" insert "maintain or"

Page 56, line 13, strike "funds" and insert "accounts" and before "or" insert "*trustee accounts, special guaranty fund accounts,*"

Page 56, line 15, strike the period

Page 56, line 19, after the stricken "program" insert ". *The board may enter into pledge and escrow agreements or indentures in trust with a trustee for the purpose of maintaining the accounts*" and reinstate the stricken period

Page 58, delete section 17

Page 58, line 21, delete "*established in article 3, section 10*"

Page 58, line 34, after "county," insert "*home rule charter or statutory*"

Page 59, line 29, after "provide" insert "*district heating system*" and strike "for planning related"

Page 59, line 30, strike everything before the period and insert "*certified by the department of public service as eligible to receive planning grants*"

Page 60, line 11, after "provide" insert "*qualified energy improvement*"

Page 60, line 12, strike everything after "municipalities"

Page 60, line 13, strike everything before the period and insert "*certified by the department of public service as eligible to receive planning grants*"

Page 60, line 25, delete "authority" and insert "*director of the public service department*" and reinstate the stricken "and submit to the"

Page 60, line 26, reinstate the stricken "authority" and after "separate" insert "*priority*"

Page 60, lines 28 and 30, after "The" insert "*priority*" and strike "shall contain"

Page 60, lines 29 and 31, strike everything before "subdivisions" and insert "*must be based on the requirements under*"

Page 60, line 32, strike everything after the period

Page 60, line 33, strike "transmitted to the commissioner of finance."

Page 60, line 34, after "and" insert "*the authority shall*"

Page 60, line 36, strike "authority" and insert "*director of the public service department*"

Page 61, lines 6, 17, and 19, delete "authority" and insert "*department of public service*"

Page 61, line 10, after "board" insert ", *the authority,*"

Page 61, line 18, after the period, insert "*The authority shall adopt permanent rules and may adopt emergency rules for the administration of programs under this section.*"

Page 62, after line 7, insert:

"Sec. 9. Minnesota Statutes 1986, section 116J.37, is amended by adding a subdivision to read:

*Subd. 8. [TECHNICAL SUPPORT.] The department of public service shall prepare and submit to the authority the technical evaluation of all applicants under this section.*"

Page 65, line 10, delete "FINANCE" and insert "ENERGY AND ECONOMIC DEVELOPMENT"

Page 65, line 13, delete "finance" and insert "energy and economic development"

Page 65, line 16, delete "and" and after "program" insert "; the tourism loan program created under section 116M.07; the energy loan insurance program under section 116M.11; the energy development fund program under section 116M.12; and the Minnesota fund program under sections 472.11 to 472.13. Loan repayments, earnings, releases from insurance reserve accounts, and other income from the programs specified in this subdivision must be deposited in the greater Minnesota fund"

Page 65, line 18, before "The" insert "(a)"

Page 65, line 20, delete everything after "7c;"

Page 65, line 21, delete everything before "the"

Page 65, line 22, delete "the energy loan"

Page 65, line 23, delete everything before "the"

Page 65, line 25, after "116J.36" insert "; the waste tire recycling loan and grant program under section 116M.07, subdivision 3; and all other programs under the Minnesota energy and economic development authority not provided for in this section"

Page 65, line 27, delete "established in article 3, section 10"

Page 65, line 28, before "Section" insert:

"(b) Except as otherwise provided in this paragraph," and after the period, insert "The commissioners of energy and economic development and public service shall determine which classified and unclassified positions associated with the responsibilities of the planning grant programs under section 116J.36 and the school energy loan program under section 116J.37 are transferred to the department of public service and which positions are transferred to the community development division of energy and economic development, in order to carry out the purposes of sections 2, 3, 4, 5, 6, and 7."

Page 65, lines 33 and 34, delete "established in article 1, section 2"

Page 66, delete lines 1 to 13 and insert "DEVELOPMENT BOARD.] The responsibilities under the general bond resolution for the Minnesota small business development loan program, as amended and restated by the authority on September 24, 1986, are transferred from the Minnesota energy and economic development authority to the Minnesota development board. Except as otherwise provided in article 5, section 21, section 15.039 applies to the transfer of responsibilities. To carry out the purposes specified in article 6, section 9, the board may exercise all powers granted to the Minnesota energy and economic development authority under Minnesota Statutes 1986, sections 116M.06, 116M.07, and 116M.08."

Page 66, line 16, delete "FINANCE" and insert "ENERGY AND ECONOMIC DEVELOPMENT"

Page 66, line 17, after "business" insert "development" and after "program" insert "specified"

Page 66, line 18, delete "116M.07, subdivision 2" and insert "11, sub-

*division 4"*

Page 66, lines 20 and 27, delete "*finance*" and insert "*energy and economic development*"

Page 66, line 23, delete "*13*" and insert "*14*"

Page 66, line 25, delete "*13*" and insert "*14, except for the programs specified in this subdivision,*"

Page 66, line 32, delete everything before the period and insert "*116J.36 and 116J.37*"

Page 67, line 1, delete "*established in article 3, section 10*"

Page 67, line 2, delete "*FUND*" and insert "*AND ENERGY FUNDS*"

Page 67, line 4, after "*4,*" insert "*and the energy fund created in section 116M.105,*"

Page 67, lines 6 and 7, delete "*created in article 2, section 7*"

Page 67, lines 10 and 14, after "*business*" insert "*development*"

Page 67, line 11, delete "*under section 116M.07, subdivision 2*" and insert "*specified under section 11, subdivision 4*"

Page 67, line 13, delete "*finance*" and insert "*energy and economic development*"

Page 67, lines 14 and 15, delete "*under section 116M.07, subdivision 2*" and insert "*specified under section 11, subdivision 4*"

Page 67, line 16, delete everything before "*to*"

Page 67, line 17, delete "*with*" and insert "*in*"

Renumber the sections of article 7 in sequence

Page 67, after line 23, insert:

#### "ARTICLE 8

#### URBAN REVITALIZATION PROGRAMS

Section 1. Minnesota Statutes 1986, section 281.17, is amended to read:  
281.17 [PERIOD FOR REDEMPTION.]

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22, (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a), or (c) seasonal recreational land as defined in section 273.13, subdivision 27, paragraph (a), or subdivision 22, paragraph (c), in which event the period of redemption is five years from the date of sale to the state of Minnesota.

*The period of redemption for all homesteaded lands as defined in section 273.13, subdivision 22, located in a targeted neighborhood as defined in section 4 and sold to the state at a tax judgment sale shall be two years from the date of sale. The period of redemption for all other lands in a targeted neighborhood as defined in section 4 and sold to the state at a tax judgment sale shall be one year from the date of sale.*

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Sec. 2. Minnesota Statutes 1986, section 462.445, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE OF POWERS.] An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 462.415 to 462.705 (but not the power to levy and collect taxes or special assessments except as provided in sections 462.515 to 462.545 with respect to redevelopment projects only) including the following powers in addition to others granted in these sections:

(1) To sue and be sued; to have a seal, which shall be judicially noticed, and to alter the same at pleasure; to have perpetual succession; and to make, and from time to time to amend and repeal, rules and regulations not inconsistent with these sections;

(2) To employ an executive director, technical experts, and such officers, agents, and employees, permanent and temporary, as it may require, and determine their qualifications, duties, and compensation; for such legal services as it may require, to call upon the chief law officer of the municipality or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies, in its area of operation, such local public bodies, if requested, to make such services available;

(3) To delegate to one or more of its agents or employees such powers or duties as it may deem proper;

(4) Within its area of operation to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) Subject to the provisions of section 462.511, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute such leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take such action, as may be necessary or convenient to carry out the purposes of these sections;

(6) Within its area of operation to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by Minnesota Statutes 1945, chapter 117, and any amendments thereof or supplements thereto, to acquire real property which it may deem necessary for its purposes under these sections, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 462.425 or found to exist by section 462.415, subdivision 5, or is necessary to carry out a redevelopment project as defined in section 462.421, subdivision 13;

(7) Within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) of this subdivision, including by the exercise of the power of eminent domain, in the manner provided by chapter 117, and without the adoption of a resolution provided for in subdivision 1, clause (6), real property, and to demolish, remove, rehabilitate or reconstruct the buildings and improvements

or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill and construct foundations or otherwise prepare the site for improvements, and to dispose of said property pursuant to section 462.525, provided that the provisions of section 462.525 requiring conformance to an urban renewal plan shall not apply, and to finance such activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 462.545 or by means of contributions from the municipality provided for in section 462.581, clause (9), or by any combination of such means; provided that, real property with buildings or improvements thereon shall only be acquired when the buildings or improvements are substandard; and provided further that the exercise of the power of eminent domain under this clause shall be limited to real property which contains buildings and improvements which are vacated and substandard. For the purpose of this subparagraph, substandard buildings or improvements mean *hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combination of these or other factors that are detrimental to the safety or health of the community.*

(8) Within its area of operation to determine the level of income constituting low or moderate family income. Such income level shall be that level below which there is not available within the area of operation a substantial supply of decent, safe and sanitary housing provided by private enterprise without subsidy at prices or rents within the financial means of persons and families of such incomes. The authority may establish various income levels for various family sizes. In making its determination the authority may consider income levels which may be established by the federal housing administration or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use such determination as a basis for the maximum amount of income for admissions to housing development projects owned or operated by it;

(9) To provide in federally assisted projects such relocation payments and assistance as may be necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto.

### Sec. 3. [DEFINITIONS.]

*Subdivision 1. [TERMS DEFINED.] For the purposes of sections 3 to 10, the following terms have the meanings given in this section.*

*Subd. 2. [CITY.] "City" means the city of Minneapolis or the city of Saint Paul. For each city, any port authority, housing and redevelopment authority or other agency or instrumentality, the jurisdiction of which is the territory of the city, is included within the meaning of city.*

*Subd. 3. [CITY COUNCIL.] "City council" means either the city council of Minneapolis or the city council of Saint Paul.*

*Subd. 4. [CITY MATCHING FUNDS.] "City matching funds" means the funds of a city specified in a revitalization and financing program to be expended to implement a revitalization program. The sources of city matching funds may include:*



(1) funds from the general fund or any special fund of a city used to implement a revitalization program;

(2) funds paid or repaid to a city from the proceeds of any grant that a city has received from the federal government, any profit or nonprofit corporation, or any other entity or individual, that are to be used to implement a revitalization program;

(3) tax increments received by a city under sections 273.71 to 273.78 or other law, if eligible, to be expended in the targeted neighborhood;

(4) the greater of the fair market value or the cost to the city of acquiring land, buildings, equipment, or other real or personal property that a city contributes, grants, or loans to a profit or nonprofit corporation, or other entity or individual in connection with the implementation of a revitalization program;

(5) city funds to be used to install, reinstall, repair, or improve the infrastructure facilities of a targeted neighborhood;

(6) funds contributed by a city to pay issuance costs or to otherwise provide financial support for revenue bonds or obligations issued by a city for a project or program related to the implementation of a revitalization program;

(7) funds derived from fees received by a city in connection with its community development activities that are to be used in implementing a revitalization program.

City matching funds do not include:

(1) any city funds used to provide a service or exercise a function that is ordinarily provided throughout the city unless an increased level of the service or function is to be provided in a targeted neighborhood in accordance with a revitalization program;

(2) the proceeds of any revenue bonds issued by the city under chapter 458, 462C, 472, or 474; or

(3) any administrative expenses that are incurred in connection with the planning or implementation of sections 4 to 9.

Subd. 5. [LOST UNIT.] "Lost unit" means a rental housing unit that is lost as a result of revitalization activities because it is demolished, converted to an owner-occupied unit which is not a cooperative, converted to a nonresidential use, or if the gross rent to be charged exceeds 125 percent of the gross rent charged for the unit six months prior to the start of rehabilitation.

Subd. 6. [TARGETED NEIGHBORHOOD.] "Targeted neighborhood" means an area including one or more census tracts as determined and measured by the bureau of census of the United States Department of Commerce that meet the criteria of section 4, subdivision 2, and any additional area designated under section 4, subdivision 3.

Subd. 7. [TARGETED NEIGHBORHOOD FUNDS.] "Targeted neighborhood funds" means the funds designated in the revitalization program to be used to implement the revitalization program.

Subd. 8. [TARGETED NEIGHBORHOOD REVITALIZATION AND FINANCING PROGRAM.] "Targeted neighborhood revitalization and financing program," "revitalization program," or "program" means the

*targeted neighborhood revitalization and financing program adopted in accordance with section 5.*

**Sec. 4. [DESIGNATION OF TARGETED NEIGHBORHOODS.]**

*Subdivision 1. [CITY AUTHORITY.] A city may by resolution designate targeted neighborhoods within its borders after adopting detailed findings that the designated neighborhoods meet the eligibility requirements set forth in subdivision 2 or 3.*

*Subd. 2. [ELIGIBILITY REQUIREMENTS FOR TARGETED NEIGHBORHOODS.] An area within a city is eligible for designation as a targeted neighborhood if the area meets two of the following three requirements:*

*(a) The area had an unemployment rate that was twice the unemployment rate for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 federal decennial census.*

*(b) The median household income in the area was equal to or less than 50 percent of the median household income for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 federal decennial census.*

*(c) The area is characterized by residential dwelling units in need of substantial rehabilitation. An area qualifies under this clause if (1) 25 percent or more of the residential dwelling units are in substandard condition as determined by the city; or (2) 70 percent or more of the residential dwelling units in the area were built before 1940 as determined by the 1980 federal decennial census.*

*Subd. 3. [ADDITIONAL AREA ELIGIBLE FOR INCLUSION IN TARGETED NEIGHBORHOOD.] The city may add to the area designated as a targeted neighborhood under subdivision 2 additional area extending up to four contiguous city blocks in all directions from the designated targeted neighborhood. For the purpose of this subdivision, "city block" shall have the meaning determined by the city.*

**Sec. 5. [TARGETED NEIGHBORHOOD REVITALIZATION AND FINANCING PROGRAM REQUIREMENTS.]**

*Subdivision 1. [COMPREHENSIVE REVITALIZATION AND FINANCING PROGRAM.] For each targeted neighborhood for which a city requests state financial assistance under section 6, the city must prepare a comprehensive revitalization and financing program that includes the following:*

*(1) the revitalization objectives of the city for the targeted neighborhood;*  
*(2) the specific activities or means by which the city intends to pursue and implement the revitalization objectives;*

*(3) the extent to which the activities identified in clause (2) will benefit low and moderate income families, will alleviate the blighted condition of the targeted neighborhood, or otherwise assist in the revitalization of the targeted neighborhood;*

*(4) a statement of the intended outcomes to be achieved by implementation of the revitalization program, how the outcomes will be measured both qualitatively and quantitatively, and the estimated time over which they will occur; and*

*(5) a financing program and budget that identifies the financial resources*

*necessary to implement the revitalization program. The financing program and budget must include the following items:*

- (i) the estimated total cost to implement the revitalization program;*
- (ii) the estimated cost to implement each activity in the revitalization program identified in clause (2);*
- (iii) the estimated amount of financial resources that will be available from all sources other than from the appropriation available under section 6 to implement the revitalization program;*
- (iv) the estimated amount of the appropriation available under section 6 that will be necessary to implement the revitalization program;*
- (v) a description of the activities identified in the revitalization program for which the state appropriation will be used and the time or times at which the state appropriation will be committed or expended; and*
- (vi) a statement of how the city intends to meet the requirement for a financial contribution matching the state appropriation from city matching funds in accordance with section 6, subdivision 3.*

**Subd. 2. [TARGETED NEIGHBORHOOD PARTICIPATION IN REVITALIZATION PROGRAM DEVELOPMENT.]** *The city must develop a process to consult the residents in the targeted neighborhood concerning the development, drafting, and implementation of the revitalization program. The process may include the establishment of an advisory board in each city. The process must include at least one public hearing.*

**Subd. 3. [PRELIMINARY CITY REVIEW; STATE AGENCY REVIEW.]** *Before adoption of the revitalization program under subdivision 4, the city must submit a draft program to the department of energy and economic development, and the Minnesota housing finance agency for their comment. The city may not adopt the revitalization program until comments have been received from the state agencies or 30 days have elapsed without response after the program was sent to them. Any comments received by the city from the state agencies within the 30-day period must be responded to in writing by the city before adoption of the program by the city.*

**Subd. 4. [CITY APPROVAL.]** *The city may adopt the revitalization program only after holding a public hearing after the program has been prepared. Notice of the hearing must be provided in a newspaper of general circulation in the city and in the targeted neighborhood not less than ten days nor more than 30 days prior to the date of the hearing.*

**Subd. 5. [PROGRAM CERTIFICATION.]** *A certification by the city that a revitalization program has been approved by the city council for the targeted neighborhood must be provided to the community development division of the department of energy and economic development together with a copy of the program. A copy of the program must also be provided to the Minnesota housing finance agency.*

**Subd. 6. [REVITALIZATION PROGRAM MODIFICATION.]** *The revitalization program may be modified at any time by the city council after a public hearing, notice of which is published in a newspaper of general circulation in the city and in the targeted neighborhood not less than ten days nor more than 30 days before the date of the hearing. If the city council determines that the proposed modification is a significant modification to the program originally certified under subdivision 5, it must*

implement the revitalization program approval and certification process of subdivisions 2 to 5 for the proposed modification.

**Sec. 6. [DISBURSEMENT; CITY MATCHING FUNDS; DRAWDOWN; USES OF STATE FUNDS.]**

*Subdivision 1. [DISBURSEMENT OF STATE FUNDS.] Upon receipt from a city of the certification that a revitalization program has been adopted or modified, the community development division of the department of energy and economic development must, within 30 days, disburse to the city the amount of state funds identified as necessary to implement the revitalization program or program modification. State funds may be disbursed to the city only to the extent that the appropriation limit for the city specified in subdivision 2 is not exceeded. Once the state funds have been disbursed to the city, they shall become targeted neighborhood funds for use by the city in accordance with an adopted revitalization program and subject only to the restrictions on their use contained in sections 3 to 10.*

*Subd. 2. [FUND DISBURSEMENT.] A city may receive a part of the appropriations made available that is the proportion that the population of that city bears to the combined population of Minneapolis and Saint Paul. One city may agree to reduce its entitlement amount so that the other may receive an amount in excess of its entitlement amount. The population of each city for the purposes of this subdivision shall be determined according to the most recent estimates available to the community development division of the department of energy and economic development. Any interest earned by a city from funds disbursed to the city must be rebated to the community development division of the department of energy and economic development annually unless the revitalization program identifies the interest as necessary to implement the revitalization program and the requirement for city matching funds is satisfied with respect to the interest.*

*Subd. 3. [CITY MATCHING FUNDS; DRAWDOWN OF STATE FUNDS; RESTRICTION ON USE OF STATE FUNDS.] A city may expend state funds only if the revitalization program identifies city matching funds to be used to implement the program in an amount equal to the state appropriation. A city must keep the state funds in a segregated fund for accounting purposes. No state funds shall be used to pay the general administrative expenses of a city that are incurred in connection with the planning or implementation of sections 3 to 10.*

**Sec. 7. [CITY POWERS AND ELIGIBLE USES OF TARGETED NEIGHBORHOOD FUNDS.]**

*Subdivision 1. [CONSOLIDATION OF EXISTING POWERS IN TARGETED NEIGHBORHOODS.] A city may exercise any of its corporate powers within a targeted neighborhood including, but not limited to, all of the powers enumerated and granted by chapters 458, 462, 462C, 472, 472A, and 474. For the purposes of chapter 458, a targeted neighborhood shall be considered an industrial development district. A city may exercise the powers of chapter 458 in conjunction with, and in addition to, exercising the powers granted by chapters 462 and 462C in order to promote and assist housing construction and rehabilitation within a targeted neighborhood. For the purposes of section 462C.02, subdivision 9, a targeted neighborhood shall be considered a "targeted area."*

**Subd. 2. [GRANTS AND LOANS.]** *In addition to the authority granted by other law, a city may make grants and loans to individuals, for-profit and nonprofit corporations, and other organizations to implement a revitalization program. The grants and loans shall contain the terms concerning use of funds, repayment, and other conditions the city deems proper to implement a revitalization program.*

**Subd. 3. [ELIGIBLE USES OF TARGETED NEIGHBORHOOD FUNDS.]** *The city may expend targeted neighborhood funds for any purpose authorized by subdivision 1 or 2. Any use of targeted neighborhood funds must be authorized by a revitalization program.*

**Sec. 8. [HAZARDOUS BUILDING PENALTY.]**

*A city may assess a penalty equal to one percent of the assessed value of a building located in a targeted neighborhood defined in section 4 that the city determined to be hazardous as defined in section 463.15, subdivision 3. If the owner of the building has not paid the penalty and fixed the property within 30 days after receiving notice of the penalty, the penalty shall be considered delinquent and is increased by 25 percent each 60 days the penalty is not paid and the property remains hazardous. For the purposes of this section, a penalty which is delinquent shall be considered as a delinquent property tax and subject to Minnesota Statutes, chapters 279, 280, and 281, in the same manner as delinquent property taxes.*

**Sec. 9. [ANNUAL AUDIT AND REPORT.]**

**Subdivision 1. [ANNUAL FINANCIAL AUDIT.]** *In 1988 and subsequent years, at the end of each calendar year, the legislative auditor shall conduct a financial audit to review the spending of state funds under sections 3 to 10. Before spending any state funds to implement a revitalization program, the city must consult with the legislative auditor to determine appropriate accounting methods and principles that will assist the legislative auditor in conducting its financial audit. The results of the financial audit must be submitted to the legislative audit commission, the state planning agency, the department of energy and economic development, and the Minnesota housing finance agency.*

**Subd. 2. [ANNUAL REPORT.]** *A city that begins to implement a revitalization program in any calendar year must, by March 1 of the succeeding calendar year, provide a detailed report on the revitalization program or programs being implemented in the city. The report must describe the status of the program implementation and analyze whether the intended outcomes identified in section 5, subdivision 1, clause (4), are being achieved. The report must include at least the following:*

*(a) The number of housing units removed, created, lost, replaced, relocated, and assisted as a result of the program. The level of rent of the units and the income of the households affected must be included in the report.*

*(b) The number and type of commercial establishments removed, created, and assisted as a result of a revitalization program. The report must include information regarding the number of new jobs created by category, whether the jobs are full time or part time, and the salary or wage levels of both new and expanded jobs in the affected commercial establishments.*

*(c) A description of a statement of the cost of the public improvement projects that are part of the program and the number of jobs created per*

*each \$20,000 of funds expended on commercial projects and applicable public improvement projects.*

*(d) The increase in the assessed valuation for the city as a result of the assistance to commercial and housing assistance.*

*(e) The amount of private investment that is a result of the use of public funds in a targeted neighborhood.*

*The report must be submitted to the department of energy and economic development, the Minnesota housing finance agency, and the legislative audit commission, and must be available to the public.*

#### Sec. 10. [APPROPRIATION; DISTRIBUTION.]

*\$16,000,000 is appropriated from the general fund to the commissioner of energy and economic development for disbursement to the cities of Minneapolis and Saint Paul as provided in section 6, to be available until June 30, 1989.*

#### Sec. 11. [REPEALER.]

*Laws 1969, chapters 833 and 984, are repealed.*

#### Sec. 12. [EFFECTIVE DATE; LOCAL APPROVAL.]

*Sections 3 to 10 are effective for the city of Minneapolis the day after compliance with section 645.021, subdivision 3, by the governing body of the city of Minneapolis.*

*Sections 3 to 10 are effective for the city of Saint Paul the day after compliance with section 645.021, subdivision 3, by the governing body of the city of Saint Paul.*

### ARTICLE 9

#### IRON RANGE RESOURCES AND REHABILITATION

##### Section 1. [NORTHEAST MINNESOTA ECONOMIC DEVELOPMENT FUND.]

*Subdivision 1. [APPROPRIATION.] \$7,000,000 is appropriated from the general fund to the commissioner of iron range resources and rehabilitation. The amount appropriated under this section shall not cancel but shall remain available until expended.*

*Subd. 2. [PURPOSE OF EXPENDITURES.] The money appropriated in this section may be used for projects and programs for which technological and economic feasibility have been demonstrated and that have the following purposes:*

*(1) creating and maintaining productive, permanent, skilled employment, including employment in technologically innovative businesses; and*

*(2) encouraging diversification of the economy and promoting the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism.*

*Subd. 3. [USE OF MONEY.] The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than the lesser of (1)*

eight percent or (2) the rate of interest set by the Minnesota development board for comparable small business development loans at that time.

Money appropriated in this section shall be expended only in or for the benefit of the tax relief area defined in Minnesota Statutes, section 273.134.

Subd. 4. [PROJECT APPROVAL.] The board shall by August 1, 1987, and each year thereafter prepare a list of projects to be funded from the money appropriated in this section with necessary supporting information including description of the projects, plans, and cost estimates. These projects shall not be approved by the board unless it finds that:

(1) the project will materially assist, directly or indirectly, the creation of additional long-term employment opportunities;

(2) the prospective benefits of the expenditure exceed the anticipated costs; and

(3) in the case of assistance to private enterprise, the project will serve a sound business purpose.

To be proposed by the board, a project must be approved by at least eight iron range resources and rehabilitation board members and the commissioner of iron range resources and rehabilitation. The list of projects shall be submitted to the legislative advisory commission for its review. The list with the recommendation of the legislative advisory commission shall be submitted to the governor, who shall, by November 15 of each year, approve or disapprove, or return for further consideration, each project. The money for a project may be expended only upon approval of the project by the governor.

The board may submit supplemental projects for approval at any time. Supplemental projects must be submitted to the members of the legislative advisory commission for their review and recommendations of further review. If a recommendation is not provided within ten days, no further review by the legislative advisory commission is required, and the governor shall approve or disapprove each project or return it for further consideration. If the recommendation by any member is for further review, the governor shall submit the request to the legislative advisory commission for its review and recommendation. Failure or refusal of the commission to make a recommendation promptly is a negative recommendation.

Subd. 5. [ADVISORY COMMITTEES.] Before submission to the board of a proposal for a project for expenditure of money appropriated under this section, the commissioner of iron range resources and rehabilitation shall appoint a technical advisory committee consisting of at least seven persons who are knowledgeable in areas related to the objectives of the proposal. If the project involves investment in a scientific research proposal, at least four of the committee members must be knowledgeable in the specific scientific research area relating to the project. Members of the committees shall be compensated as provided in Minnesota Statutes, section 15.059, subdivision 3. The board shall not act on a proposal until it has received the evaluation and recommendations of the technical advisory committee.

Subd. 6. [USE OF REPAYMENTS AND EARNINGS.] Principal and interest received in repayment of loans made pursuant to this section shall be deposited in the state treasury. These receipts are appropriated to the board for the purposes of this section.

Sec. 2. Minnesota Statutes 1986, section 298.292, is amended to read:  
298.292 [POLICY.]

*Subdivision 1. [PURPOSES.]* The legislature is cognizant of the severe economic dislocations and widespread unemployment that result when a single industry on which an area is largely dependent, experiences a drastic reduction in activity. The northeast Minnesota economic protection trust fund is hereby created to be devoted to economic rehabilitation and diversification of industrial enterprises where these conditions ensue as the result of the decline of such a single industry. Priority shall be given to using the northeast Minnesota economic protection trust fund for the following purposes:

(a) (1) projects and programs that are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses;

(b) (2) projects and programs to encourage diversification of the economy and to promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism; and

(c) (3) projects and programs for which technological and economic feasibility have been demonstrated.

(d) *Subd. 2. [USE OF FUNDS.] Money in the northeast Minnesota economic protection trust fund may be used for the following purposes:*

*(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than the lesser of (1) eight percent or (2) the rate of interest set by the Minnesota development board for comparable small business development loans at that time;*

*(e) funding (2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211; and*

*(f) (3) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources; and*

*(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No such investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the northeast Minnesota economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related (1) to the entity in which the investment is made or (2) to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the*



*limitations under this clause, the amount of investments made by an investor other than the northeast Minnesota economic protection trust fund shall be the sum of all investments made in the venture capital fund or enterprise during the period beginning one year prior to the date of the investment by the northeast Minnesota economic protection trust fund.*

Money from the trust fund shall be expended only in or for the benefit of the tax relief area defined in section 273.134.

Sec. 3. Minnesota Statutes 1986, section 298.296, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURE OF FUNDS.] Before January 1, 2002, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust. On and after January 1, 2002, funds may be expended on projects and for administration from any assets of the trust. Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

Principal and interest received in repayment of loans made pursuant to this section, *and earnings on other investments made pursuant to section 298.292, subdivision 2, clause (4)*, shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

Sec. 4. [EFFECTIVE DATE.]

*Section 2 is effective the day following final enactment."*

Amend the title as follows:

Page 1, line 17, after "authority;" insert "providing a program for revitalization of the cities of St. Paul and Minneapolis; creating a program for funding economic development projects in the taconite tax relief area; permitting investment of earnings of the northeast Minnesota economic protection trust in venture capital enterprises;"

Page 1, line 24, after the first "1" insert ", and by adding a subdivision"

Page 1, line 25, after "2;" insert "281.17; 298.292; 298.296, subdivision 2;"

Page 1, line 29, delete "and" and after "462.398;" insert "and 462.445, subdivision 1;"

Page 1, lines 34 and 35, delete "41A.06, subdivision 2;"

Page 1, line 39, delete the second "and"

Page 1, line 40, after "4" insert "; and Laws 1969, chapters 833 and 984"

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

mittee on Finance. Amendments adopted. Report adopted.

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

S.F. No. 478: A bill for an act relating to insurance; requiring notification of group life or health coverage changes; imposing certain bond or securities requirements on workers compensation self-insurers; eliminating mandatory temporary insurance agent licenses; requiring those who solicit insurance to act as agent for the insured; regulating surplus lines insurance; regulating rates and forms; regulating insurance plan administrators; regulating the renewal, nonrenewal, and cancellation of commercial liability and property insurance policies; providing continued group life coverage upon termination or layoff; requiring an assignment of reinsurance rights upon insolvency; providing for the establishment and operation of the insurance guaranty association and the life and health guaranty association; regulating accident and health insurance; providing for the extraterritorial application of coverages; prohibiting duplicate coverages; requiring the treatment of pregnancy-related conditions in the same manner as other illnesses; mandating certain coverages; clarifying coverage for handicapped dependents; providing continued group accident and health coverage upon termination or layoff; requiring coverage of current spouse and children; imposing surety bond requirements on certain health benefit plans; regulating Medicare supplement plan premium refunds; authorizing the renewal of certain long-term health policies; providing for the establishment and operation of the comprehensive health association and the joint underwriting association; providing comprehensive health insurance coverage for certain employees not eligible for Medicare; regulating fraternal benefit associations; regulating automobile insurance; limiting the cancellation of fire insurance binders and policies; providing for administration of the FAIR plan; requiring accident prevention course premium reductions; limiting the grounds for cancellation or reduction in limits during the policy period; extending basic economic loss benefit protection; requiring coverages for former spouses; regulating collision damage waiver fees; specifying membership on the assigned claims bureau; extending no-fault benefits to pedestrians who are struck by motorcycles; regulating township mutual insurance companies; authorizing investments in certain insurers; regulating trade practices; requiring life and health insurers to substantiate the underwriting standards they use; providing assigned risk plan coverage for certain vehicles used by the handicapped; regulating motor vehicle repairs; granting immunity from liability for volunteer coaches, managers, and officials; prescribing penalties; amending Minnesota Statutes 1986, sections 45.024, subdivision 2; 60A.17, subdivisions 2c, 11, and 13; 60A.196; 60A.197; 60A.198, subdivision 3; 60A.23, subdivision 8; 60A.30; 60B.44, subdivisions 1, 4, 5, and 9; 60C.03, subdivision 8; 60C.08, subdivision 1; 60C.09; 60C.10, by adding a subdivision; 61B.05, subdivision 1; 62A.01; 62A.02, subdivision 2; 62A.03, by adding a subdivision; 62A.041; 62A.043, by adding a subdivision; 62A.141; 62A.146; 62A.17; 62A.21; 62A.43, subdivision 2; 62A.48, by adding a subdivision; 62E.10, subdivision 2; 62E.14, by adding a subdivision; 62H.04; 62I.02, by adding a subdivision; 62I.03, subdivision 5; 62I.04; 62I.16, subdivisions 3 and 4; 64B.11, subdivision 4; 64B.27; 65A.01, subdivision 3a; 65A.03, subdivision 1; 65A.10; 65A.29, by adding a subdivision; 65A.35, subdivision 5; 65B.03, subdivision 1; 65B.1311; 65B.15, subdivision 1; 65B.16; 65B.21, subdivision 2; 65B.28; 65B.46; 65B.63, subdivision 1; 67A.05, subdivision 2; 67A.06; 67A.231; 70A.04, subdivision 2; 70A.08, subdivision 3; 72A.20, subdi-

visions 11, 12a, and by adding a subdivision; 72A.51, subdivision 2; and 169.045, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 60A; 61A; 62A; 62E; 65B; and 604; repealing Minnesota Statutes 1986, sections 62F.04, subdivision 1a; 62I.02, subdivision 3; 67A.43, subdivision 3; and 466.07, subdivision 4; and Minnesota Rules, parts 2700.2400 to 2700.2440.

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 16A.133, subdivision 1, is amended to read:

Subdivision 1. [CREDIT UNION; ORGANIZATION; COMPANY.] An agency head may, with the written request of an employee, deduct from the pay of the employee a requested amount to be paid to any state employees' credit union, or the Minnesota benefit association, or to any organization contemplated by section 179A.06, of which the employee is a member, *or to a company that has contracted to insure the employee for the medical costs of cancer or intensive care.* If an employee is a member of more than one such credit union or more than one such organization, *or is insured by more than one company,* only one credit union and one organization *and one company* may be paid money by payroll deduction from the employee's pay. No deduction may be made from the salary of an employee for payment to a credit union or organization *or company* unless 100 employees request deductions for payment to the credit union or organization *or company.* The 100 employee minimum does not apply to credit unions and organizations which received authorized payroll deduction payments on June 5, 1971.

Sec. 2. Minnesota Statutes 1986, section 43A.27, is amended by adding a subdivision to read:

Subd. 6. [FOOD SERVICE EMPLOYEES.] *Employees of a contracted food service operation employed at Bemidji state university, St. Cloud state university, or Southwest state university, if the employer and the representative of employees, defined under section 179.01, subdivision 5, agree, may elect to enroll themselves and their dependents at their own or their employer's expense in the appropriate life insurance, hospital, medical, and dental benefits, and optional coverages at the time, in the manner, and under the conditions of eligibility the commissioner prescribes and otherwise approves.*

Sec. 3. Minnesota Statutes 1986, section 45.024, subdivision 2, is amended to read:

Subd. 2. [DELEGATION.] The commissioner of commerce may delegate to ~~one or more of the a deputy commissioners~~ *commissioner, assistant commissioner, or director* the exercise of the commissioner's statutory powers and duties, including the authority to decide and issue final orders in contested cases, rulemaking proceedings, and other hearings held under chapter 14.

Sec. 4. [60A.084] [NOTIFICATION ON GROUP POLICIES.]

*An employer providing life or health benefits may not change benefits, limit coverage, or otherwise restrict participation until the certificate holder or enrollee has been notified of any changes, limitations, or re-*

*strictions. Notice in a format which meets the requirements of the Employee Retirement Income Security Act, 29 U.S.C.A., sections 1001 to 1461, is satisfactory for compliance with this section.*

Sec. 5. Minnesota Statutes 1986, section 60A.17, subdivision 1a, is amended to read:

Subd. 1a. [LICENSE APPLICATION.] (a) [PROCEDURE.] An application for a license to act as an insurance agent shall be made to the commissioner by the person who seeks to be licensed. The application for license shall be accompanied by a written appointment from an admitted insurer authorizing the applicant to act as its agent under one or both classes of license. The insurer must also submit its check payable to the state treasurer for the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9) at the time the agent becomes licensed. The application and appointment shall be on forms prescribed by the commissioner.

If the applicant is a natural person, no license shall be issued until that natural person has become qualified.

If the applicant is a partnership or corporation, no license shall be issued until at least one natural person who is a partner, director, officer, stockholder, or employee shall be licensed as an insurance agent.

(b) [RESIDENT AGENT.] The commissioner shall issue a resident insurance agent's license to a qualified resident of this state as follows:

(1) a person may qualify as a resident of this state if that person resides in this state or the principal place of business of that person is maintained in this state. Application for a license claiming residency in this state for licensing purposes, shall constitute an election of residency in this state. Any license issued upon an application claiming residency in this state shall be void if the licensee, while holding a resident license in this state, also holds, or makes application for, a resident license in, or thereafter claims to be a resident of, any other state or jurisdiction or if the licensee ceases to be a resident of this state; provided, however, if the applicant is a resident of a community or trade area, the border of which is contiguous with the state line of this state, the applicant may qualify for a resident license in this state and at the same time hold a resident license from the contiguous state;

(2) the commissioner shall subject each applicant who is a natural person to a written examination as to the applicant's competence to act as an insurance agent. The examination shall be held at a reasonable time and place designated by the commissioner;

(3) the examination shall be approved for use by the commissioner and shall test the applicant's knowledge of the lines of insurance, policies, and transactions to be handled under the class of license applied for, of the duties and responsibilities of the licensee, and pertinent insurance laws of this state;

(4) the examination shall be given only after the applicant has completed a program of classroom studies in a school, which shall *not* include a school ~~conducted by an admitted insurer~~ *sponsored by, offered by, or affiliated with an insurance company or its agents; except that this limitation does not preclude a bona fide professional association of agents, not acting on behalf of an insurer, from offering courses.* The course of study shall consist

of 30 hours of classroom study devoted to the basic fundamentals of insurance for those seeking a Minnesota license for the first time, 15 hours devoted to specific life and health topics for those seeking a life and health license, and 15 hours devoted to specific property and casualty topics for those seeking a property and casualty license. The program of studies or study course shall have been approved by the commissioner in order to qualify under this clause. If the applicant has been previously licensed for the particular line of insurance in the state of Minnesota, the requirement of a program of studies or a study course shall be waived. A certification of compliance by the organization offering the course shall accompany the applicant's license application. This program of studies in a school or a study course shall not apply to farm property perils and farm liability applicants, or to agents writing such other lines of insurance as the commissioner may exempt from examination by order;

(5) the applicant must pass the examination with a grade determined by the commissioner to indicate satisfactory knowledge and understanding of the class or classes of insurance for which the applicant seeks qualification. The commissioner shall inform the applicant as to whether or not the applicant has passed;

(6) an applicant who has failed to pass an examination may take subsequent examinations. Examination fees for subsequent examinations shall not be waived; and

(7) any applicant for a license covering the same class or classes of insurance for which the applicant was licensed under a similar license in this state, other than a temporary license, within the three years preceding the date of the application shall be exempt from the requirement of a written examination, unless the previous license was revoked or suspended by the commissioner. An applicant whose license is not renewed under subdivision 20 is exempt from the requirement of a written examination.

(c) [NONRESIDENT AGENT.] The commissioner shall issue a nonresident insurance agent's license to a qualified person who is a resident of another state or country as follows:

(1) A person may qualify for a license under this section as a nonresident only if that person holds a license in another state, province of Canada, or other foreign country which, in the opinion of the commissioner, qualifies that person for the same activity as that for which a license is sought;

(2) The commissioner shall not issue a license to any nonresident applicant until that person files with the commissioner a designation of the commissioner and the commissioner's successors in office as the applicant's true and lawful attorney upon whom may be served all lawful process in any action, suit, or proceeding instituted by or on behalf of any interested person arising out of the applicant's insurance business in this state. This designation shall constitute an agreement that this service of process is of the same legal force and validity as personal service of process in this state upon that applicant.

Service of process upon any licensee in any action or proceeding commenced in any court of competent jurisdiction of this state may be made by serving the commissioner with appropriate copies of the process along with payment of the fee pursuant to section 60A.14, subdivision 1, paragraph (c), clause (4). The commissioner shall forward a copy of the process by registered or certified mail to the licensee at the last known address of

record or principal place of business of the licensee; and

(3) A nonresident license shall terminate automatically when the resident license for that class of license in the state, province, or foreign country in which the licensee is a resident is terminated for any reason.

(d) [DENIAL.] (1) If the commissioner finds that an applicant for a resident or nonresident license has not fully met the requirements for licensing, the commissioner shall refuse to issue the license and shall promptly give written notice to both the applicant and the appointing insurer of the denial, stating the grounds for the denial. All fees which accompanied the application and appointment shall be deemed earned and shall not be refundable.

(2) The commissioner may also deny issuance of a license for any cause that would subject the license of a licensee to suspension or revocation. If a license is denied pursuant to this clause, the provisions of subdivision 6c, paragraph (c) apply.

(3) The applicant may make a written demand upon the commissioner for a hearing within 30 days of the denial of a license to determine whether the reasons stated for the denial were lawful. The hearing shall be held pursuant to chapter 14.

(e) [TERM.] All licenses issued pursuant to this section shall remain in force until voluntarily terminated by the licensee, not renewed as prescribed in subdivision 1d, or until suspended or revoked by the commissioner. A voluntary termination shall occur when the license is surrendered to the commissioner with the request that it be terminated or when the licensee dies, or when the licensee is dissolved or its existence is terminated. In the case of a nonresident license, a voluntary termination shall also occur upon the happening of the event described in paragraph (c), clause (3).

Every licensed agent shall notify the commissioner within 30 days of any change of name, address, or information contained in the application.

(f) [SUBSEQUENT APPOINTMENTS.] A person who holds a valid agent's license from this state may solicit applications for insurance on behalf of an admitted insurer with which the licensee does not have a valid appointment on file with the commissioner; provided, that the licensee has permission from the insurer to solicit insurance on its behalf and, provided further, that the insurer upon receipt of the application for insurance submits a written notice of appointment to the commissioner accompanied by its check payable to the state treasurer in the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9). The notice of appointment shall be on a form prescribed by the commissioner.

(g) [AMENDMENT OF LICENSE.] An application to the commissioner to amend a license to reflect a change of name, or to include an additional class of license, or for any other reason, shall be on forms provided by the commissioner and shall be accompanied by the applicant's surrendered license and a check payable to the state treasurer for the amount of fee specified in section 60A.14, subdivision 1, paragraph (c).

An applicant who surrenders an insurance license pursuant to this clause retains licensed status until an amended license is received.

(h) [EXCEPTIONS.] The following are exempt from the general licensing requirements prescribed by this section:

(1) agents of township mutuals who are exempted pursuant to subdivision 1b;

(2) fraternal beneficiary association representatives exempted pursuant to subdivision 1c;

(3) any regular salaried officer or employee of a licensed insurer, without license or other qualification, may act on behalf of that licensed insurer in the negotiation of insurance for that insurer; provided that a licensed agent must participate in the sale of any such insurance;

(4) employers and their officers or employees, and the trustees or employees of any trust plan, to the extent that the employers, officers, employees, or trustees are engaged in the administration or operation of any program of employee benefits for the employees of the employers or employees of their subsidiaries or affiliates involving the use of insurance issued by a licensed insurance company; provided, that the activities of the officers, employees and trustees are incidental to clerical or administrative duties and their compensation does not vary with the volume of insurance or applications therefor;

(5) employees of a creditor who enroll debtors for life or accident and health insurance; provided the employees receive no commission or fee therefor; and

(6) clerical or administrative employees of an insurance agent who take insurance applications or receive premiums in the office of their employer, if the activities are incidental to clerical or administrative duties and the employee's compensation does not vary with the volume of the applications or premiums; and

(7) rental vehicle companies and their employees in connection with the offer of rental vehicle personal accident insurance under section 72A.125.

Sec. 6. Minnesota Statutes 1986, section 60A.17, subdivision 2c, is amended to read:

Subd. 2c. ~~[MANDATORY TEMPORARY LICENSES.]~~ The commissioner ~~shall~~ may grant a temporary insurance agent's license to a person who has ~~submitted an application for a resident license which is accepted by the commissioner and who has~~ successfully completed the examination, if any, required by the commissioner. The temporary license ~~shall~~ may be granted ~~no later than as of~~ the date upon which the applicant receives written notice from the commissioner that ~~the application for resident license has been accepted by the commissioner and that~~ the person has passed any required examination. A temporary license will permit the applicant to act as an insurance agent for the original appointing insurer for the class of business specified therein until the earlier of (a) receipt by the applicant of the resident license, or (b) the expiration of 90 days from the date on which the temporary license was granted.

Sec. 7. Minnesota Statutes 1986, section 60A.17, subdivision 11, is amended to read:

Subd. 11. ~~[LIFE COMPANY AGENTS INSURER'S AGENT.]~~ Any person who ~~shall solicit an application for~~ solicits insurance ~~upon the life of another shall; in any controversy between the assured or the assured's beneficiary and the company issuing any policy upon such application, be regarded as is the agent of the company insurer and not the agent of the assured insured.~~

Sec. 8. Minnesota Statutes 1986, section 60A.17, subdivision 13, is amended to read:

Subd. 13. [AGENTS; VARIABLE CONTRACTS.] (a) [LICENSE REQUIRED.] No person shall sell or offer for sale a contract on a variable basis unless prior to making any solicitation or sale the person has obtained from the commissioner a license therefor. The license shall only be granted, upon the written requisition of an insurer, to a qualified person who holds a current license authorizing the person to solicit and sell life insurance and annuity contracts in this state. To become qualified, a person shall complete a written application on a form prescribed by the commissioner and shall take and pass an examination prescribed by the commissioner. ~~Prior to the taking of the examination, or upon reexamination, the applicant shall transmit to the commissioner, by money order or cashiers check payable to the state treasurer, an examination fee of \$10.~~

(b) [EXCEPTIONS.] (1) Any regularly salaried officer or employee of a licensed insurer may, without license or other qualification, act on behalf of that licensed insurer in the negotiation of a contract on a variable basis, provided that a licensed agent must participate in the sale of any contract.

(2) Any person who, on July 1, 1969, holds a valid license authorizing the person to solicit and sell life insurance and annuity contracts and who also holds a valid license issued by the department of commerce authorizing the person to sell or offer for sale contracts on a variable basis shall be issued a license by the commissioner of commerce upon application therefor and payment of a \$2 fee, which license shall expire on May 31, 1970, unless renewed by an insurer as provided in paragraph (a).

(3) Any person who holds a valid license to solicit and sell life insurance and annuity contracts may solicit and sell contracts on a variable basis without acquiring a license under this subdivision if the contract is based on an account which is excluded from the definition of investment company under the Investment Company Act of 1940, United States Code, title 15, section 80a-3(11).

(c) [RULES.] The commissioner may by rules waive or modify any of the foregoing requirements or prescribe additional requirements deemed necessary for the proper sale and solicitation of contracts on a variable basis.

Sec. 9. Minnesota Statutes 1986, section 60A.1701, subdivision 7, is amended to read:

Subd. 7. [CRITERIA FOR COURSE ACCREDITATION.] (a) The commissioner may accredit a course only to the extent it is designed to impart substantive and procedural knowledge of the insurance field. The burden of demonstrating that the course satisfies this requirement is on the individual or organization seeking accreditation. The commissioner shall approve any educational program approved by Minnesota Continuing Legal Education relating to the insurance field.

(b) The commissioner may not accredit a course:

- (1) that is designed to prepare students for a license examination;
- (2) in mechanical office or business skills, including typing, speedreading, use of calculators, or other machines or equipment;
- (3) in sales promotion, including meetings held in conjunction with the



general business of the licensed agent; or

(4) in motivation, the art of selling, psychology, or time management;

(5) *unless the student attends classroom instruction conducted by an instructor approved by the department of commerce;*

(6) *which can be completed by the student at home or outside the classroom without the supervision of an instructor approved by the department of commerce.*

Sec. 10. Minnesota Statutes 1986, section 60A.1701, subdivision 8, is amended to read:

Subd. 8. [MINIMUM EDUCATION REQUIREMENT.] Each person subject to this section shall complete annually a minimum of 20 credit hours of courses accredited by the commissioner. Any person teaching or lecturing at an accredited course qualifies for 1-1/2 times the number of credit hours that would be granted to a person completing the accredited course. ~~Credit hours over 20 earned in any one year may be carried forward for the following two years. The commissioner may recognize accredited courses completed in 1983, 1984, or 1985 for the minimum education requirement for 1985. No more than ten credit hours per year may be credited to a person for courses sponsored by, offered by, or affiliated with an insurance company or its agents. Courses sponsored by, offered by, or affiliated with an insurance company or agent may restrict its students to agents of the company or agency.~~

Sec. 11. Minnesota Statutes 1986, section 60A.196, is amended to read:

60A.196 [DEFINITIONS.]

Unless the context otherwise requires, the following terms have the meanings given them for the purposes of sections 60A.195 to 60A.209:

(a) "Surplus lines insurance" means insurance placed with an insurer permitted to transact the business of insurance in this state only pursuant to sections 60A.195 to 60A.209.

(b) "Eligible surplus lines insurer" means an insurer recognized as eligible to write insurance business under sections 60A.195 to 60A.209 but not licensed by any other Minnesota law to transact the business of insurance.

(c) "Ineligible surplus lines insurer" means an insurer not recognized as an eligible surplus lines insurer pursuant to sections 60A.195 to 60A.209 and not licensed by any other Minnesota law to transact the business of insurance. *"Ineligible surplus insurer" includes a risk retention group as defined under the Liability Risk Retention Act, Public Law Number 99-563.*

(d) "Surplus lines licensee" or "licensee" means a person licensed under sections 60A.195 to 60A.209 to place insurance with an eligible or ineligible surplus lines insurer.

(e) "Association" means an association registered under section 60A.208.

(f) "Alien insurer" means any insurer which is incorporated or otherwise organized outside of the United States.

(g) "Insurance laws" means chapters 60 to 79 inclusive.

Sec. 12. Minnesota Statutes 1986, section 60A.197, is amended to read:

## 60A.197 [RATES AND FORMS.]

(a) Rates used by eligible and ineligible surplus lines insurers shall not be subject to the insurance laws except that a rate shall not be *excessive, inadequate, or unfairly discriminatory and shall be subject to sections 70A.04, 70A.05, and 70A.11.*

(b) Forms used by eligible and ineligible surplus lines insurers pursuant to sections 60A.195 to 60A.209 ~~shall not be~~ are subject to the ~~insurance laws, except that a section 70A.08, subdivision 3.~~ *If a rate service organization has not adopted a form for a particular type of insured, or if the commissioner has not restricted approval to the form adopted by the rate service organization, then forms used by surplus lines insurers are not subject to section 70A.08, subdivision 3. No policy shall not may contain language which misrepresents the true nature of the policy or class of policies. Except as otherwise required in this section, forms used by surplus lines insurers under sections 60A.192 to 60A.195 are not subject to the insurance laws.*

Sec. 13. Minnesota Statutes 1986, section 60A.198, subdivision 3, is amended to read:

Subd. 3. [PROCEDURE FOR OBTAINING LICENSE.] A person licensed as a ~~resident~~ *an agent* in this state pursuant to other law may obtain a surplus lines license by doing the following:

(a) filing an application in the form and with the information the commissioner may reasonably require to determine the ability of the applicant to act in accordance with sections 60A.195 to 60A.209;

(b) maintaining a ~~resident agent~~ *an agent's* license in this state;

(c) delivering to the commissioner a financial guarantee bond from a surety acceptable to the commissioner for the greater of the following:

(1) \$5,000; or

(2) the largest semiannual surplus lines premium tax liability incurred by the applicant in the immediately preceding five years; and

(d) agreeing to file with the commissioner of revenue no later than February 15 and August 15 annually, a sworn statement of the charges for insurance procured or placed and the amounts returned on the insurance canceled under the license for the preceding six-month period ending December 31 and June 30 respectively, and at the time of the filing of this statement, paying the commissioner a tax on premiums equal to three percent of the total written premiums less cancellations; and

(e) annually paying a fee as prescribed by section 60A.14, subdivision 1, paragraph (c), clause (11).

## Sec. 14. [60A.2095] [CONSTRUCTION.]

*Nothing in sections 60A.195 to 60A.209 shall be construed to permit the state to impose requirements beyond those granted by the Liability Risk Retention Act, Public Law Number 99-563.*

Sec. 15. Minnesota Statutes 1986, section 60A.23, subdivision 8, is amended to read:

Subd. 8. [SELF-INSURANCE OR INSURANCE PLAN ADMINISTRATORS; WHO ARE VENDORS OF RISK MANAGEMENT SERVICES.]

(1) [SCOPE.] This subdivision applies to any vendor of risk management services and to any entity which administers, for compensation, a self-insurance or insurance plan. This subdivision does not apply (a) to an insurance company authorized to transact insurance in this state, as defined by section 60A.06, subdivision 1, clauses (4) and (5); (b) to a service plan corporation, as defined by section 62C.02, subdivision 6; (c) to a health maintenance organization, as defined by section 62D.02, subdivision 4; (d) to an employer directly operating a self-insurance plan for its employees' benefits; or (e) to an entity which administers a program of health benefits established pursuant to a collective bargaining agreement between an employer, or group or association of employers, and a union or unions.

(2) [DEFINITIONS.] For purposes of this subdivision the following terms have the meanings given them.

(a) "Administering a self-insurance or insurance plan" means (i) processing, reviewing or paying claims, (ii) establishing or operating funds and accounts, or (iii) otherwise providing necessary administrative services in connection with the operation of a self-insurance or insurance plan.

(b) "Employer" means an employer, as defined by section 62E.02, subdivision 2.

(c) "Entity" means any association, corporation, partnership, sole proprietorship, trust, or other business entity engaged in or transacting business in this state.

(d) "Self-insurance or insurance plan" means a plan providing life, medical or hospital care, accident, sickness or disability insurance, as an employee fringe benefit, or a plan providing liability coverage for any other risk or hazard, which is or is not directly insured or provided by a licensed insurer, service plan corporation, or health maintenance organization.

(e) "Vendor of risk management services" means an entity providing for compensation actuarial, financial management, accounting, legal or other services for the purpose of designing and establishing a self-insurance or insurance plan for an employer.

(3) [LICENSE.] No vendor of risk management services or entity administering a self-insurance or insurance plan may transact this business in this state unless it is licensed to do so by the commissioner. An applicant for a license shall state in writing the type of activities it seeks authorization to engage in and the type of services it seeks authorization to provide. The license may be granted only when the commissioner is satisfied that the entity possesses the necessary organization, background, expertise, and financial integrity to supply the services sought to be offered. The commissioner may issue a license subject to restrictions or limitations upon the authorization, including the type of services which may be supplied or the activities which may be engaged in. The license fee is \$100. All licenses are for a period of two years.

(4) [REGULATORY RESTRICTIONS; POWERS OF THE COMMISSIONER.] To assure that self-insurance or insurance plans are financially solvent, are administered in a fair and equitable fashion, and are processing claims and paying benefits in a prompt, fair, and honest manner, vendors of risk management services and entities administering insurance or self-insurance plans are subject to the supervision and examination by the commissioner. Vendors of risk management services, entities administering insurance or self-insurance plans, and insurance or self-insurance plans

established or operated by them are subject to the trade practice requirements of sections 72A.19 to 72A.30.

(5) [RULE MAKING AUTHORITY.] To carry out the purposes of this subdivision, the commissioner may adopt rules, including emergency rules, pursuant to sections 14.01 to ~~14.70~~ 14.69. These rules may:

(a) establish reporting requirements for administrators of *insurance or self-insurance plans*;

(b) establish standards and guidelines to assure the adequacy of financing, reinsuring, and administration of *insurance or self-insurance plans*;

(c) establish bonding requirements or other provisions assuring the financial integrity of entities administering *insurance or self-insurance plans*; or

(d) establish other reasonable requirements to further the purposes of this subdivision.

Sec. 16. Minnesota Statutes 1986, section 60A.29, subdivision 2, is amended to read:

Subd. 2. [PURPOSE.] The purpose of this section is to authorize the establishment of trust funds for the purpose of indemnifying nonprofit beneficiary organizations and their officers, directors, and agents for financial loss due to the imposition of legal liability *or for damage or destruction of property*, and to regulate the operation of trust funds established under this section.

Sec. 17. Minnesota Statutes 1986, section 60A.29, subdivision 5, is amended to read:

Subd. 5. [INELIGIBLE RISKS.] No trust fund established under this section shall indemnify any beneficiary for ~~property loss~~, liabilities incurred under the workers' compensation act, or for benefits provided to employees pursuant to any medical, dental, life, or disability income protection plan.

Sec. 18. Minnesota Statutes 1986, section 60A.29, subdivision 16, is amended to read:

Subd. 16. [REINSURANCE.] Authorized trust funds may insure or reinsure their obligations and liabilities with:

(1) insurance companies authorized to do business in Minnesota, pursuant to section 60A.06; ~~or with~~;

(2) *insurance* companies similarly authorized in any other state of the United States;

(3) *insurance companies not authorized in Minnesota or any other state if the unauthorized insurance company establishes reinsurance security in favor of the ceding trust fund conforming to the general rules for allowance of reinsurance credits stated in the Financial Condition Examiners Handbook adopted by the National Association of Insurance Commissioners; or*

(4) *other trust funds organized under this section or under similar laws of any other state if the reinsuring trust fund establishes reinsurance security as specified in clause (3) in favor of the ceding trust fund.*

Sec. 19. Minnesota Statutes 1986, section 60A.29, is amended by adding

a subdivision to read:

*Subd. 22. [FOREIGN TRUST FUNDS.] A trust fund organized and existing under the laws of another state for the sole purpose of indemnifying nonprofit beneficiary organizations and their officers, directors, and agents for financial loss due to the imposition of legal liability or for damage or destruction of property, as provided in subdivisions 2 and 4, may apply to the commissioner for authority to operate within this state, provided that:*

*(1) the trust fund has been continuously in operation for a period of not less than five years prior to the date it applies for authorization under this subdivision, during which period it must have issued only nonassessable indemnification agreements to its beneficiaries, and during each of those years the trust fund received not less than \$1,000,000 in contributions from beneficiaries for protections afforded by the trust fund;*

*(2) the trust fund has been authorized by and is subject to regulation and examination by the department of insurance of its domiciliary state;*

*(3) the trust fund must file with the commissioner its trust agreement, bylaws or plan of operation, schedule of benefits, forms of indemnification agreements, and contribution schedules applicable to beneficiaries in this state;*

*(4) the trust fund must be governed by a board of not fewer than five trustees, all of whom must be elected by the beneficiaries of the trust fund, and none of whom may receive compensation for service as a trustee;*

*(5) the trust fund has, as of the last day of the calendar year immediately prior to its application for authority, a net fund balance surplus of not less than \$1,000,000, as evidenced by its financial statements certified by an independent certified public accountant in accordance with generally accepted accounting principles consistently applied; and*

*(6) the trust fund must, upon and at all times after authorization by the commissioner, maintain a registered office within this state.*

Sec. 20. Minnesota Statutes 1986, section 60A.29, is amended by adding a subdivision to read:

*Subd. 23. [STANDARDS FOR AUTHORIZATION.] Within 60 days after receipt of the documents specified under subdivision 22 and supporting evidence which establishes compliance with the standards set forth under that subdivision, the commissioner shall grant to the trust fund a certificate of authority to conduct operations in this state. The operations in this state are subject to the limitations and standards set forth in subdivisions 4 to 22 of this section. In the event an authorized foreign trust fund violates one of those subdivisions or the rules of the commissioner applicable to foreign trust funds, the commissioner may suspend or revoke the certificate of authority.*

Sec. 21. Minnesota Statutes 1986, section 60A.29, is amended by adding a subdivision to read:

*Subd. 24. [RULES.] The commissioner may adopt rules to enforce and administer requirements of sections 19 and 20.*

Sec. 22. Minnesota Statutes 1986, section 60A.30, is amended to read:

**60A.30 [RENEWAL OF INSURANCE POLICY WITH ALTERED**

## RATES.]

If an insurance company licensed to do business in this state offers or purports to offer to renew any commercial liability and/or property insurance policy at less favorable terms as to the dollar amount of coverage or deductibles, higher rates, and/or higher rating plan, the new terms, the new rates and/or rating plan may take effect on the renewal date of the policy if the insurer has sent to the policyholder notice of the new terms, new rates and/or rating plan at least 30 60 days prior to the expiration date. If the insurer has not so notified the policyholder, the policyholder may elect to cancel the renewal policy within the 30-day 60-day period after receipt of the notice. Earned premium for the period of coverage, if any, shall be calculated pro rata upon the prior rate. This subdivision does not apply to ocean marine insurance, accident and health insurance, and reinsurance.

*This section does not apply if the change relates to guide "a" rates or excess rates also known as "consent to rates."*

Sec. 23. Minnesota Statutes 1986, section 60A.31, is amended to read:

**60A.31 [MIDTERM CANCELLATION WORKER'S COMPENSATION INSURANCE.]**

In addition to the requirements of Minnesota Statutes 1984, section 176.185, subdivision 1, ~~no~~ a policy of insurance issued to cover the liability to pay compensation under Minnesota Statutes 1984, chapter 176, shall be ~~canceled by the insurer within the policy period unless the insurer has also complied with the requirements of such rules as the commissioner of commerce may adopt in regard to the cancellation of commercial liability and/or commercial property insurance policies comply with sections 60A.30 and 60A.35 to 60A.38.~~

**Sec. 24. [60A.35] [SCOPE.]**

*Except as specifically limited in section 60A.30, sections 24 to 27 apply to all commercial liability and/or property insurance policies issued by companies licensed to do business in this state except ocean marine insurance, accident and health insurance, excess insurance, surplus lines insurance, and reinsurance.*

**Sec. 25. [60A.36] [MIDTERM CANCELLATION.]**

*Subdivision 1. [REASON FOR CANCELLATION.] No insurer may cancel a policy of commercial liability and/or property insurance during the term of the policy, except for one or more of the following reasons:*

- (1) nonpayment of premium;*
- (2) misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or in pursuing a claim under the policy;*
- (3) actions by the insured that have substantially increased or substantially changed the risk insured;*
- (4) refusal of the insured to eliminate known conditions that increase the potential for loss after notification by the insurer that the condition must be removed;*
- (5) substantial change in the risk assumed, except to the extent that the insurer should reasonably have foreseen the change or contemplated the risk in writing the contract;*

(6) loss of reinsurance by the insurer which provided coverage to the insurer for a significant amount of the underlying risk insured. A notice of cancellation under this clause shall advise the policyholder that the policyholder has ten days from the date of receipt of the notice to appeal the cancellation to the commissioner of commerce and that the commissioner will render a decision as to whether the cancellation is justified because of the loss of reinsurance within five business days after receipt of the appeal;

(7) a determination by the commissioner that the continuation of the policy could place the insurer in violation of the insurance laws of this state; or

(8) nonpayment of dues to an association or organization, other than an insurance association or organization, where payment of dues is a prerequisite to obtaining or continuing the insurance. This provision for cancellation for failure to pay dues does not apply to persons who are retired at 62 years of age or older or who are disabled according to social security standards.

Subd. 2. [NOTICE.] Cancellation under subdivision 1, clauses (2) to (8), shall not be effective before 60 days after notice to the policyholder. The notice of cancellation shall contain a specific reason for cancellation as provided in subdivision 1.

A policy shall not be canceled for nonpayment of premium pursuant to subdivision 1, clause (1), unless the insurer, at least ten days before the effective cancellation date, has given notice to the policyholder of the amount of premium due and the due date. The notice shall state the effect of nonpayment by the due date. No cancellation for nonpayment of premium shall be effective if payment of the amount due is made before the effective date in the notice.

Subd. 3. [NEW POLICIES.] Subdivisions 1 and 2 do not apply to any insurance policy that has not been previously renewed if the policy has been in effect less than 90 days at the time the notice of cancellation is mailed or delivered. No cancellation under this subdivision is effective until at least ten days after the written notice to the policyholder.

Subd. 4. [LONGER TERM POLICIES.] A policy may be issued for a term longer than one year or for an indefinite term with a clause providing for cancellation by the insurer for the reasons stated in subdivision 1 by giving notice as required by subdivision 2 at least 60 days before any anniversary date.

#### Sec. 26. [60A.37] [NONRENEWAL.]

Subdivision 1. [NOTICE REQUIRED.] At least 60 days before the date of expiration provided in the policy, a notice of intention not to renew the policy beyond the agreed expiration date must be made to the policyholder by the insurer. If the notice is not given at least 60 days before the date of expiration provided in the policy, the policy shall continue in force until 60 days after a notice of intent not to renew is received by the policyholder.

Subd. 2. [EXCEPTIONS.] This section does not apply if the policyholder has insured elsewhere, has accepted replacement coverage, or has requested or agreed to nonrenewal.

#### Sec. 27. [60A.38] [INTERPRETATION AND PENALTIES.]

*Subdivision 1. [SECTIONS NOT EXCLUSIVE.] Sections 24 to 27 are not exclusive, and the commissioner may also consider other provisions of Minnesota law to be applicable to the circumstances or situations addressed by sections 24 to 27. The rights provided by sections 24 to 27 are in addition to and do not prejudice any other rights the policyholder may have at common law, under statute, or rules.*

*Subd. 2. [PENALTIES.] A violation of any provisions of sections 24 to 27 shall be deemed to be an unfair trade practice in the business of insurance and shall subject the violator to the penalties provided by sections 72A.17 to 72A.32 in addition to any other penalty provided by law.*

*Subd. 3. [NOTICES REQUIRED.] All notices required by sections 24 to 27 shall only be made by first class mail addressed to the policyholder's last known address or by delivery to the policyholder's last known address. Notice by first class mail is effective upon deposit in the United States mail. In addition to giving notice to the policyholder, the insurer must also give notice to the agent of record, if any, in the manner specified for the policyholder.*

Sec. 28. Minnesota Statutes 1986, section 60B.44, subdivision 1, is amended to read:

**Subdivision 1. [DEDUCTIBLE PROVISION.]** The distribution of claims from the insurer's estate shall be in the order stated in this section with a descending degree of preference for each subdivision. ~~The first \$50 of the amount allowed on each claim in the classes under subdivisions 3 to 7 shall be deducted from the claim and included in the class under subdivision 9. Claims may not be cumulated by assignment to avoid application of the \$50 deductible provision. Subject to the \$50 deductible provision.~~ Every claim in each class shall be paid in full or adequate funds retained for the payment before the members of the next class receive any payment. No subclasses shall be established within any class.

Sec. 29. Minnesota Statutes 1986, section 60B.44, subdivision 4, is amended to read:

**Subd. 4. [LOSS CLAIMS; INCLUDING CLAIMS NOT COVERED BY A GUARANTY ASSOCIATION.]** All claims under policies or contracts of coverage for losses incurred including third party claims, and all claims against the insurer for liability for bodily injury or for injury to or destruction of tangible property which are not under policies or contracts, ~~except the first \$200 of losses otherwise payable to any claimant under this subdivision.~~ All claims under life insurance and annuity policies, whether for death proceeds, annuity proceeds, or investment values, shall be treated as loss claims. ~~Claims may not be cumulated by assignment to avoid application of the \$200 deductible provision.~~ That portion of any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant shall not be included in this class, other than benefits or advantages recovered or recoverable in discharge of familial obligations of support or by way of succession at death or as proceeds of life insurance, or as gratuities. No payment made by an employer to an employee shall be treated as a gratuity. *Claims not covered by a guaranty association are loss claims. If any portion of a claim is covered by a reinsurance treaty or similar contractual obligation, that claim shall be entitled to a pro rata share, based upon the relationship the claim amount bears to all claims payable under the treaty or contract, of the proceeds received under that treaty or contractual obligation.*



*Claims receiving pro rata payments shall not, as to any remaining unpaid portion of their claim, be treated in a different manner than if no such payment had been received.*

Sec. 30. Minnesota Statutes 1986, section 60B.44, subdivision 5, is amended to read:

Subd. 5. [UNEARNED PREMIUMS AND SMALL LOSS CLAIMS.] Claims under nonassessable policies or contracts of coverage for unearned premiums or subscription rates or other refunds ~~and the first \$200 of loss excepted by the deductible provision in subdivision 4.~~

Sec. 31. Minnesota Statutes 1986, section 60B.44, subdivision 9, is amended to read:

Subd. 9. [MISCELLANEOUS SUBORDINATED CLAIMS.] The remaining claims or portions of claims not already paid, with interest as in subdivision 8.

(a) ~~The first \$50 of each claim in the classes under subdivisions 3 to 7 subordinated under this section;~~

~~(b)~~ Claims under section 60B.39, subdivision 2;

~~(e)~~ (b) Claims subordinated by section 60B.61;

~~(d)~~ (c) Except to the extent excused or otherwise permitted pursuant to section 60B.37, claims filed late;

~~(e)~~ (d) Portions of claims subordinated under subdivision 6; and

~~(f)~~ (e) Claims or portions of claims payment of which is provided by other benefits or advantages recovered or recoverable by the claimant.

Sec. 32. Minnesota Statutes 1986, section 60C.08, subdivision 1, is amended to read:

Subdivision 1. The board of directors of the association shall consist of nine persons. *Two of the directors shall be public members and seven shall be insurer members. The public members shall be appointed by the commissioner. Public members may include licensed insurance agents. The insurer members of the board shall be selected by association members subject to the approval of the commissioner. Vacancies on the board shall be filled for the remaining period of the term in the same manner as initial appointments. The term of appointment for all members is two years.*

Sec. 33. Minnesota Statutes 1986, section 60C.09, is amended to read:  
60C.09 [COVERED CLAIMS.]

Subdivision 1. [DEFINITION.] A covered claim is any unpaid claim, including one for unearned premium, which:

(a) (1) Arises out of and is within the coverage of an insurance policy issued by a member insurer if the insurer becomes an insolvent insurer after April 30, 1979; or

(2) *Would be within the coverage of an extended reporting endorsement to a claims-made insurance policy if insolvency had not prevented the member insurer from fulfilling its obligation to issue the endorsement, if:*

(i) *the claims-made policy contained a provision affording the insured the right to purchase a reporting endorsement;*

(ii) coverage will be no greater than if a reporting endorsement had been issued;

(iii) the insured has not purchased other insurance which applies to the claim; and

(iv) the insured's deductible under the policy is increased by an amount equal to the premium for the reporting endorsement, as provided in the insured's claims-made policy, or if not so provided, then as established by a rate service organization.

(b) Arises out of a class of business which is not excepted from the scope of Laws 1971, chapter 145 by section 60C.02; and

(c) Is made by:

(i) A policyholder, or an insured beneficiary under a policy, who, at the time of the insured event, was a resident of this state; or

(ii) A person designated in the policy as having an insurable interest in or related to property situated in this state at the time of the insured event; or

(iii) An obligee or creditor under any surety bond, who, at the time of default by the principal debtor or obligor, was a resident of this state; or

(iv) A third party claimant under a liability policy or surety bond, if: (a) the insured or the third party claimant was a resident of this state at the time of the insured event; (b) the claim is for bodily or personal injuries suffered in this state by a person who when injured was a resident of this state; or (c) the claim is for damages to real property situated in this state at the time of damage; or

(v) A direct or indirect assignee of a person who except for the assignment might have claimed under (i), (ii) or (iii).

*For purposes of paragraph (c), item (i), unit owners of condominiums, townhouses, or cooperatives are considered as having an insurable interest.*

A covered claim also includes any unpaid claim which arises or exists within 30 days after the time of entry of an order of liquidation with a finding of insolvency by a court of competent jurisdiction unless prior thereto the insured replaces the policy or causes its cancellation or the policy expires on its expiration date.

Subd. 2. [LIMITATION OF AMOUNT.] Payment of a covered claim, *except a claim for unearned premium by any single claimant, whether upon a single policy or multiple policies of insurance*, is limited to the amount by which the allowance on any claim exceeds \$100 and is less than \$300,000. *In the case of claim for unearned premium, the entire claim up to \$300,000 shall be allowed.* The limitation on the amount of payment for a covered claim does not apply to claims for workers' compensation insurance. In no event is the association obligated to the policyholder or claimant in an amount in excess of the obligation of the insurer under the policy from which the claim arises.

Sec. 34. Minnesota Statutes 1986, section 60C.12, is amended to read:

60C.12 [APPEAL AND REVIEW.]

Subdivision 1. [APPEAL.] A claimant whose claim has been declared to be not covered or reduced by the board under section 60C.10 may appeal

to the board within 30 days after the claimant has been notified of the board's decision and of the rights of the claimant under this section.

Subd. 2. [REVIEW.] Decisions of the board under subdivision 1 are subject to ~~judicial review~~ appeal to the commissioner of commerce who may overturn, affirm, or modify the board's actions or take other action the commissioner considers appropriate.

*The appeal to the commissioner must be in the manner provided in chapter 14.*

Subd. 3. [JUDICIAL REVIEW.] A final action or order of the commissioner under this subdivision is subject to judicial review in the manner provided by chapter 14. In lieu of the appeal to the commissioner under subdivision 2, a claimant may seek judicial review of the board's actions.

#### Sec. 35. [60E.01] [ESTABLISHMENT.]

*Any three or more employers, excluding the state and its political subdivisions as described in section 471.617, subdivision 1, who are authorized to transact business in Minnesota may jointly self-insure for any property and/or casualty or automobile liability. Joint plans must meet all conditions and terms of this chapter.*

#### Sec. 36. [60E.02] [EXCESS STOP-LOSS COVERAGE.]

*A joint self-insurance plan must include aggregate excess stop-loss coverage and individual excess stop-loss coverage provided by an insurance company licensed by the state of Minnesota. Aggregate excess stop-loss coverage must include provisions to cover the excess claims of incurred, unpaid claim liability even in the event of plan termination. The joint plan must bear the risk of coverage for any member of the pool that becomes insolvent with outstanding contribution due by providing a surety bond from a Minnesota licensed surety in the amount of one year's contribution. In addition, the plan of self-insurance must have participants fund an amount at least equal to the point at which the excess or stop-loss insurer must assume 100 percent of the excess coverage limits of additional liability. A joint self-insurance plan must submit its proposed excess or stop-loss insurance contract to the commissioner of commerce at least 30 days prior to the proposed plan's effective date and at least 30 days subsequent to any renewal date. The commissioner shall review the contract to determine if it meets the standards established by this chapter and respond within a 30-day period. An excess or stop-loss insurance plan must be noncancelable for a minimum term of one year.*

#### Sec. 37. [60E.03] [LIMITATION ON ADMINISTRATIVE SERVICES.]

*No joint self-insurance plan may offer marketing, risk management, or administrative services unless these services are provided by vendors duly licensed by the commissioner to provide these services. No vendor of these services may be a trustee of a joint self-insurance plan for which they provide marketing, risk management, or administrative services.*

#### Sec. 38. [60E.04] [APPLICABILITY OF PROVISIONS.]

*A joint self-insurance plan is subject to the requirements of the applicable parts of chapters 60A, 65A, 65B, 72A.20, 72B, and 72C, unless otherwise specifically exempt. A joint self-insurance plan must offer a plan which complies with all applicable rules and statutes.*

#### Sec. 39. [60E.05] [FUND MANAGEMENT.]

*Funds collected from the participants under joint self-insurance plans must be held in trust subject to the following requirements:*

*(a) A board of trustees elected by the participants shall serve as fund managers on behalf of participants. Trustees must be plan participants. No participants may be represented by more than one trustee. A minimum of three and a maximum of seven trustees may be elected. Trustees shall receive no remuneration, but they may be reimbursed for actual and reasonable expenses incurred in connection with duties as trustees.*

*(b) Trustees must be bonded in an amount not less than \$100,000 nor more than \$500,000 from a licensed bonding company.*

*(c) Investment of plan funds is subject to the same restrictions as are applicable to political subdivisions pursuant to section 475.66. All investments must be managed by a bank or other investment organization licensed to operate in Minnesota.*

*(d) Trustees, on behalf of the fund, shall file annual reports with the commissioner of commerce within 30 days immediately following the end of each calendar year. The reports must summarize the financial condition of the fund, itemize collection from participants, and detail all fund expenditures.*

#### Sec. 40. [60E.06] [RULES.]

*The commissioner of commerce shall adopt rules, including emergency rules, to ensure the solvency and operation of all self-insured plans subject to this chapter. The commissioner may examine the joint self-insurance plans pursuant to sections 60A.03 and 60A.031.*

#### Sec. 41. [60E.07] [REVENUE FEE.]

*A joint self-insurance plan shall pay a two percent revenue fee. This revenue must be computed based on two percent of the paid claims level for the most recently completed calendar year. This revenue must be deposited in the general fund.*

#### Sec. 42. [60E.08] [APPLICABILITY.]

*A joint self-insurance plan is not an insurer for purposes of chapter 60C.*

#### Sec. 43. [61A.092] [CONTINUATION OF COVERAGE FOR LIFE INSURANCE.]

*Subdivision 1. [CONTINUATION OF COVERAGE.] Every group insurance policy issued or renewed within this state after August 1, 1987, providing coverage for life insurance benefits shall contain a provision that permits covered employees who are voluntarily or involuntarily terminated or laid off from their employment, if the policy remains in force for any active employee of the employer, to elect to continue the coverage for themselves and their dependents.*

*An employee is considered to be laid off from employment if there is a reduction in hours to the point where the employee is no longer eligible for coverage under the group life insurance policy. Termination does not include discharge for gross misconduct.*

*Subd. 2. [RESPONSIBILITY OF EMPLOYEE.] Every covered employee electing to continue coverage shall pay the employee's former employer, on a monthly basis, the cost of the continued coverage. In no event shall the amount of premium charged exceed 102 percent of the cost to the plan*

for such period of coverage for other similarly situated employees with respect to whom neither termination nor layoff has occurred, without respect to whether such cost is paid by the employer or employee. The employee is eligible to continue the coverage until the employee obtains coverage under another group policy, or for a period of 18 months after the termination or layoff from employment, whichever is shorter.

Subd. 3. [NOTICE OF OPTIONS.] Upon termination of or layoff from employment of a covered employee, the employer shall inform the employee of:

- (1) the employee's right to elect to continue the coverage;
- (2) the amount the employee must pay monthly to the employer to retain the coverage;
- (3) the manner in which and the office of the employer to which the payment to the employer must be made; and
- (4) the time by which the payments to the employer must be made to retain coverage.

The employee has 60 days within which to elect coverage. The 60-day period shall begin to run on the date coverage would otherwise terminate or on the date upon which notice of the right to coverage is received, whichever is later.

Notice must be in writing and sent by first class certified mail to the employee's last known address which the employee has provided to the employer.

A notice in substantially the following form is sufficient: "As a terminated or laid off employee, the law authorizes you to maintain your group insurance benefits for a period of up to 18 months. To do so, you must notify your former employer within 60 days of your receipt of this notice that you intend to retain this coverage and must make a monthly payment of \$ \_\_\_\_\_ at \_\_\_\_\_ by the \_\_\_\_\_ of each month."

Subd. 4. [RESPONSIBILITY OF EMPLOYER AND INSURER.] If the employer fails to notify a covered employee of the options set forth in subdivision 3, or if after timely receipt of the monthly payment from a covered employee the employer fails to make the payment to the insurer, with the result that the employee's coverage is terminated, the employer is still liable for the employee's coverage to the same extent as the insurer would be if the coverage were still in effect.

Subd. 5. [CONVERSION TO INDIVIDUAL POLICY.] A group insurance policy that provides posttermination or layoff coverage as required by this section must also include a provision allowing a covered employee, surviving spouse, or dependent at the expiration of the posttermination or layoff coverage provided by subdivision 2 to obtain from the insurer offering the group policy, at the employee's, spouse's, or dependent's option and expense, without further evidence of insurability and without interruption of coverage, an individual policy of insurance contract providing the same or substantially similar benefits.

A policy providing reduced benefits at a reduced premium rate may be accepted by the employee, the spouse, or a dependent in lieu of the coverage otherwise required by this subdivision.

Sec. 44. Minnesota Statutes 1986, section 61A.28, subdivision 12, is

amended to read:

Subd. 12. [ADDITIONAL INVESTMENTS.] Investments of any kind, without regard to the categories, conditions, standards, or other limitations set forth in the foregoing subdivisions and section 61A.31, subdivision 3, except that the prohibitions in clause (d) of subdivision 3 remains applicable, may be made by a domestic life insurance company in an amount not to exceed the lesser of the following:

(1) Five percent of the company's total admitted assets as of the end of the preceding calendar year, or

(2) Fifty percent of the amount by which its capital and surplus as of the end of the preceding calendar year exceeds \$675,000. Provided, however, that a company's total investment under this section in the common stock of any corporation, other than the stock of the types of corporations specified in subdivision 6(a), may not exceed ten percent of the common stock of the corporation. Provided, further, that no investment may be made under the authority of this clause or clause (1) by a company that has not completed five years of actual operation since the date of its first certificate of authority.

If, subsequent to being made under the provisions of this subdivision, an investment is determined to have become qualified or eligible under any of the other provisions of this chapter, the company may consider the investment as being held under the other provision and the investment need no longer be considered as having been made under the provisions of this subdivision.

*In addition to the investments authorized by this subdivision, a domestic life insurance company may make qualified investments in any additional securities or property authorized by subdivision 6, paragraph (f), with the written order of the commissioner. This approval is at the discretion of the commissioner. This authorization does not negate or reduce the investment authority granted in subdivision 6, paragraph (f), or this subdivision.*

Sec. 45. Minnesota Statutes 1986, section 61B.05, subdivision 1, is amended to read:

Subdivision 1. [COMPOSITION OF BOARD.] The board of directors of the association shall consist of nine members. *Two of the directors shall be public members and seven shall be insurer members. Public members may include licensed insurance agents. The public members shall be appointed by the commissioner.* The insurer members of the board shall be selected by the association members subject to the approval of the commissioner. Vacancies on the board shall be filled for the remaining period of the term in the manner described in the plan of operation. *The term of office for members is two years.*

Sec. 46. Minnesota Statutes 1986, section 61B.09, is amended to read:

**61B.09 [DUTIES AND POWERS OF THE COMMISSIONER.]**

~~(a)~~ *Subdivision 1.* The commissioner shall:

(1) Notify the board of directors of the existence of an impaired insurer within three days after a determination of impairment is made or the commissioner receives notice of impairment;

(2) Upon request of the board of directors, provide the association with a statement of the premiums in the appropriate states for each member

insurer; and

(3) When an impairment is declared and the amount determined, serve a demand upon the impaired insurer to make good the impairment within a reasonable time. Notice to the impaired insurer shall constitute notice to its shareholders. The failure of the insurer to promptly comply with the demand shall not excuse the association from performance under sections 61B.01 to 61B.16.

(b) *Subd. 2.* The commissioner may, after notice and hearing, suspend or revoke the certificate of authority to transact insurance in this state of any member insurer which fails to pay an assessment when due or to comply with the plan of operation. As an alternative, the commissioner may levy a forfeiture on any member insurer which fails to pay an assessment when due. A forfeiture shall not exceed five percent of the unpaid assessment per month, but no forfeiture shall be less than \$100 per month.

(c) *Subd. 3.* Any action of the board of directors or the association may be appealed to the commissioner by ~~any member insurer~~ within 30 days of the ~~occurrence~~ notice of the action. Any final action or order of the commissioner shall be subject to judicial review in a court of competent jurisdiction, in the manner provided by chapter 14. *In lieu of the appeal to the commissioner under this subdivision, a claimant may seek judicial review of the board's actions.*

(d) *Subd. 4.* The liquidator, rehabilitator, or conservator of any impaired insurer may notify all interested persons of the effect of sections 61B.01 to 61B.16.

Sec. 47. Minnesota Statutes 1986, section 62A.041, is amended to read:

**62A.041 [MATERNITY BENEFITS; UNMARRIED WOMEN.]**

Each group policy of accident and health insurance and each group health maintenance contract shall provide the same coverage for maternity benefits to unmarried women and minor female dependents that it provides to married women including the wives of employees choosing dependent family coverage. If an unmarried insured or an unmarried enrollee is a parent of a dependent child, each group policy and each group contract shall provide the same coverage for that child as that provided for the child of a married employee choosing dependent family coverage if the insured or the enrollee elects dependent family coverage.

Each individual policy of accident and health insurance and each individual health maintenance contract shall provide the same coverage for maternity benefits to unmarried women and minor female dependents as that provided for married women. If an unmarried insured or an unmarried enrollee is a parent of a dependent child, each individual policy and each individual contract shall also provide the same coverage for that child as that provided for the child of a married insured or a married enrollee choosing dependent family coverage if the insured or the enrollee elects dependent family coverage.

*Except for policies which only provide coverage for specified diseases, each group subscriber contract of accident and health insurance or health maintenance contract, issued or renewed after August 1, 1987, shall include maternity benefits in the same manner as any other illness covered under the policy or contract.*

For the purposes of this section, the term "maternity benefits" shall not

include elective, induced abortion whether performed in a hospital, other abortion facility, or the office of a physician.

This section applies to policies and contracts issued, delivered, or renewed after August 1, 1985, that cover Minnesota residents.

Sec. 48. Minnesota Statutes 1986, section 62A.043, is amended by adding a subdivision to read:

*Subd. 3. Except for policies which only provide coverage for specified diseases, no policy or certificate of health, medical, hospitalization, or accident and sickness insurance regulated under this chapter, or subscriber contract provided by a nonprofit health service plan corporation regulated under chapter 62C, or health maintenance organization regulated under chapter 62D, shall be issued, renewed, continued, delivered, issued for delivery, or executed in this state after August 1, 1987, unless the policy, plan, or contract specifically provides coverage on the same basis as for other covered benefits for surgical and nonsurgical treatment of temporomandibular joint disorder and craniomandibular disorder. Coverage shall be the same as that for treatment to any other joint in the body, and shall apply if the treatment is administered or prescribed by a physician or dentist. This section is effective for all group policies, all group subscriber contracts, and all health maintenance contracts within the scope of Minnesota Statutes, chapters 62A, 62C, and 62D, that are issued or renewed after August 1, 1987.*

Sec. 49. Minnesota Statutes 1986, section 62A.141, is amended to read:

**62A.141 [COVERAGE FOR HANDICAPPED DEPENDENTS.]**

No group policy or plan of health and accident insurance regulated under this chapter, chapter 62C, or 62D, which provides for dependent coverage may be issued or renewed in this state after August 1, 1983, unless it covers the handicapped dependents of the insured, subscriber, or enrollee of the policy or plan. *Consequently, the policy or plan shall not contain any provision concerning preexisting condition limitations, insurability, eligibility, or health underwriting approval concerning handicapped dependents.*

If ordered by the commissioner of commerce, the insurer of a Minnesota-domiciled nonprofit association which is composed solely of agricultural members may restrict coverage under this section to apply only to Minnesota residents.

Sec. 50. Minnesota Statutes 1986, section 62A.146, is amended to read:

**62A.146 [CONTINUATION OF BENEFITS TO SURVIVORS.]**

No policy or plan of accident and health protection issued by an insurer, nonprofit health service plan corporation, or health maintenance organization, providing coverage of hospital or medical expense on either an expense incurred basis or other than an expense incurred basis which in addition to coverage of the insured, subscriber, or enrollee, also provides coverage to dependents, shall, except upon the written consent of the survivor or survivors of the deceased insured, subscriber or enrollee, terminate, suspend or otherwise restrict the participation in or the receipt of benefits otherwise payable under the policy or plan to the survivor or survivors until the earlier of the following dates:

(a) the date of ~~remarriage~~ of the surviving spouse *becomes covered under another group health plan*; or



(b) the date coverage would have terminated under the policy or plan had the insured, subscriber, or enrollee lived.

The survivor or survivors, in order to have the coverage and benefits extended, may be required to pay the entire cost of the protection *on a monthly basis. In no event shall the amount of premium or fee contributions charged exceed 102 percent of the cost to the plan for such period of coverage for other similarly situated spouses and dependent children who are not the survivors of a deceased insured, without regard to whether such cost is paid by the employer or employee.* Failure of the survivor to make premium or fee payments within 90 days after notice of the requirement to pay the premiums or fees shall be a basis for the termination of the coverage without written consent. In event of termination by reason of the survivor's failure to make required premium or fee contributions, written notice of cancellation must be mailed to the survivor's last known address at least 30 days before the cancellation. If the coverage is provided under a group policy or plan, any required premium or fee contributions for the coverage shall be paid by the survivor to the group policyholder or contract holder for remittance to the insurer, nonprofit health service plan corporation, or health maintenance organization.

Sec. 51. Minnesota Statutes 1986, section 62A.152, subdivision 2, is amended to read:

Subd. 2. [MINIMUM BENEFITS.] All group policies and all group subscriber contracts providing benefits for mental or nervous disorder treatments in a hospital shall also provide coverage, ~~to on the same basis as coverage for other benefits for~~ at least the extent of 80 percent of the first \$750 of the cost of the usual and customary charges of the first ten hours of treatment incurred over a 12-month benefit period, for mental or nervous disorder consultation, diagnosis and treatment services delivered while the insured person is not a bed patient in a hospital, and at least 75 percent of the cost of the usual and customary charges for any additional hours of treatment during the same 12-month benefit period for serious and persistent mental or nervous disorders, if the services are furnished by (1) a licensed or accredited hospital, (2) a community mental health center or mental health clinic approved or licensed by the commissioner of human services or other authorized state agency, or (3) a licensed consulting psychologist licensed under the provisions of sections 148.87 to 148.98, or a psychiatrist licensed under chapter 147. *Prior authorization from an accident and health insurance company, or a nonprofit health service corporation, shall be required for an extension of coverage beyond ten hours of treatment. This prior authorization must be based upon the severity of the disorder, the patient's risk of deterioration without ongoing treatment and maintenance, degree of functional impairment, and a concise treatment plan. Authorization for extended treatment may not exceed a maximum of 30 visit hours during any 12-month benefit period.*

*For purposes of this section, covered treatment for a minor shall include treatment for the family if family therapy is recommended by a provider listed above in item (1), (2) or (3).*

Sec. 52. [62A.155] [BENEFITS FOR TREATMENT OF EATING DISORDERS.]

*Subdivision 1. [REQUIREMENT.] No group policy or group certificate of health, medical, hospitalization, or accident and sickness insurance regulated under this chapter, or group subscriber contract provided by a*

*nonprofit health service plan corporation regulated under chapter 62C, or health maintenance organization regulated under chapter 62D, may be issued, renewed, continued, delivered, issued for delivery, or executed in this state after August 1, 1987, unless the policy, plan, or contract specifically provides coverage for the surgical and nonsurgical treatment of bulimia, anorexia nervosa, or other eating disorder. Coverage applies only if the eating disorder was diagnosed as such by a physician and the treatment is administered or prescribed by a physician.*

*Subd. 2. [EXCLUSION.] Subdivision 1 does not apply to group policies, certificates, or contracts designed primarily to provide coverage payable on a per diem, fixed indemnity, or nonexpense incurred basis, or policies that provide only accident coverage.*

Sec. 53. Minnesota Statutes 1986, section 62A.17, is amended to read:

**62A.17 [TERMINATION OF OR LAYOFF FROM EMPLOYMENT.]**

**Subdivision 1. [CONTINUATION OF COVERAGE.]** Every group insurance policy, group subscriber contract, and health care plan included within the provisions of section 62A.16, except policies, contracts, or health care plans covering employees of an agency of the federal government, shall contain a provision which permits every **eligible covered** employee who is *voluntarily or involuntarily* terminated or laid off from employment, if the policy, contract, or health care plan remains in force for active employees of the employer, to elect to continue the coverage for the employee and dependents.

*An employee shall be considered to be laid off from employment if there is a reduction in hours to the point where the employee is no longer eligible under the policy, contract, or health care plan. Termination shall not include discharge for gross misconduct.*

**Subd. 2. [RESPONSIBILITY OF EMPLOYEE.]** Every **eligible covered** employee electing to continue coverage shall pay the former employer, on a monthly basis, the cost of the continued coverage. If the policy, contract, or health care plan is administered by a trust, every **eligible covered** employee electing to continue coverage shall pay the trust the cost of continued coverage according to the eligibility rules established by the trust. *In no event shall the amount of premium charged exceed 102 percent of the cost for such period of coverage for similarly situated employees with respect to whom neither termination nor layoff has occurred, without regard to whether such cost is paid by the employer or employee.* The employee shall be eligible to continue the coverage until **reemployed and eligible for health care coverage under a group policy, contract, or plan sponsored by the same or another employer the employee becomes covered under another group health plan**, or for a period of **42 18** months after the termination of or lay off from employment, whichever is shorter.

**Subd. 3. [ELIGIBILITY FOR CONTINUED COVERAGE.]** An employee shall be eligible to make the election for the employee and dependents provided for in subdivision 1 if:

(a) In the period preceding the termination of or lay off from employment, the employee and dependents were covered through employment by a group insurance policy, subscriber's contract, or health care plan included within the provisions of section 62A.16;

(b) The termination of or lay off from employment was for reasons other

than the discontinuance of the business, bankruptcy, or the employee's disability or retirement.

Subd. 4. [RESPONSIBILITY OF EMPLOYER.] After timely receipt of the monthly payment from ~~an eligible~~ a covered employee, if the employer, or the trustee, if the policy, contract, or health care plan is administered by a trust, fails to make the payment to the insurer, nonprofit health service plan corporation, or health maintenance organization, with the result that the employee's coverage is terminated, the employer or trust shall become liable for the employee's coverage to the same extent as the insurer, nonprofit health service plan corporation, or health maintenance organization would be if the coverage were still in effect.

*In the case of a policy, contract or plan administered by a trust, the employer must notify the trustee within 30 days of the termination or layoff of a covered employee of the name and last known address of the employee.*

*If the employer or trust fails to notify a covered employee, the employer or trust shall continue to remain liable for the employee's coverage to the same extent as the insurer would be if the coverage were still in effect.*

Subd. 5. [NOTICE OF OPTIONS.] Upon the termination of or lay off from employment of an eligible employee, the employer shall inform the employee within ten days after termination or lay off of:

- (a) the right to elect to continue the coverage;
- (b) the amount the employee must pay monthly to the employer to retain the coverage;
- (c) the manner in which and the office of the employer to which the payment to the employer must be made; and
- (d) the time by which the payments to the employer must be made to retain coverage.

If the policy, contract, or health care plan is administered by a trust, the employer is relieved of the obligation imposed by clauses (a) to (d). The trust shall inform the employee of the information required by clauses (a) to (d).

*The employee shall have 60 days within which to elect coverage. The 60-day period shall begin to run on the date plan coverage would otherwise terminate or on the date upon which notice of the right to coverage is received, whichever is later.*

Notice ~~may~~ must be in writing and sent by first class certified mail to the employee's last known address which the employee has provided the employer or trust. ~~If the employer or trust fails to so notify the employee who is properly enrolled in the program, the employee shall have the option to retain coverage if the employee makes this election within 60 days of the date terminated or laid off by making the proper payment to the employer or trust to provide continuous coverage.~~

A notice in substantially the following form shall be sufficient: "As a terminated or laid off employee, the law authorizes you to maintain your group medical insurance for a period of up to ~~12~~ 18 months. To do so you must notify your former employer within ~~ten~~ 60 days of your receipt of this notice that you intend to retain this coverage and must make a monthly payment of \$\_\_\_\_\_ to \_\_\_\_\_ at \_\_\_\_\_ by the \_\_\_\_\_ of each month."

Subd. 6. [CONVERSION TO INDIVIDUAL POLICY.] A group insurance policy that provides posttermination or layoff coverage as required by this section shall also include a provision allowing a covered employee, surviving spouse, or dependent at the expiration of the posttermination or layoff coverage provided by subdivision 2 to obtain from the insurer offering the group policy or group subscriber contract, at the employee's, spouse's, or dependent's option and expense, without further evidence of insurability and without interruption of coverage, an individual policy of insurance or an individual subscriber contract providing at least the minimum benefits of a qualified plan as prescribed by section 62E.06 and the option of a number three qualified plan, a number two qualified plan, and a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3, *provided application is made to the insurer within 30 days following notice of the expiration of the continued coverage and upon payment of the appropriate premium.* The required conversion contract must treat pregnancy the same as any other covered illness under the conversion contract. A health maintenance contract issued by a health maintenance organization that provides posttermination or layoff coverage as required by this section shall also include a provision allowing a former employee, surviving spouse, or dependent at the expiration of the posttermination or layoff coverage provided in subdivision 2 to obtain from the health maintenance organization, at the former employee's, spouse's, or dependent's option and expense, without further evidence of insurability and without interruption of coverage, an individual health maintenance contract. Effective January 1, 1985, enrollees who have become nonresidents of the health maintenance organization's service area shall be given the option, to be arranged by the health maintenance organization, of a number three qualified plan, a number two qualified plan, or a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3 if an arrangement with an insurer can reasonably be made by the health maintenance organization. This option shall be made available at the enrollee's expense, without further evidence of insurability and without interruption of coverage.

A policy providing reduced benefits at a reduced premium rate may be accepted by the employee, the spouse, or a dependent in lieu of the optional coverage otherwise required by this subdivision.

The individual policy or contract shall be renewable at the covered under another qualified plan as defined in section 62E.02, subdivision 4, up to age 65 or to the day before the date of eligibility for coverage under title XVIII of the Social Security Act, as amended. Any revisions in the table of rate for the individual policy shall apply to the covered person's original age at entry and shall apply equally to all similar policies issued by the insurer.

#### Sec. 54. [62A.20] [COVERAGE OF CURRENT SPOUSE AND CHILDREN.]

*Subdivision 1. [REQUIREMENT.] Every policy of accident and health insurance providing coverage of hospital or medical expense on either an expense-incurred basis or other than an expense-incurred basis, which in addition to covering the insured also provides coverage to the spouse and dependent children of the insured shall contain:*

*(1) a provision which permits the spouse and dependent children to elect to continue coverage when the insured becomes enrolled for benefits under*

*Title XVIII of the Social Security Act (Medicare); and*

*(2) a provision which permits the dependent children to continue coverage when they cease to be dependent children under the generally applicable requirement of the plan.*

*Subd. 2. [CONTINUATION PRIVILEGE.] The coverage described in subdivision 1 may be continued until the earlier of the following dates:*

*(1) the date coverage would otherwise terminate under the policy;*

*(2) 36 months after continuation by the spouse or dependent was elected;*  
*or*

*(3) the spouse or dependent children become covered under another group health plan.*

*If coverage is provided under a group policy, any required premium contributions for the coverage shall be paid by the insured on a monthly basis to the group policyholder for remittance to the insurer. In no event shall the amount of premium charged exceed 102 percent of the cost to the plan for such period of coverage for other similarly situated spouse and dependent children to whom subdivision 1 is not applicable, without regard to whether such cost is paid by the employer or employee.*

*Sec. 55. Minnesota Statutes 1986, section 62A.21, is amended to read:*

**62A.21 [CONVERSION PRIVILEGES FOR INSURED FORMER SPOUSES AND CHILDREN.]**

*Subdivision 1. No policy of accident and health insurance providing coverage of hospital or medical expense on either an expense incurred basis or other than an expense incurred basis, which in addition to covering the insured also provides coverage to the spouse of the insured shall contain a provision for termination of coverage for a spouse covered under the policy solely as a result of a break in the marital relationship ~~except by reason of an entry of a valid decree of dissolution of marriage.~~*

*Subd. 2a. [CONTINUATION PRIVILEGE.] Every policy described in subdivision 1 shall contain a provision which permits continuation of coverage under the policy for the insured's former spouse and dependent children upon entry of a valid decree of dissolution of marriage; ~~if the decree requires the insured to provide continued coverage for those persons.~~ The coverage ~~may~~ shall be continued until the earlier of the following dates:*

*(a) The date of ~~remarriage of either the insured or the insured's former spouse becomes covered under any other group health plan;~~ or*

*(b) The date coverage would otherwise terminate under the policy.*

*If the coverage is provided under a group policy, any required premium contributions for the coverage shall be paid by the insured on a monthly basis to the group policyholder for remittance to the insurer. In no event shall the amount of premium charged exceed 102 percent of the cost to the plan for such period of coverage for other similarly situated spouses and dependent children with respect to whom the marital relationship has not dissolved, without regard to whether such cost is paid by the employer or employee.*

*Subd. 2b. [CONVERSION PRIVILEGE.] Every policy described in subdivision 1 shall contain a provision allowing a former spouse and dependent children of an insured, without providing evidence of insurability, to obtain*

from the insurer at the expiration of any continuation of coverage required under subdivision 2a or ~~section~~ sections 62A.146 and 62A.20, or upon termination of coverage by reason of an entry of a valid decree of dissolution which does not require the insured to provide continued coverage for the former spouse and dependent children; conversion coverage providing at least the minimum benefits of a qualified plan as prescribed by section 62E.06 and the option of a number three qualified plan, a number two qualified plan, a number one qualified plan as provided by section 62E.06, subdivisions 1 to 3, provided application is made to the insurer within 30 days following notice of the expiration of the continued coverage and upon payment of the appropriate premium. A policy providing reduced benefits at a reduced premium rate may be accepted by the former spouse and dependent children in lieu of the optional coverage otherwise required by this subdivision. The individual policy shall be renewable at the option of the former spouse as long as the former spouse is not covered under another qualified plan as defined in section 62E.02, subdivision 4, up to age 65 or to the day before the date of eligibility for coverage under Title XVIII of the Social Security Act, as amended. Any revisions in the table of rate for the individual policy shall apply to the former spouse's original age at entry, and shall apply equally to all similar policies issued by the insurer.

Subd. 3. Subdivision 1 applies to every policy of accident and health insurance which is delivered, issued for delivery, renewed or amended on or after July 19, 1977.

Subdivisions 2a and 2b apply to every policy of accident and health insurance which is delivered, issued for delivery, renewed, or amended on or after August 1, 1981.

Sec. 56. Minnesota Statutes 1986, section 62A.27, is amended to read:

**62A.27 [COVERAGE FOR ADOPTED CHILDREN.]**

No individual or group policy or plan of health and accident insurance regulated under this chapter or chapter 64B, subscriber contract regulated under chapter 62C, or health maintenance contract regulated under chapter 62D, providing coverage for more than one person may be issued or renewed in this state after August 1, 1983, unless the policy, plan, or contract covers adopted children of the insured, subscriber, or enrollee on the same basis as other dependents. *Consequently, the policy or plan shall not contain any provision concerning preexisting condition limitations, insurability, eligibility, or health underwriting approved concerning adopted children.*

The coverage required by this section is effective from the date of placement for the purpose of adoption and continues unless the placement is disrupted prior to legal adoption and the child is removed from placement.

**Sec. 57. [62A.28] [SURETY BOND OR SECURITY FOR CERTAIN HEALTH BENEFIT PLANS.]**

*Subdivision 1. [SURETY BOND OR SECURITY REQUIREMENT.] Any employer, except the state and its political subdivisions as defined in section 65B.43, subdivision 20, who provides a health benefit plan to its Minnesota employees, which is to some extent self-insured by the employer, and who purchases stop-loss insurance coverage, or any other insurance coverage, in connection with the health benefit plan, shall annually file with the commissioner, within 60 days of the end of the employer's fiscal year, security acceptable to the commissioner in an amount specified under*

subdivision 2, or a surety bond in the form and amount prescribed by subdivisions 2 and 3. An acceptable surety bond is one issued by a corporate surety authorized by the commissioner to transact this business in the state of Minnesota for the purposes of this section. The term "Minnesota employees" includes any Minnesota resident who is employed by the employer.

**Subd. 2. [AMOUNT OF SURETY BOND OR SECURITY.]** The amount of surety bond or acceptable security required by subdivision 1 shall be equal to one-third of the projected annual medical and hospital expenses to be incurred by the employer or \$1,000, whichever is greater, with respect to its Minnesota employees by reason of the portion of the employer's health benefit plan which is self-insured by the employer.

**Subd. 3. [FORM OF THE SURETY BOND.]** The surety bond shall provide as follows:

#### SURETY BOND

**KNOW ALL PERSONS BY THESE PRESENTS:** That (entity to be bonded), of (location), (hereinafter called the "principal"), as principal, and (bonding company name), a (name of state) corporation, of (location) (hereinafter called the "surety"), as surety are held and firmly bound unto the commissioner of commerce of the state of Minnesota for the use and benefit of Minnesota residents entitled to health benefits from the principal in the sum of (\$\_\_\_\_\_), for the payment of which well and truly to be made, the principal binds itself, its successor and assigns, and the surety binds itself and its successors and assigns, jointly and severally, firmly by these presents.

**WHEREAS**, in accordance with section (\_\_\_\_\_) of the Minnesota Statute principal is required to file a surety bond with the commissioner of commerce of the state of Minnesota.

**NOW, THEREFORE**, the condition of this obligation is such that if the said principal shall, according to the terms, provisions, and limitations of principals' health benefit program for its Minnesota employees pay all of its liabilities and obligations, including all benefits as provided in the attached plan, then, this obligation shall be null and void, otherwise to remain in full force and effect, subject, however, to the following terms and conditions:

1. The liability of the surety is limited to the payment of the benefits of the employee benefit plan which are payable by the principal and within the amount of the bond. The surety shall be bound to payments owed by the principal for obligations arising from a default of the principal or any loss incurred during the period to which the bond applies.

2. In the event of any default on the part of the principal to abide by the terms and provision of the attached plan, the commissioner of commerce may, upon ten-days notice to the surety and opportunity to be heard, require the surety to pay all of the principal's past and future obligations under the attached plan with respect to the principal's Minnesota employees.

3. Service on the surety shall be deemed to be service on the principals.

4. This bond shall be in effect from \_\_\_\_\_ to \_\_\_\_\_, and may not be canceled by either the surety or the principal.

5. Any Minnesota employee of principal aggrieved by a default of principal under the attached plan, and/or the commissioner of commerce on

behalf of any such employee, may enforce the provisions of this bond.

6. This bond shall become effective at (time of day, month, day, year).

*IN TESTIMONY WHEREOF said principals and said surety have caused this instrument to be signed by their respective, duly authorized officers and their corporate seals to be hereunto affixed this (day, month, year).*

Signed, sealed and delivered in  
the presence of:

Corporation Name

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Bonding Company Name

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

*Subd. 4. [PENALTY FOR FAILURE TO COMPLY.] Any employer which fails to comply with the provisions of this section is guilty of a felony. In addition the commissioner of revenue shall deny any business tax deduction to an employer for the employer's contribution to a health plan for the period which the employer fails to comply with this section. This section does not apply to trusts established under chapter 62H which have been approved by the commissioner.*

*Subd. 5. [PETITION TO REDUCE BOND OR SECURITY AMOUNT.] An employer subject to this section may petition the commissioner to, and the commissioner may, allow the use of a surety bond not in the form specified in subdivision 3, or grant a reduction in the amount of the surety bond or security required.*

Sec. 58. Minnesota Statutes 1986, section 62A.31, subdivision 1a, is amended to read:

*Subd. 1a. [APPLICATION TO CERTAIN POLICIES.] The requirements of sections 62A.31 to 62A.44 shall not apply to disability income protection insurance policies, long-term care policies issued pursuant to sections 62A.46 to 62A.56, or group policies of accident and health insurance which do not purport to supplement medicare issued to any of the following groups:*

(a) A policy issued to an employer or employers or to the trustee of a fund established by an employer where only employees or retirees, and dependents of employees or retirees, are eligible for coverage.

(b) A policy issued to a labor union or similar employee organization.

(c) A policy issued to an association, a trust or the trustee of a fund established, created or maintained for the benefit of members of one or more associations. The association or associations shall have at the outset a minimum of 100 persons; shall have been organized and maintained in good faith for purposes other than that of obtaining insurance; shall have a constitution and bylaws which provide that (1) the association or associations hold regular meetings not less frequently than annually to further purposes of the members, (2) except for credit unions, the association or associations collect dues or solicit contributions from members, and (3) the members have voting privileges and representation on the governing board and committees, and (4) the members are not directly solicited, offered, or sold an insurance product, except exclusively by mail, if the



*product is available as an association benefit within the first 30 days of membership in the association.*

Sec. 59. Minnesota Statutes 1986, section 62A.43, subdivision 2, is amended to read:

Subd. 2. [REFUNDS.] Notwithstanding the provisions of section 62A.38, an insurer which issues a medicare supplement plan to any person who has one plan then in effect, except as permitted in subdivision 1, shall, at the request of the insured, either refund the premiums or pay any claims on the policy, whichever is greater. *Any refund of premium pursuant to this section or section 62A.38 shall be sent by the insurer directly to the insured within 15 days of the request by the insured.*

Sec. 60. Minnesota Statutes 1986, section 62A.43, is amended by adding a subdivision to read:

Subd. 4. [OTHER POLICIES NOT PROHIBITED.] *The prohibition in this section against the sale of duplicate Medicare supplement coverage does not preclude the sale of insurance coverage, such as travel, accident, and sickness coverage, the effect or purpose of which is not to supplement Medicare coverage. Notwithstanding this provision, if the commissioner determines that the coverage being sold is in fact Medicare supplement insurance, the commissioner shall notify the insurer in writing of the determination. If the insurer does not thereafter comply with sections 62A.31 to 62A.44, the commissioner may, pursuant to chapter 14, revoke or suspend the insurer's authority to sell accident and health insurance in this state or impose a civil penalty not to exceed \$10,000, or both.*

Sec. 61. Minnesota Statutes 1986, section 62A.46, is amended by adding a subdivision to read:

Subd. 11. [BENEFIT PERIOD.] *"Benefit period" means one or more separate or combined periods of confinement covered by a long-term care policy in a nursing facility or at home while receiving home care services. A benefit period begins on the first day the insured receives a benefit under the policy and ends when the insured has received no benefits for the same or related cause for an interval of 180 consecutive days.*

Sec. 62. Minnesota Statutes 1986, section 62A.48, subdivision 1, is amended to read:

Subdivision 1. [POLICY REQUIREMENTS.] No individual or group policy, certificate, subscriber contract, or other evidence of coverage of nursing home care or other long-term care services shall be offered, issued, delivered, or renewed in this state, whether or not the policy is issued in this state, unless the policy is offered, issued, delivered, or renewed by a qualified insurer and the policy satisfies the requirements of sections 62A.46 to 62A.56. A long-term care policy must cover medically prescribed long-term care in nursing facilities and at least the medically prescribed long-term home care services in section 62A.46, subdivision 4, clauses (1) to (5), provided by a home health agency. Coverage under a long-term care policy AA must include: a maximum lifetime benefit limit of at least \$100,000 for services, and nursing facility and home care coverages must not be subject to separate lifetime maximums, and a requirement of prior hospitalization for up to one day may be imposed only for long-term care in a nursing facility. Coverage under a long-term care policy A must include: a maximum lifetime benefit limit of at least \$50,000 for services, nursing facility and home care coverages must not be subject to separate lifetime

maximums, and a requirement of prior hospitalization for up to three days may be imposed for long-term care in a nursing facility or home care services. *If long-term care policies require the policyholder to be admitted to a nursing facility or begin home care services within a specified period after discharge from a hospital, that period may be no less than 30 days.*

*Coverage under either policy designation must cover preexisting conditions during the first six months of coverage if the insured was not diagnosed or treated for the particular condition during the 90 days immediately preceding the effective date of coverage. Coverage under either policy designation may include a waiting period of up to 90 days before benefits are paid, but there must be no more than one waiting period per benefit period. No policy may exclude coverage for mental or nervous disorders which have a demonstrable organic cause, such as Alzheimer's and related dementias. No policy may require the insured to meet a prior hospitalization test more than once during a single benefit period. The policy must include a provision that the plan will not be canceled or renewal refused except on the grounds of nonpayment of the premium, provided that the insurer may change the premium rate on a class basis on any policy anniversary date. Policy options include A provision that the policyholder may elect to have the premium paid in full at age 65 by payment of a higher premium up to age 65 and may be offered. A provision that the premium would be waived during any period in which benefits are being paid to the insured of confinement in a nursing facility must be offered. A nongroup policyholder may return a policy within 30 days of its delivery and have the premium refunded in full, less any benefits paid under the policy, if the policyholder is not satisfied for any reason.*

Sec. 63. Minnesota Statutes 1986, section 62A.48, subdivision 2, is amended to read:

Subd. 2. [PER DIEM COVERAGE.] If benefits are provided on a per diem basis, the minimum daily benefit for care in a nursing facility must be the lesser of \$60 or actual charges under a long-term care policy AA or the lesser of \$40 or actual charges under a long-term care policy A and the minimum daily benefit per visit for home care under a long-term care policy AA or A must be the lesser of \$25 or actual charges under a long-term care policy AA or the lesser of \$25 or actual charges for nurse and therapy services and \$20 for home health aide and nonmedical services under a long-term care policy A. If home care services are provided less frequently than daily, the minimum benefit is the lesser of actual charges or an amount determined by multiplying the number of days of the period during which services will be provided, or a reasonable interval of the service period, by \$25 and dividing the resulting amount by the number of days during this period on which home care services were rendered. The home care services benefit must cover at least seven paid visits per week.

Sec. 64. Minnesota Statutes 1986, section 62A.48, subdivision 6, is amended to read:

Subd. 6. [COORDINATION OF BENEFITS.] A long-term care policy shall may be secondary coverage for services provided under sections 62A.46 to 62A.56. Nothing in sections 62A.46 to 62A.56 shall require the secondary payor to pay the obligations of the primary payor nor shall it prevent the secondary payor from recovering from the primary payor the amount of any obligation of the primary payor that the secondary payor elects to

pay.

*There shall be no coordination of benefits between a long-term care policy and a policy designed primarily to provide coverage payable on a per diem, fixed indemnity or nonexpense-incurred basis, or a policy that provides only accident coverage.*

Sec. 65. Minnesota Statutes 1986, section 62A.48, is amended by adding a subdivision to read:

*Subd. 7. [EXISTING POLICIES.] Nothing in sections 62A.46 to 62A.56 prohibits the renewal of policies sold outside the state of Minnesota to persons who at the time of sale were not residents of the state of Minnesota.*

Sec. 66. Minnesota Statutes 1986, section 62A.50, subdivision 3, is amended to read:

Subd. 3. [DISCLOSURES.] No long-term care policy shall be offered or delivered in this state, whether or not the policy is issued in this state, and no certificate of coverage under a group long-term care policy shall be offered or delivered in this state, unless a statement containing at least the following information is delivered to the applicant at the time the application is made:

(1) a description of the benefits and coverage provided by the policy and the differences between this policy, a supplemental medicare policy and the benefits to which an individual is entitled under parts A and B of medicare *and the differences between policy designations A and AA;*

(2) a statement of the exceptions and limitations in the policy including the following language, as applicable, in bold print: "THIS POLICY DOES NOT COVER ALL NURSING CARE FACILITIES OR NURSING HOME OR HOME CARE EXPENSES AND DOES NOT COVER RESIDENTIAL CARE. READ YOUR POLICY CAREFULLY TO DETERMINE WHICH FACILITIES AND EXPENSES ARE COVERED BY YOUR POLICY.";

(3) a statement of the renewal provisions including any reservation by the insurer of the right to change premiums;

(4) a statement that the outline of coverage is a summary of the policy issued or applied for and that the policy should be consulted to determine governing contractual provisions;

(5) an explanation of the policy's loss ratio including at least the following language: "This means that, on the average, policyholders may expect that \$\_\_\_\_\_ of every \$100 in premium will be returned as benefits to policyholders over the life of the contract."; and

(6) a statement of the out-of-pocket expenses, including deductibles and copayments for which the insured is responsible, and an explanation of the specific out-of-pocket expenses that may be accumulated toward any out-of-pocket maximum as specified in the policy.

Sec. 67. Minnesota Statutes 1986, section 62D.05, is amended by adding a subdivision to read:

*Subd. 6. [SUPPLEMENTAL BENEFITS.] A health maintenance organization may, as a supplemental benefit, provide coverage to its enrollees for health care services and supplies received from providers who are not employed by, under contract with, or otherwise affiliated with the health maintenance organization. The commissioner may, pursuant to chapter 14,*

*adopt, enforce, and administer rules relating to this subdivision, including: rules insuring that these benefits are supplementary and not substitutes for comprehensive health maintenance services; rules relating to protection against insolvency, including the establishment of necessary financial reserves; rules relating to appropriate standards for claims processing; rules relating to marketing practices; and other rules necessary for the effective and efficient administration of this subdivision. The commissioner, in adopting rules, shall give consideration to existing laws and rules administered and enforced by the department of commerce relating to health insurance plans. Except as otherwise provided by law, a health maintenance organization may not advertise, offer, or enter into contracts for the coverage described in this subdivision until 30 days after the effective date of rules adopted by the commissioner of health to implement this subdivision.*

Sec. 68. Minnesota Statutes 1986, section 62D.102, is amended to read:  
62D.102 [MINIMUM BENEFITS.]

*In addition to minimum requirements established in other sections, all group health maintenance contracts providing benefits for mental or nervous disorder treatments in a hospital shall also provide coverage for at least ten hours of treatment over a 12-month period with a copayment not to exceed the greater of \$10 or 20 percent of the applicable usual and customary charge for mental or nervous disorder consultation, diagnosis and treatment services delivered while the enrollee is not a bed patient in a hospital and at least 75 percent of the cost of the usual and customary charges for any additional hours of ambulatory mental health treatment during the same 12-month benefit period for serious and persistent mental or nervous disorders.*

*Prior authorization may be required for an extension of coverage beyond ten hours of treatment. This prior authorization must be based upon the severity of the disorder, the patient's risk of deterioration without ongoing treatment and maintenance, degree of functional impairment, and a concise treatment plan. Authorization for extended treatment may not exceed a maximum of 30 visit hours during any 12-month benefit period.*

*For purposes of this section, covered treatment for a minor shall include treatment for the family if family therapy is recommended by a health maintenance organization provider.*

Sec. 69. Minnesota Statutes 1986, section 62E.06, subdivision 1, is amended to read:

Subdivision 1. [NUMBER THREE PLAN.] A plan of health coverage shall be certified as a number three qualified plan if it otherwise meets the requirements established by chapters 62A and 62C, and the other laws of this state, whether or not the policy is issued in Minnesota, and meets or exceeds the following minimum standards:

(a) The minimum benefits for a covered individual shall, subject to the other provisions of this subdivision, be equal to at least 80 percent of the cost of covered services in excess of an annual deductible which does not exceed \$150 per person. The coverage shall include a limitation of \$3,000 per person on total annual out-of-pocket expenses for services covered under this subdivision. The coverage shall be subject to a maximum lifetime benefit of not less than \$250,000.

The \$3,000 limitation on total annual out-of-pocket expenses and the

\$250,000 maximum lifetime benefit shall not be subject to change or substitution by use of an actuarially equivalent benefit.

(b) Covered expenses shall be the usual and customary charges for the following services and articles when prescribed by a physician:

- (1) hospital services;
- (2) professional services for the diagnosis or treatment of injuries, illnesses, or conditions, other than ~~outpatient mental or dental~~, which are rendered by a physician or at the physician's direction;
- (3) drugs requiring a physician's prescription;
- (4) services of a nursing home for not more than 120 days in a year if the services would qualify as reimbursable services under medicare;
- (5) services of a home health agency if the services would qualify as reimbursable services under medicare;
- (6) use of radium or other radioactive materials;
- (7) oxygen;
- (8) anesthetics;
- (9) prostheses other than dental;
- (10) rental or purchase, as appropriate, of durable medical equipment other than eyeglasses and hearing aids;
- (11) diagnostic X-rays and laboratory tests;
- (12) oral surgery for partially or completely unerupted impacted teeth, a tooth root without the extraction of the entire tooth, or the gums and tissues of the mouth when not performed in connection with the extraction or repair of teeth;
- (13) services of a physical therapist; ~~and~~
- (14) transportation provided by licensed ambulance service to the nearest facility qualified to treat the condition; or a reasonable mileage rate for transportation to a kidney dialysis center for treatment; *and*
- (15) *services of an occupational therapist.*

(c) Covered expenses for the services and articles specified in this subdivision do not include the following:

(1) any charge for care for injury or disease either (i) arising out of an injury in the course of employment and subject to a workers' compensation or similar law, (ii) for which benefits are payable without regard to fault under coverage statutorily required to be contained in any motor vehicle, or other liability insurance policy or equivalent self-insurance, or (iii) for which benefits are payable under another policy of accident and health insurance, medicare or any other governmental program except as otherwise provided by law;

(2) any charge for treatment for cosmetic purposes other than for reconstructive surgery when such service is incidental to or follows surgery resulting from injury, sickness or other diseases of the involved part or when such service is performed on a covered dependent child because of congenital disease or anomaly which has resulted in a functional defect as determined by the attending physician;

(3) care which is primarily for custodial or domiciliary purposes which would not qualify as eligible services under medicare;

(4) any charge for confinement in a private room to the extent it is in excess of the institution's charge for its most common semiprivate room, unless a private room is prescribed as medically necessary by a physician, provided, however, that if the institution does not have semiprivate rooms, its most common semiprivate room charge shall be considered to be 90 percent of its lowest private room charge;

(5) that part of any charge for services or articles rendered or prescribed by a physician, dentist, or other health care personnel which exceeds the prevailing charge in the locality where the service is provided; and

(6) any charge for services or articles the provision of which is not within the scope of authorized practice of the institution or individual rendering the services or articles.

(d) The minimum benefits for a qualified plan shall include, in addition to those benefits specified in clauses (a) and (e), benefits for well baby care, effective July 1, 1980, subject to applicable deductibles, coinsurance provisions, and maximum lifetime benefit limitations.

(e) Effective July 1, 1979, the minimum benefits of a qualified plan shall include, in addition to those benefits specified in clause (a), a second opinion from a physician on all surgical procedures expected to cost a total of \$500 or more in physician, laboratory and hospital fees, provided that the coverage need not include the repetition of any diagnostic tests.

(f) Effective August 1, 1985, the minimum benefits of a qualified plan must include, in addition to the benefits specified in clauses (a), (d), and (e), coverage for special dietary treatment for phenylketonuria when recommended by a physician.

(g) *Outpatient mental health coverage is subject to section 62A.152, subdivision 2.*

Sec. 70. Minnesota Statutes 1986, section 62E.10, subdivision 2, is amended to read:

Subd. 2. [BOARD OF DIRECTORS; ORGANIZATION.] The board of directors of the association shall be made up of ~~seven individuals~~ *nine members as follows: four insurer directors* selected by participating members, subject to approval by the commissioner ~~and two; four public members appointed by the governor~~ *directors selected by the commissioner; and the commissioner. Public members may include licensed insurance agents.* In determining voting rights at members' meetings, each member shall be entitled to vote in person or proxy. The vote shall be a weighted vote based upon the member's cost of self-insurance, accident and health insurance premium, subscriber contract charges, or health maintenance contract payment derived from or on behalf of Minnesota residents in the previous calendar year, as determined by the commissioner. In approving ~~members~~ *directors* of the board, the commissioner shall consider, among other things, whether all types of members are fairly represented. ~~Members of the board~~ *Insurer directors* may be reimbursed from the money of the association for expenses incurred by them as ~~members~~ *directors*, but shall not otherwise be compensated by the association for their services. The costs of conducting meetings of the association and its board of directors shall be borne by members of the association.

Sec. 71. Minnesota Statutes 1986, section 62E.10, is amended by adding a subdivision to read:

*Subd. 2a. [APPEALS.] A person may appeal to the commissioner within 30 days after notice of an action, ruling, or decision by the board.*

*A final action or order of the commissioner under this subdivision is subject to judicial review in the manner provided by chapter 14.*

*In lieu of the appeal to the commissioner, a person may seek judicial review of the board's action.*

Sec. 72. Minnesota Statutes 1986, section 62E.10, is amended by adding a subdivision to read:

*Subd. 9. [EXPERIMENTAL DELIVERY METHOD.] The association may petition the commissioner of commerce for a waiver to allow the experimental use of alternative means of health care delivery. The commissioner may approve the use of the alternative means the commissioner considers appropriate. The commissioner may waive any of the requirements of chapters 60A, 62A, 62D, and 62E in granting the waiver. The commissioner may also grant to the association any additional powers as are necessary to facilitate the specific waiver.*

*This subdivision is effective until August 1, 1989.*

Sec. 73. Minnesota Statutes 1986, section 62E.14, is amended by adding a subdivision to read:

*Subd. 5. [TERMINATED EMPLOYEES.] An employee who is voluntarily or involuntarily terminated or laid off from employment and unable to exercise the option to continue coverage under section 62A.17 may enroll, within 60 days of termination or lay-off, with a waiver of the preexisting condition limitation set forth in subdivision 3 and a waiver of the evidence of rejection set forth in subdivision 1, paragraph (c).*

Sec. 74. [62E.18] [HEALTH INSURANCE FOR RETIRED EMPLOYEES NOT ELIGIBLE FOR MEDICARE.]

*A Minnesota resident who is age 65 or over and is not eligible for the health insurance benefits of the federal Medicare program is entitled to purchase the benefits of a qualified plan, one or two, offered by the Minnesota comprehensive health association without any of the limitations set forth in section 62E.14, subdivision 1, paragraph (c), and subdivision 3.*

Sec. 75. Minnesota Statutes 1986, section 62F.041, subdivision 2, is amended to read:

*Subd. 2. This section shall expire on June 30, 1987 1989.*

Sec. 76. Minnesota Statutes 1986, section 62F.06, subdivision 1, is amended to read:

*Subdivision 1. A policy issued by the association shall provide for a continuous period of coverage beginning with its effective date and terminating automatically at 12:01 a.m. on September 1, 1988, or sooner as provided in sections 62F.01 to 62F.14 may not extend beyond a period of one year from the date on which the authorization under section 62F.04 ends. The policy shall be issued subject to the group retrospective rating plan and the stabilization reserve fund authorized by section 62F.09. The policy shall be written to apply to claims first made against the insured and reported to the association during the policy period. No policy form*

shall be used by the association unless it has been filed with the commissioner, and the commissioner may disapprove the form within 30 days if the commissioner determines it is misleading or violates public policy.

Sec. 77. Minnesota Statutes 1986, section 62H.01, is amended to read:

**62H.01 [JOINT SELF-INSURANCE EMPLOYEE HEALTH PLAN.]**

Any three or more employers, excluding the state and its political subdivisions as described in 471.617, subdivision 1, who are authorized to transact business in Minnesota may jointly self-insure employee health, dental, or short-term disability benefits. Joint plans must have a minimum of 250 covered employees and meet all conditions and terms of sections 62H.01 to 62H.08. *Joint plans covering employers not resident in Minnesota must meet the requirements of sections 62H.01 to 62H.08 as if the portion of the plan covering Minnesota resident employees was treated as a separate plan. A plan may cover employees resident in other states only if the plan complies with the applicable laws of that state.*

Sec. 78. Minnesota Statutes 1986, section 62H.02, is amended to read:

**62H.02 [REQUIRED PROVISIONS.]**

A joint self-insurance plan must include aggregate excess stop-loss coverage and individual excess stop-loss coverage provided by an insurance company licensed by the state of Minnesota. Aggregate excess stop-loss coverage must include provisions to cover incurred, unpaid claim liability in the event of plan termination. ~~The excess or stop-loss insurer must bear the risk of coverage for any member of the pool that becomes insolvent with outstanding contribution due.~~ In addition, the plan of self-insurance must have participating employers fund an amount at least equal to the point at which the excess or stop-loss insurer ~~must have contracted to assume~~ 100 percent of additional liability. A joint self-insurance plan must submit its proposed excess or stop-loss insurance contract to the commissioner of commerce at least 30 days prior to the proposed plan's effective date and at least 30 days subsequent to any renewal date. The commissioner shall review the contract to determine if they meet the standards established by sections 62H.01 to 62H.08 and respond within a 30-day period. Any excess or stop-loss insurance plan ~~must be nonecancelable for a minimum term of two years~~ contain a provision that the excess or stop-loss insurer will give the plan and the commissioner of commerce a minimum of 180 days notice of termination or nonrenewal. *If the plan fails to secure replacement coverage within 60 days after receipt of the notice of cancellation or nonrenewal, the commissioner shall issue an order providing for the orderly termination of the plan.*

Sec. 79. Minnesota Statutes 1986, section 62H.04, is amended to read:

**62H.04 [COMPLIANCE WITH OTHER LAWS.]**

A joint self-insurance plan is subject to the requirements of ~~chapter~~ chapters 62A, and 62E, and sections 72A.17 to 72A.32 unless otherwise specifically exempt. A joint self-insurance plan must not offer less than a number two qualified plan or its actuarial equivalent.

Sec. 80. Minnesota Statutes 1986, section 62I.02, subdivision 1, is amended to read:

Subdivision 1. [CREATION.] The Minnesota joint underwriting association is created to provide insurance coverage to any person or entity



unable to obtain insurance through ordinary methods if the insurance is required by statute, ordinance, or otherwise required by law, or is necessary to earn a livelihood or conduct a business and serves a public purpose. Prudent business practice or mere desire to have insurance coverage is not a sufficient standard for the association to offer insurance coverage to a person or entity. *For purposes of this subdivision, directors' and officers' liability insurance is considered to be a business necessity and not merely a prudent business practice.* The association shall be specifically authorized to provide insurance coverage to day care providers, foster parents, foster homes, developmental achievement centers, group homes, and sheltered workshops for mentally, emotionally, or physically handicapped persons, and citizen participation groups established pursuant to the housing and community redevelopment act of 1974, Public Law Number 93-383. Because the activities of certain persons or entities present a risk that is so great, the association shall not offer insurance coverage to any person or entity the board of directors of the association determines is outside the intended scope and purpose of the association because of the gravity of the risk of offering insurance coverage. The association shall not offer environmental impairment liability or product liability insurance. The association shall not offer coverage for activities that are conducted substantially outside the state of Minnesota unless the insurance is required by statute, ordinance, or otherwise required by law. Every insurer authorized to write property and casualty insurance in this state shall be a member of the association as a condition to obtaining and retaining a license to write insurance in this state.

Sec. 81. Minnesota Statutes 1986, section 62I.02, subdivision 3, is amended to read:

Subd. 3. [REAUTHORIZATION.] The authorization to issue insurance to day care providers, foster parents, foster homes, developmental activity centers, group homes, and sheltered workshops for mentally, emotionally, or physically handicapped persons, and citizen participation groups established pursuant to the housing and community redevelopment act of 1974, Public Law Number 93-383, is valid for a period of two years from the date it was made. The commissioner may reauthorize the issuance of insurance *for these groups and other classes of business* for additional two-year periods pursuant to sections 62I.21 and 62I.22. This subdivision is not a limitation on the number of times the commissioner may reauthorize the issuance of insurance. ~~Insurance may not be offered pursuant to this section to persons or entities other than those listed in this subdivision after December 31, 1989.~~

Sec. 82. Minnesota Statutes 1986, section 62I.02, is amended by adding a subdivision to read:

Subd. 4. *The association shall have no liability for premium taxes under section 60A.15, or any other taxes or assessments imposed by the state.*

Sec. 83. Minnesota Statutes 1986, section 62I.03, subdivision 5, is amended to read:

Subd. 5. [DEFICIT.] "Deficit" means, for a particular policy year ~~and line or type of insurance~~, that amount by which total paid and outstanding losses and loss adjustment expenses exceed premium revenue, including retrospective premium revenue.

Sec. 84. Minnesota Statutes 1986, section 62I.04, is amended to read:

## 62I.04 [POLICY ISSUANCE.]

Any person or entity that is a resident of the state of Minnesota who has a current ~~written~~ notice of refusal to insure from an insurer licensed to offer insurance in the state of Minnesota may make written application to the association for coverage. The applicable premium or required portion of it must be paid prior to coverage by the association.

The application shall be filed simultaneously with the association and the market assistance plan for the association.

The association is authorized to (1) issue or cause to be issued insurance policies to applicants subject to limits specified in the plan of operation; (2) underwrite the insurance and adjust and pay losses with respect to it, or appoint service companies to perform those functions; (3) assume reinsurance from its members; and (4) cede reinsurance.

Sec. 85. Minnesota Statutes 1986, section 62I.12, subdivision 1, is amended to read:

Subdivision 1. [ADMINISTRATOR.] The association shall be administered by a qualified insurer or vendor of risk management services selected by the commissioner. If the commissioner deems it necessary, the commissioner may select more than one person to administer the association. *At the option of the board, employees may participate in the state retirement plan and the state deferred compensation plan for employees in the unclassified service, and an insurance plan administered by the commissioner of employee relations under chapter 43A.*

Sec. 86. Minnesota Statutes 1986, section 62I.13, is amended by adding a subdivision to read:

*Subd. 6. Notwithstanding any order of the commissioner or inconsistent provisions of this chapter, the board of directors may decline to offer coverage to any class of business or a member of a class of business if the board considers the action to be in the best interest of the association.*

Sec. 87. Minnesota Statutes 1986, section 62I.16, subdivision 3, is amended to read:

Subd. 3. [SUPERVISION.] All money paid into the fund shall be held in trust by the corporate trustee selected by the board of directors. The corporate trustee may invest the money held in trust subject to the approval of the board. All investment income shall be credited to the fund. All expenses of the administration of the fund shall be charged against the fund. The money held in trust shall be used solely for the purpose of discharging when due any retrospective premium charges payable by policyholders and any retrospective premium refunds payable to policyholders under the group retrospective rating plan. Payment of retrospective premium charges shall be made upon certification of the amount due. If all money accruing to the fund is exhausted in payment of retrospective premium charges, all liability and obligations of the association's policyholders with respect to the payment of retrospective premium charges shall terminate and shall be conclusively presumed to have been discharged. Any stabilization reserve fund charges from a particular policy year ~~and line or type of insurance~~ not used to pay retrospective premiums must be returned to policyholders after all claims and expense obligations from that particular policy year ~~and line or type of insurance~~ are satisfied.

Sec. 88. Minnesota Statutes 1986, section 62I.22, subdivision 2, is amended to read:

Subd. 2. [NOTICE.] The commissioner of commerce shall publish notice of the hearing in the State Register at least 30 days before the hearing date. The notice should be that used for rulemaking under chapter 14. Approval by the administrative law judge of the notice prior to publication is not required. *The notice must contain a statement that anyone wishing to oppose activation beyond 180 days for any particular class, must file a petition to intervene with the administrative law judge at least ten days before the hearing date. If no notice to intervene is filed for a class, then the class is activated beyond the 180-day period without further action.*

Sec. 89. Minnesota Statutes 1986, section 62I.22, is amended by adding a subdivision to read:

Subd. 6. [CASE PRESENTATION.] *The department of commerce, upon request by small businesses as defined by Minnesota Statutes, section 14.115, subdivision 1, shall assist small businesses in any specific class requesting continuation of coverage beyond the 180-day period, in coordinating the class and presenting the case in the contested hearing.*

Sec. 90. Minnesota Statutes 1986, section 64B.11, subdivision 4, is amended to read:

Subd. 4. [FILING OF AMENDMENTS BY FOREIGN OR ALIEN SOCIETY.] Every foreign or alien society authorized to do business in this state shall file with the commissioner a duly certified copy of all amendments of, or additions to, its laws within 90 days after the enactment of same be subject to the requirements of section 72A.061, subdivision 2, as to amendments or additions to its bylaws.

Sec. 91. Minnesota Statutes 1986, section 64B.18, is amended to read:

64B.18 [BENEFITS NOT ATTACHABLE.]

~~Except as provided in chapter 256B, the money or other benefits, charity, relief, or aid to be paid, provided, or rendered by any society authorized to do business under this chapter shall, neither before nor after being paid, be liable to attachment, garnishment, or other process and shall not be ceased, taken, appropriated, or applied by any legal or equitable process or operation of laws to pay any debt or liability of a certificate holder or of any beneficiary named in the certificate, or of any person who may have any right thereunder. The cash value, proceeds, or benefits under any matured or unmatured life insurance or annuity contract issued before, on, or after the effective date of this section, by any society authorized to do business under this chapter, is exempt from attachment, garnishment, execution, or other legal process to the extent provided by section 550.37, subdivisions 10, 23, and 24.~~

Sec. 92. Minnesota Statutes 1986, section 64B.27, is amended to read:

64B.27 [ANNUAL LICENSE.]

Societies that are now authorized to transact business in this state may continue this business until the first day of June next succeeding August 1, 1985. The authority of the societies and all societies hereafter licensed, may thereafter be renewed annually, subject to section 60A.13, subdivisions 1, 5, 6, and 7. However, a license so issued shall continue in full force and effect until the new license is issued or specifically refused. ~~For each~~

~~license or renewal the society shall pay the commissioner \$20.~~ A duly certified copy or duplicate of the license is prima facie evidence that the licensee is a fraternal benefit society within the meaning of this chapter.

Sec. 93. Minnesota Statutes 1986, section 65A.01, subdivision 3a, is amended to read:

Subd. 3a. [CANCELLATION.] (1) There shall be printed in the policy or an endorsement attached to the policy a printed form in the following words:

When this policy has been issued to cover buildings used for residential purposes other than a hotel or motel and has been in effect for at least ~~six months~~ 60 days, or if it has been renewed, this policy shall not be canceled, except for one or more of the following reasons which shall be stated in the notice of cancellation:

- (a) Nonpayment of premium;
- (b) Misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or in pursuing a claim thereunder;
- (c) An act or omission of the insured which materially increases the risk originally accepted;
- (d) Physical changes in the insured property which are not corrected or restored within a reasonable time after they occur and which result in the property becoming uninsurable; or
- (e) Nonpayment of dues to an association or organization, other than an insurance association or organization, where payment of dues is a prerequisite to obtaining or continuing the insurance.

Provided, however, that this limitation on cancellation shall not apply to additional coverages in a divisible policy, other than a policy of fire and extended coverage insurance. If this company cancels the additional coverages, it may issue a new, separate fire policy at a premium calculated on a pro rata basis for the remaining period of the original policy.

(2) The provisions of clause (1)(e) shall not be included in the language of the policy or endorsement unless the payment of dues to an association or organization, other than an insurance association or organization, is a prerequisite to obtaining or continuing the insurance.

Sec. 94. Minnesota Statutes 1986, section 65A.03, subdivision 1, is amended to read:

#### 65A.03 [BINDERS, TEMPORARY INSURANCE.]

Subdivision 1. [GENERALLY.] Binders or other contracts for temporary insurance may be made orally or in writing, and shall be deemed to include all the terms of such standard fire insurance policy and all such applicable endorsements as may be designated in such contract of temporary insurance; except that the ~~cancellation clause of such standard fire insurance policy~~ and the clause specifying the hour of the day at which the insurance shall commence, may be superseded by the express terms of such contract of temporary insurance.

Sec. 95. Minnesota Statutes 1986, section 65A.10, is amended to read:

#### 65A.10 [LIMITATION.]

Nothing contained in sections 65A.08 and 65A.09 shall be construed to

preclude insurance against the cost, in excess of actual cash value at the time any loss or damage occurs, of actually repairing, rebuilding or replacing the insured property. *Subject to any applicable policy limits, where an insurer offers replacement cost insurance, the insurance must cover the cost of replacing, rebuilding, or repairing any loss or damaged property in accordance with the minimum code as required by state or local authorities.*

Sec. 96. Minnesota Statutes 1986, section 65A.29, is amended by adding a subdivision to read:

*Subd. 10. [RETURN OF UNEARNED PREMIUM.] Cancellation of a policy of homeowner's insurance pursuant to this section is not effective unless any unearned premium due the insured is returned to the insured with the notice of cancellation or is delivered or sent by mail to the insured so as to be received by the insured not later than the effective date of cancellation. If the premium has been paid by the insured's agent and debited to the agent's account with the company, upon cancellation, the unearned premium must be credited to the agent's account with the company.*

Sec. 97. Minnesota Statutes 1986, section 65A.35, subdivision 5, is amended to read:

Subd. 5. [ADMINISTRATION.] (1) The facility shall be administered by a governing ~~committee board~~ of ~~five members~~ *nine directors*, ~~five of whom are elected annually~~ by the members of the facility; and ~~four additional members who represent the public~~. *Public directors may include licensed insurance agents. Public directors are appointed by the commissioner, at least three of whom shall be public members.* At least one elected ~~member of the governing committee~~ *director* shall be a domestic stock insurer, and at least one ~~elected member of the governing committee~~ *director* shall be a domestic nonstock insurer. In the election of ~~members of the governing committee directors~~, each member of the facility shall be allotted votes bearing the same ratio to the total number of votes to be cast as its degree of participation in the facility bears to the total participation. ~~Pending the determination of the degree of participation of the members in the facility, each member of the facility shall be allotted votes bearing the same ratio to the total number of votes to be cast as each member's written premium on basic property insurance during calendar year 1968 bears to the statewide total written premium for basic property insurance during such year. The first governing committee shall be elected at a meeting of the members or their authorized representatives.~~

(2) Any vacancy among the elected ~~members on the governing committee directors~~ shall be filled by a vote of the other elected ~~members of the governing committee directors~~.

(3) If at any time the ~~members directors~~ fail to elect the required number of members to the ~~governing committee board~~, or a vacancy remains unfilled for more than 15 days, the commissioner may appoint the members necessary to constitute a full ~~governing committee board of directors~~.

(4) *Vacancies among directors appointed by the commissioner shall be filled by appointment by the commissioner. A person so appointed serves until the end of the term of the member they are replacing.*

(5) *All directors serve for a period of two years. The terms of all directors begin on January 1 of the year their appointment begins.*

(6) *The plan of operation must provide for adequate compensation of*

*directors. A per diem amount and a procedure for reimbursement of expenses incurred in the discharge of their duties must be included in the plan. Directors whose employers compensate them while serving on the board or who would submit their compensation to their employer are not eligible for compensation under the plan.*

**Sec. 98. [65A.375] [RATES FOR COOPERATIVE HOUSING AND NEIGHBORHOOD REAL ESTATE TRUST INSURANCE.]**

*The commissioner shall set the insurance rates for cooperative housing, organized under chapter 308, and for neighborhood real estate trusts, characterized as nonprofit ownership of real estate with resident control. The rates must be actuarially sound.*

Sec. 99. Minnesota Statutes 1986, section 65A.39, is amended to read:

**65A.39 [RIGHT OF APPEAL.]**

*(a) Any applicant or participating insurer shall have the right of appeal to the governing committee board of directors, which shall promptly determine said the appeal. A decision of the committee board may be appealed to the commissioner within 30 days from notice of the action or decision of the committee, and. The commissioner shall promptly determine said the appeal. Each denial of insurance shall be accompanied by a statement that the applicant has the right of appeal to the governing committee board and the commissioner and setting forth the procedures to be followed for such the appeal. A final action of the commissioner is subject to judicial review as provided in chapter 14.*

*(b) In lieu of the appeal to the commissioner under paragraph (a), an applicant or insurer may seek judicial review of the board's action.*

Sec. 100. Minnesota Statutes 1986, section 65B.03, subdivision 1, is amended to read:

**Subdivision 1. [MEMBERSHIP.]** The commissioner shall direct that an election be held among every insurer subject to this chapter, for the election of a insurer representatives on the facility governing committee. The governing committee shall be made up of eight nine individuals selected, five of whom shall be elected by participating members of the facility and one public member appointed by the governor to two-year terms four who shall be public members. Public members may include licensed insurance agents. The public members shall be appointed by the commissioner. Each insurer member of the governing committee shall be a participating member. The term of office for members of the governing committee is two years.

Each participating member serving on the governing committee shall be represented by a salaried employee of that participating member, and not more than one participating member in a group under the same management shall serve on the governing committee at the same time. The commissioner of commerce or a designee shall be an ex officio member of the governing committee.

Sec. 101. Minnesota Statutes 1986, section 65B.12, is amended to read:

**65B.12 [RIGHT TO HEARING; CONSTRUCTION OF PLAN OF OPERATION.]**

**Subdivision 1.** Any participating member, applicant or person insured under a policy placed through the facility may request a formal hearing and ruling by the governing committee on any alleged violation of the plan

of operation or any alleged improper act or ruling of the facility ~~directly affecting its assessment, premium or coverage furnished, provided that such right to hearing shall not apply to any claim arising out of insurance provided by any participating member.~~ *Such The* request for hearing must be filed within 30 days after the date of the alleged act or decision.

Subd. 2. The plan of operation shall provide for prompt and fair hearings, and shall prescribe the procedure to be followed in ~~such the~~ hearings.

Subd. 3. Any formal ruling by the governing committee may be appealed to the commissioner by filing notice of appeal with the facility and the commissioner within 30 days after issuance of the ruling. ~~Such a The~~ hearing shall be governed by the procedures for contested cases.

Subd. 4. Upon a hearing pursuant to ~~Laws 1971, chapter 813~~ chapter 14, the commissioner shall issue an order approving or disapproving the action or decision of the governing committee or directing the governing committee to reconsider the ruling.

*Subd. 4a. In lieu of the appeal to the commissioner, a member, applicant, or person may seek judicial review of the governing committee's action.*

Subd. 5. The plan of operation shall be interpreted to conform to the laws of this state with respect to automobile insurance coverage and any changes ~~therein in the laws~~, unless the facility is specifically excluded from the applicability of ~~such these~~ laws.

Sec. 102. Minnesota Statutes 1986, section 65B.1311, is amended to read:

**65B.1311 [COVERAGE FOR FORMER SPOUSE.]**

Subdivision 1. [NEW POLICY ISSUED.] ~~If the former spouse of a named insured under a policy of private passenger vehicle insurance applies within 60 days of entry of a valid decree of dissolution of the marriage and the former spouse was an insured driver under the policy for at least 12 months prior to entry of the decree, the insurer must issue a policy, upon payment of the appropriate premium, to the former spouse only on the basis of the driving record applicable to the former spouse and any person who is to be an insured, as defined in section 65B.43, under the policy to be issued, provided the person or persons to be insured meets the insurer's eligibility standards. An insurer must issue a policy of private passenger insurance to the former spouse of a named insured, within the provisions of subdivision 2 of this section, if the following conditions are met:~~

*(1) the former spouse has been an insured driver under the former policy for at least the six months immediately preceding the entry of a valid decree of dissolution of marriage;*

*(2) the former spouse makes application for a policy before the end of the policy period or within 60 days after the entry of the decree of dissolution of marriage, whichever is later;*

*(3) the appropriate premium is paid; and*

*(4) the former spouse and any person or persons who is to be an insured, as defined in section 65B.43, meets the insurer's eligibility standards for renewal policies.*

Subd. 2. [NAMED INSURED.] A named insured under a policy of private passenger vehicle insurance shall have the premium determined at

the first and any subsequent renewals of the policy after entry of a valid decree of dissolution of the marriage of the named insured only on the basis of the driving record *and rating classification* applicable to the named insured and any person who is to be an insured, as defined in section 65B.43, under the policy to be renewed.

Sec. 103. Minnesota Statutes 1986, section 65B.16, is amended to read:

**65B.16 [STATEMENT OF REASONS FOR CANCELLATION OR REDUCTION.]**

No notice of cancellation or reduction in the limits of liability of coverage of an automobile insurance policy under section 65B.15 shall be effective unless the specific underwriting or other reason or reasons for such cancellation or reduction in the limits of liability of coverage are stated in such notice and the notice is mailed or delivered by the insurer to the named insured at least 30 days prior to the effective date of cancellation; provided, however, that when nonpayment of premium is the reason for cancellation or when the company is exercising its right to cancel insurance which has been in effect for less than 60 days at least ten days notice of cancellation, *and the reasons for the cancellation*, shall be given. *Information regarding moving traffic violations or motor vehicle accidents must be specifically requested on the application in order for a company to use those incidents to exercise its right to cancel within the first 59 days of coverage.* When nonpayment of premiums is the reason for cancellation, the reason must be given to the insured with the notice of cancellation; and if the company is exercising its right to cancel within the first 59 days of coverage and notice is given with less than ten days remaining in the 59-day period, the coverage must be extended, to expire ten days after notice was mailed.

Sec. 104. [65B.162] [NOTICE OF POSSIBLE CANCELLATION.]

*A written notice shall be provided to all applicants for private passenger insurance, at the time the application is submitted, containing the following language in bold print: "THE INSURER MAY ELECT TO CANCEL COVERAGE AT ANY TIME DURING THE FIRST 59 DAYS FOLLOWING ISSUANCE OF THE COVERAGE FOR ANY REASON WHICH IS NOT SPECIFICALLY PROHIBITED BY STATUTE."*

Sec. 105. Minnesota Statutes 1986, section 65B.21, subdivision 2, is amended to read:

Subd. 2. Upon receipt of a written objection pursuant to the provisions herein, the commissioner ~~shall~~ *may* notify the insurer of receipt of such objection and of the right of the insurer to file a written response thereto within ten days of receipt of such notification. The commissioner may also order an investigation of the objection or complaint, the submission of additional information by the insured or the insurer about the action by the insurer or the objections of the insured, or such other procedure as the commissioner deems appropriate or necessary. Within 23 days of receipt of such written objection by an insured the commissioner shall approve or disapprove the insurer's action and shall notify the insured and insurer of the final decision. Either party may institute proceedings for judicial review of the commissioner's decision; provided, however, that the commissioner's final decision shall be binding pending judicial review.

Sec. 106. Minnesota Statutes 1986, section 65B.28, is amended to read:

**65B.28 [ACCIDENT PREVENTION COURSE PREMIUM]**



## REDUCTIONS.]

Subdivision 1. [REQUIRED REDUCTION.] An insurer must provide an appropriate premium reduction of *at least ten percent* on its policies of private passenger vehicle insurance, as defined in section 65B.001, subdivision 2, issued, delivered, or renewed in this state after January 1, 1985, to insureds 65 55 years old and older who successfully complete an accident prevention course established under subdivision 2.

Subd. 2. [ACCIDENT PREVENTION COURSE; RULES.] The commissioner of public safety shall, by January 1, 1985, adopt rules establishing and regulating a motor vehicle accident prevention course for persons 65 55 years old and older. The rules must, at a minimum, include provisions:

- (1) establishing curriculum requirements;
- (2) establishing the number of hours required for successful completion of the course;
- (3) providing for the issuance of a course completion certification and requiring its submission to an insured as evidence of completion of the course; and
- (4) requiring persons 65 55 years old and older to retake the course every three years to remain eligible for a premium reduction.

Sec. 107. Minnesota Statutes 1986, section 65B.46, is amended to read:

## 65B.46 [RIGHT TO BENEFITS.]

Subdivision 1. If the accident causing injury occurs in this state, every person suffering loss from injury arising out of maintenance or use of a motor vehicle *or as a result of being struck as a pedestrian by a motorcycle* has a right to basic economic loss benefits.

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

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

Subd. 3. For the purposes of sections 65B.41 to 65B.71, injuries suffered by a person while on, mounting or alighting from a motorcycle do not arise out of the maintenance or use of a motor vehicle although a motor vehicle is involved in the accident causing the injury.

Sec. 108. Minnesota Statutes 1986, section 65B.49, is amended by adding a subdivision to read:

Subd. 5a. [RENTAL VEHICLES.] (a) *No plan of reparation security*

may be issued or renewed after August 1, 1987, unless the plan provides that all coverages under the plan are extended to any motor vehicle while being rented by the named insured. The plan must also provide that, to the extent that all or any part of the obligation of the named insured for property damage to a rented vehicle would not be covered by the collision or comprehensive portion of the plan, the obligation will be covered by the property damage coverage portion of the plan.

(b) A vehicle is rented for purposes of this subdivision if the rate for the use of the vehicle is determined on a weekly or daily basis. A vehicle is not rented for purposes of this subdivision if the rate for the vehicle's use is determined on a monthly or longer period or the vehicle is rented exclusively for business purposes.

(c) The policy or certificate issued by the plan must inform the insured of the application of the plan to rental vehicles and that the insured may not need to purchase additional coverage from the rental company.

(d) Where an insured has two or more plans of reparation security containing the rented motor vehicle coverage required under paragraph (a), claims must be made against the plan covering the motor vehicle most often driven by the insured.

#### Sec. 109. [65B.491] [SENIOR CITIZENS.]

After August 1, 1987, no plan of reparation security issued to or renewed with a person who has attained the age of 65 years may provide coverage for wage loss reimbursement that the insured will not reasonably be expected to be able to receive. It is the responsibility of the person issuing or renewing the plan to inquire as to the applicability of this section. The rate for any plan for which coverage has been excluded or reduced pursuant to this section must be reduced accordingly. This section does apply to self-insurance.

Sec. 110. Minnesota Statutes 1986, section 65B.525, subdivision 1, is amended to read:

Subdivision 1. The supreme court and the several courts of general trial jurisdiction of this state shall by rules of court or other constitutionally allowable device, provide for the mandatory submission to arbitration of all cases at issue where ~~a the total claim is in an amount of \$5,000 or less is made by a motor vehicle accident victim, whether in an action to recover economic loss or noneconomic detriment for the allegedly negligent operation, maintenance, or use of a motor vehicle within this state, or against any the victim's reparation obligor for benefits as provided in sections 65B.41 to 65B.71.~~

Sec. 111. Minnesota Statutes 1986, section 65B.63, subdivision 1, is amended to read:

Subdivision 1. Reparation obligors providing basic economic loss insurance in this state shall organize and maintain, subject to approval and regulation by the commissioner, an assigned claims bureau and an assigned claims plan, and adopt rules for their operation and for the assessment of costs on a fair and equitable basis consistent with sections 65B.41 to 65B.71. The assigned claims bureau shall be managed by a governing committee made up of four individuals selected by the insurer members, one individual selected by the self-insurer members, and ~~two~~ four public members appointed by the governor to two-year terms. *Public members may include*

*licensed insurance agents.* If such obligors do not organize and continuously maintain an assigned claims bureau and an assigned claims plan in a manner considered by the commissioner of commerce to be consistent with sections 65B.41 to 65B.71, the commissioner shall organize and maintain an assigned claims bureau and an assigned claims plan. Each reparation obligor providing basic economic loss insurance in this state shall participate in the assigned claims bureau and the assigned claims plan. Costs incurred shall be allocated fairly and equitably among the reparation obligors.

*A ruling, action, or decision of the governing committee may be appealed to the commissioner within 30 days. A final action or order of the commissioner is subject to judicial review in the manner provided by chapter 14. In lieu of an appeal to the commissioner, judicial review of the governing committee's ruling, action, or decision may be sought.*

Sec. 112. Minnesota Statutes 1986, section 67A.05, subdivision 2, is amended to read:

Subd. 2. [FILING OF BYLAWS AND AMENDMENTS THERETO.] Every township mutual fire insurance company doing business within this state shall ~~cause a copy of its bylaws to be certified to by its president and its secretary and file the same with the commissioner and thereafter every amendment to the bylaws of any township mutual fire insurance company, duly certified to by its president and its secretary, shall within a reasonable time after its adoption be filed in the office of the commissioner be subject to the requirements of section 72A.061, subdivision 2, as to amendments or additions to its bylaws.~~

Sec. 113. Minnesota Statutes 1986, section 67A.06, is amended to read:

67A.06 [POWERS OF CORPORATION.]

Every corporation formed under the provisions of sections 67A.01 to 67A.26, shall have power:

- (1) To have succession by its corporate name for the time stated in its certificate of incorporation;
- (2) To sue and be sued in any court;
- (3) To have and use a common seal and alter the same at pleasure;
- (4) To acquire, by purchase or otherwise, and to hold, enjoy, improve, lease, encumber, and convey all real and personal property necessary for the purpose of its organization, subject to such limitations as may be imposed by law or by its articles of incorporation;
- (5) To elect or appoint in such manner as it may determine all necessary or proper officers, agents, boards, and committees, fix their compensation, and define their powers and duties;
- (6) To make and amend consistently with law bylaws providing for the management of its property and the regulation and government of its affairs;
- (7) To wind up and liquidate its business in the manner provided by chapter 60B; and
- (8) To indemnify certain persons against expenses and liabilities as provided in section ~~300.082~~ 300.083. In applying section ~~300.082~~ 300.083 for this purpose, the term "members" shall be substituted for the terms "shareholders" and "stockholders."

Sec. 114. Minnesota Statutes 1986, section 67A.231, is amended to read:

**67A.231 [DEPOSIT OF FUNDS; INVESTMENT; LIMITATIONS.]**

The directors of any township mutual insurance company may authorize the treasurer to invest any of its funds and accumulations in:

(a) Bonds, notes, mortgages, or other obligations guaranteed by the full faith and credit of the United States of America and those for which the credit of the United States is pledged to pay principal, interest or dividends, including United States agency and instrumentality bonds, debentures, or obligations;

(b) Bonds, notes, evidence of indebtedness, or other public authority obligations guaranteed by this state;

(c) Bonds, notes, evidence of the indebtedness or other obligations guaranteed by the full faith and credit of any county, municipality, school district, or other duly authorized political subdivision of this state;

*(d) Bonds or other interest bearing obligations, payable from revenues, provided that the bonds or other interest bearing obligations are at the time of purchase rated among the highest four quality categories used by a nationally recognized rating agency for rating the quality of similar bonds or other interest bearing obligations, and are not rated lower by any other such agency; or obligations of a United States agency or instrumentality that have been determined to be investment grade (as indicated by a "yes" rating) by the Securities Valuation Office of the National Association of Insurance Commissioners. This is not applicable to bonds or other interest bearing obligations in default as to principal;*

*(e) Investments in the obligations stated in paragraphs (a), (b), (c), and (d), may be made either directly or in the form of securities of, or other interests in, an investment company registered under the Federal Investment Company Act of 1940. Investment company shares authorized pursuant to this subdivision shall not exceed 20 percent of the company's surplus. These obligations must be carried at the lower of cost or market on the annual statement filed with the commissioner and adjusted to market on an annual basis;*

~~(d)~~ (f) Loans upon improved and unencumbered real property in this state worth at least twice the amount loaned thereon, not including buildings, unless insured by property insurance policies payable to and held by the security holder;

~~(e)~~ (g) Real estate, including land, buildings and fixtures, located in this state and used primarily as home office space for the insurance company;

~~(f)~~ (h) Demand or time deposits or savings accounts in federally insured depositories located in this state to the extent that the deposit or investment is insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation, or the National Credit Union Administration;

~~(g)~~ (i) Guarantee fund certificates of a mutual insurer which reinsures the business of the township mutual insurance company. The commissioner may by rule limit the amount of guarantee fund certificates which the township mutual insurance company may purchase and this limit may be a function of the size of the township mutual insurance company;

(j) Up to \$1,500 in stock of an insurer which issues directors and officers

liability insurance to township mutual insurance company directors and officers.

Sec. 115. Minnesota Statutes 1986, section 70A.06, is amended by adding a subdivision to read:

*Subd. 1a. Whenever an insurer files a change in a rate that will result in a 25 percent or more increase in a 12-month period over existing rates, the commissioner may hold a hearing to determine if the change is excessive. The hearing must be conducted under chapter 14. The commissioner must give notice of intent to hold a hearing within 60 days of the filing of the change. It shall be the responsibility of the insurer to show the rate is not excessive. The rate is effective unless it is determined as a result of the hearing that the rate is excessive.*

Sec. 116. Minnesota Statutes 1986, section 70A.08, subdivision 3, is amended to read:

*Subd. 3. ~~Until January 1, 1988,~~ The commissioner may restrict approval on claims-made policies to forms filed by a rate service organization which have been approved.*

Sec. 117. [72A.125] [RENTAL VEHICLE PERSONAL ACCIDENT INSURANCE; SPECIAL REQUIREMENTS.]

*Subdivision 1. [DEFINITION.] (a) "Auto rental company" means a corporation, partnership, individual, or other person that is engaged primarily in the renting of motor vehicles at per diem rates.*

*(b) "Rental vehicle personal accident insurance" means accident only insurance providing accidental death benefits, dismemberment benefits and/or reimbursement for medical expenses which is issued by an insurer authorized in this state to issue accident and health insurance. These coverages are nonqualified plans under chapter 62E.*

*Subd. 2. [SALE BY AUTO RENTAL COMPANIES.] An auto rental company that offers or sells rental vehicle personal accident insurance in this state in conjunction with the rental of a vehicle shall only sell these products if the forms and rates have met the relevant requirements of section 62A.02, taking into account the possible infrequency and severity of loss that may be incurred. Sections 60A.17 and 60A.1701 do not apply if the persons engaged in the sale of these products are employees of the auto rental company who do not receive commissions or other remuneration for selling the product in addition to their regular compensation. Compensation may not be determined in any part by the sale of insurance products. The auto rental company before engaging in the sale of the product must file with the commissioner the following documents:*

- (1) an appointment of the commissioner as agent for service of process;*
- (2) an agreement that the auto rental company assumes all responsibility for the authorized actions of all unlicensed employees who sell the insurance product on its behalf in conjunction with the rental of its vehicles;*
- (3) an agreement that the auto rental company with respect to itself and its employees will be subject to this chapter regarding the marketing of the insurance products and the conduct of those persons involved in the sale of insurance products in the same manner as if it were a licensed agent.*

*An auto rental company failing to file the documents in clauses (1) to*

(3) is guilty of an individual violation as to the unlicensed sale of insurance for each sale that occurs after the effective date of this section until they make the required filings. Each individual sale after the effective date of this section and prior to the filing required by this section is subject to, in addition to any other penalties allowable by law, up to a \$100 per violation fine. Further, the sale of the insurance product by an auto rental company or any employee or agent of the company after the effective date of this section without having complied with this section shall be deemed to be in acceptance of the provisions of this section.

*Insurance sold pursuant to this subdivision must be limited in availability to rental vehicle customers though coverage may extend to the customer, other drivers, and passengers using or riding in the rented vehicles; and limited in duration to a period equal to and concurrent with that of the vehicle rental.*

*Persons purchasing rental vehicle personal accident insurance may be provided a certificate summarizing the policy provisions in lieu of a copy of the policy if a copy of the policy is available for inspection at the place of sale and a free copy of the policy may be obtained from the auto rental company's home office.*

*The commissioner may, after a hearing, revoke an auto rental company's right to operate under this section if the company has repeatedly violated the insurance laws of this state and the revocation is in the public interest.*

Sec. 118. Minnesota Statutes 1986, section 72A.20, subdivision 11, is amended to read:

Subd. 11. [APPLICATION TO CERTAIN SECTIONS.] Violating any provision of the following sections of this chapter not set forth in ~~subdivisions 1 to 15~~ this section shall constitute an unfair method of competition and an unfair and deceptive act or practice: sections 72A.12, subdivisions 2, 3, and 4, 72A.16, subdivision 2, 72A.03 and 72A.04, 72A.08, subdivision 1 as modified by section 72A.08, subdivision 4, and 65B.13.

Sec. 119. Minnesota Statutes 1986, section 72A.20, subdivision 17, is amended to read:

Subd. 17. [RETURN OF PREMIUMS UPON DEATH OF INSURED.] (a) Refusing, upon surrender of an individual policy of life insurance, to refund to the estate of the insured all unearned premiums paid on the policy covering the insured as of the time of the insured's death if the unearned premium is for a period of more than one month.

The insurer may deduct from the premium any previously accrued claim for loss or damage under the policy.

For the purposes of this section, a premium is unearned during the period of time the insurer has not been exposed to any risk of loss; or

(b) Refusing, upon termination or cancellation of a policy of automobile insurance under section 65B.14, subdivision 2, or a policy of homeowner's insurance under section 65A.27, subdivision 4, or a policy of accident and sickness insurance under section 62A.01, or a policy of comprehensive health insurance under chapter 62E, to refund to the insured all unearned premiums paid on the policy covering the insured as of the time of the termination or cancellation if the unearned premium is for a period of more than one month.

*The insurer may deduct from the premium any previously accrued claim for loss or damage under the policy.*

*For purposes of this section, a premium is unearned during the period of time the insurer has not been exposed to any risk of loss.*

Sec. 120. Minnesota Statutes 1986, section 72A.20, is amended by adding a subdivision to read:

*Subd. 18. [IMPROPER BUSINESS PRACTICES.] (a) Improperly withholding, misappropriating, or converting any money belonging to a policyholder, beneficiary, or other person when received in the course of the insurance business; or (b) engaging in fraudulent, coercive, or dishonest practices in connection with the insurance business.*

Sec. 121. Minnesota Statutes 1986, section 72A.20, is amended by adding a subdivision to read:

*Subd. 19. [SUPPORT FOR UNDERWRITING STANDARDS.] No life or health insurance company doing business in this state shall engage in any selection or underwriting process unless the insurance company establishes beforehand substantial data, actuarial projections, or claims experience which support the underwriting standards used by the insurance company. The data, projections, or claims experience used to support the selection or underwriting process is not limited to only that of the company. The experience, projections, or data of other companies or a rate service organization may be used as well.*

Sec. 122. Minnesota Statutes 1986, section 72A.31, subdivision 1, is amended to read:

Subdivision 1. No person, firm or corporation engaged in the business of financing the purchase of real or personal property or of lending money on the security of real or personal property or who acts as agent or broker for one who purchases real property and borrows money on the security thereof, and no trustee, director, officer, agent or other employee of any such person, firm, or corporation shall directly or indirectly:

(1) require, as a condition precedent to such purchase or financing the purchase of such property or to loaning money upon the security of a mortgage thereon, or as a condition prerequisite for the renewal or extension of any such loan or mortgage or for the performance of any other act in connection therewith, that the person, firm or corporation making such purchase or for whom such purchase is to be financed or to whom the money is to be loaned or for whom such extension, renewal or other act is to be granted or performed negotiate any policy of insurance or renewal thereof covering such property through a particular agent, or insurer, or

(2) refuse to accept any policy of insurance covering such property because it was not negotiated through or with any particular agent, or insurer, or

(3) refuse to accept any policy of insurance covering the property issued by an insurer that is a member insurer as defined by section 60C.03, subdivision 6, or

(4) require any policy of insurance covering the property to exceed the replacement cost of the buildings on the mortgaged premises.

This section shall not prevent the disapproval of the insurer or a policy of insurance by any such person, firm, corporation, trustee, director, officer,

agent or employee where there are reasonable grounds for believing that *the insurer is insolvent or that such insurance is unsatisfactory as to placement with an unauthorized insurer, the financial solvency of the insurer, adequacy of the coverage, adequacy of the insurer to assume the risk to be insured, the assessment features to which the policy is subject, or other grounds which are based on the nature of the coverage and which are not arbitrary, unreasonable or discriminatory, nor shall this section prevent a mortgage lender or mortgage servicer from requiring that a policy of insurance or renewal thereof be in conformance with standards of the federal national mortgage association or the federal home loan mortgage corporation, nor shall this section forbid the securing of insurance or a renewal thereof at the request of the borrower or because of the borrower's failure to furnish the necessary insurance or renewal thereof. For purposes of this section, "insurer" includes a township mutual fire insurance company operating under sections 67A.01 to 67A.26 and a farmers mutual fire insurance company operating under sections 67A.27 to 67A.39.*

Upon notice of any such disapproval of or refusal to accept an insurer or a policy of insurance, the commissioner may order the approval of the insurer or the acceptance of the tendered policy of insurance, or both, if the commissioner determines such disapproval or refusal to accept is not in accordance with the foregoing requirements. Failure to comply with such an order of the commissioner of commerce shall be deemed a violation of this section.

Sec. 123. Minnesota Statutes 1986, section 169.045, subdivision 1, is amended to read:

Subdivision 1. [DESIGNATION OF ROADWAYS, PERMIT.] The governing body of any home rule charter or statutory city or town may by ordinance authorize the operation of motorized golf carts, or four-wheel all-terrain vehicles, on designated roadways or portions thereof under its jurisdiction. Authorization to operate a motorized golf cart or four-wheel all-terrain vehicle is by permit only. ~~Permits are restricted to physically handicapped persons defined in section 169.345, subdivision 2.~~ For purposes of this section, a four-wheel all-terrain vehicle is a motorized flotation-tired vehicle with four low-pressure tires that is limited in engine displacement of less than 800 cubic centimeters and total dry weight less than 600 pounds.

Sec. 124. Minnesota Statutes 1986, section 169.045, is amended by adding a subdivision to read:

Subd. 8. [INSURANCE.] *In the event persons operating a motorized golf cart or four-wheel, all-terrain vehicle under this section cannot obtain liability insurance in the private market, that person may purchase automobile insurance, including no-fault coverage, from the Minnesota Automobile Assigned Risk Plan at a rate to be determined by the commissioner of commerce.*

Sec. 125. [256B.73] [DEMONSTRATION PROJECT FOR UNINSURED LOW INCOME PERSONS.]

Subdivision 1. [PURPOSE.] *The purpose of the demonstration project is to determine the need for and the feasibility of establishing a statewide program of medical insurance for uninsured low income persons.*

Subd. 2. [ESTABLISHMENT: GEOGRAPHIC AREA.] *The commissioner of human services shall establish a demonstration project to provide*



low cost medical insurance to uninsured low income persons in Cook, Lake, St. Louis, Carlton, Aitkin, Itasca, and Koochiching counties except an individual county may be excluded as determined by the county board of commissioners.

*Subd. 3. [DEFINITIONS.] For the purposes of this section, the following terms have the meanings given:*

- (1) "commissioner" means the commissioner of human services;*
- (2) "demonstration provider" means a Minnesota corporation doing business under chapter 62A, 62C, or 62D;*
- (3) "individual provider" means a medical provider under contract to the demonstration provider to provide medical care to enrollees; and*
- (4) "enrollee" means a person eligible to receive coverage according to subdivision 4.*

*Subd. 4. [ENROLLEE ELIGIBILITY REQUIREMENTS.] To be eligible for participation in the demonstration project, an enrollee must:*

- (1) not be eligible for Medicare, medical assistance, or general assistance medical care;*
- (2) have an income not more than 200 percent of the Minnesota income standards by family size used in the aid to families with dependent children program;*
- (3) not own real property in excess of the limits specified in section 256B.06, subdivision 1, paragraph (12);*
- (4) not have cash and/or liquid assets in excess of the limits specified in section 256B.06, subdivision 1, paragraph (13); and*
- (5) have no medical insurance or health benefits plan available through employment or other means that would provide coverage for the same medical services as provided by this demonstration.*

*Subd. 5. [ENROLLEE BENEFITS.] Eligible individuals enrolled by the demonstration provider shall receive all necessary health care services as defined in section 256B.02, subdivision 8, except services that are available through consolidated fund programs for conditions related to chemical dependency or mental illness or are not mandated benefits according to chapter 62D may be excluded upon approval by the commissioner. The demonstration provider shall establish annual limits of coverage to arrive at an affordable monthly premium for enrollees.*

*Subd. 6. [ENROLLEE PARTICIPATION.] An enrollee is not required to furnish evidence of good health. The demonstration provider shall accept all persons applying for coverage who meet the criteria in subdivision 4, subject to the following provisions:*

*(a) Enrollees will be required to pay a sliding fee on a monthly basis for health coverage through the demonstration project. The sliding fee shall be based on the enrollee's income and shall not exceed 50 percent of the rate that would be paid to a prepaid plan serving general assistance medical care recipients in the same geographic area.*

*(b) The demonstration provider may terminate the coverage for an enrollee who has not made payment within the first ten calendar days of the month for which coverage is being purchased. The termination for non-*

payment shall be retroactive to the first day of the month for which no payment has been made by the enrollee.

(c) An enrollee who either requests termination of coverage under the demonstration or who allows coverage to terminate due to nonpayment of the required monthly fee may be required to furnish evidence of good health prior to being reinstated in the demonstration. As an alternative to evidence of good health, the enrollee may furnish evidence of having been eligible for health care services under a plan with similar benefits.

(d) The demonstration provider shall establish limits of enrollment which allow for a sufficient number of enrollees to constitute a reasonable demonstration project. These limits shall be established by county within the project area.

**Subd. 7. [CONTRACT WITH DEMONSTRATION PROVIDER.]** The commissioner shall contract with the demonstration provider for the duration of the project. This contract shall be for 24 months with an option to renew for no more than 12 months. This contract may be canceled without cause by the commissioner upon 90 days' written notice to the demonstration provider or by the demonstration provider with 90 days' written notice to the commissioner. The commissioner shall assure the cooperation of the county human services or social services staff in all counties participating in the project.

**Subd. 8. [MEDICAL ASSISTANCE AND GENERAL ASSISTANCE MEDICAL CARE COORDINATION.]** To assure enrollees of uninterrupted delivery of health care services, the commissioner may pay the premium to the demonstration provider for persons who become eligible for medical assistance or general assistance medical care. To determine eligibility for medical assistance, any medical expenses for eligible services incurred by the demonstration provider shall be considered as evidence of satisfying the medical expense requirements of section 256B.06, subdivision 1, paragraphs (14) and (15). To determine eligibility for general assistance medical care, any medical expenses for eligible services incurred by the demonstration provider shall be considered as evidence of satisfying the medical expense requirements of section 256D.03, subdivision 3.

**Subd. 9. [WAIVERS.]** (a) Waivers of Minnesota Statutes, chapters 62A, 62C, and 62D, are granted until December 31, 1992.

(b) This demonstration project shall not become operational until waivers of appropriate federal regulation are obtained from the health care financing administration.

**Sec. 126. Minnesota Statutes 1986, section 471.98, subdivision 2, is amended to read:**

**Subd. 2. "Political subdivision"** includes a statutory or home rule charter city, a county, a school district, a town, a watershed management organization as defined in section 473.876, subdivision 9, or an instrumentality thereof having independent policy making and appropriating authority. For the purposes of this section and section 471.981, the governing body of a town is the town board.

**Sec. 127. [604.08] [VOLUNTEER ATHLETIC COACHES AND OFFICIALS; IMMUNITY FROM LIABILITY.]**

**Subdivision 1. [GRANT.]** No individual who provides services or assistance without compensation as an athletic coach, manager, or official

*for a sports team that is organized or performing under a nonprofit charter is liable for money damages to a player or participant as a result of the individual's acts or omissions in the providing of that service or assistance.*

*This section applies to organized sports competitions and practice and instruction in that sport.*

*For purposes of this section, "compensation" does not include reimbursement for expenses.*

*Subd. 2. [LIMITATION.] Subdivision 1 does not apply:*

*(1) to the extent that the acts or omissions are covered under an insurance policy issued to the entity for whom the coach, manager, or official serves;*

*(2) if the individual acts in a willful and wanton or reckless manner in providing the services or assistance, or if the individual has not successfully completed a safety orientation program established by the commissioner of public safety;*

*(3) if the acts or omissions arise out of the operation, maintenance, or use of a motor vehicle;*

*(4) if the acts or omissions are a result of the individual's permitting a sports competition or practice to be conducted without adequate supervision;*

*(5) to an athletic coach, manager, or official who provides services or assistance as part of a public or private educational institution's athletic program; and*

*(6) if the individual acts in violation of federal, state, or local law.*

*The limitation in clause (1) constitutes a waiver of the defense of immunity to the extent of the liability stated in the policy, but has no effect on the liability of the individual beyond the coverage provided.*

#### **Sec. 128. [SPECIAL STUDY.]**

*The commissioner of health, with the advice and assistance of the commissioners of commerce and human services, shall prepare a report to the legislature which addresses the issues concerning reimbursement by third-party payors of home health care benefits for individuals with a medical condition which would require inpatient hospital services in the absence of home or community-based care, and who are dependent upon medical technology in order to avoid death or serious injury. Development of the report must include participation by home care providers and third-party payors. The report must include recommendations for the adoption of definitions of home care, minimum standards of home care services, the costs of providing home care, and resolution of the issue of cost-shifting of home care. The report must be delivered to the legislature by January 15, 1988.*

#### **Sec. 129. [RULE CHANGES.]**

*The commissioner shall adopt rule amendments to Minnesota Rules, chapter 2725, as necessary to effect the changes required by the legislature in sections 8 to 10.*

*These rules are exempt from the rulemaking provisions of chapter 14. The commissioner must comply with section 14.38, subdivision 7, when adopting these rule amendments.*

#### **Sec. 130. [APPLICATION.]**

*Sections 51, 53, and 68 apply to all group policies, all group subscriber contracts, all health maintenance contracts, and all qualified plans within the scope of Minnesota Statutes, chapters 62A, 62C, 62D, and 62E, that are issued, delivered or renewed in this state after August 1, 1987.*

**Sec. 131. [REPEALER.]**

*Minnesota Statutes 1986, sections 62A.12; and 67A.43, subdivision 3, are repealed.*

*Minnesota Rules, parts 2700.2400; 2700.2410; 2700.2420; 2700.2430; and 2700.2440, are repealed.*

*Section 125 is repealed effective July 1, 1988, if the project implementation phase has not begun by that date.*

**Sec. 132. [EFFECTIVE DATE.]**

*Section 9 is effective May 31, 1987. Credits earned and reported to the department before May 31, 1988, may be carried forward and used to fulfill continuing education requirements until May 31, 1989.*

*Sections 16 to 21, 44, 61 to 63, 66, 91, 120, and 125 are effective the day following final enactment.*

*Section 127 is effective August 1, 1987, and applies to claims arising from incidents occurring on or after that date."*

Delete the title and insert:

"A bill for an act relating to insurance; requiring notification of group life or health coverage changes; imposing certain bond or securities requirements on workers compensation self-insurers; eliminating mandatory temporary insurance agent licenses; requiring those who solicit insurance to act as agent for the insured; regulating surplus lines insurance; regulating rates and forms; regulating insurance plan administrators; regulating trust funds; regulating the renewal, nonrenewal, and cancellation of commercial liability and property insurance policies; authorizing employers to jointly self-insure for property or casualty liability and regulating these plans; providing continued group life coverage upon termination or layoff; requiring an assignment of reinsurance rights upon insolvency; providing for the establishment and operation of the insurance guaranty association and the life and health guaranty association; regulating accident and health insurance; requiring group coverage for the treatment of eating disorders; regulating joint self-insurance employee health plans; providing for the extraterritorial application of coverages; requiring the treatment of pregnancy-related conditions in the same manner as other illnesses; mandating certain coverages; clarifying coverage for handicapped dependents; providing continued group accident and health coverage upon termination or layoff; requiring coverage of current spouse and children; imposing surety bond or securities requirements on certain health benefit plans; regulating Medicare supplement plan premium refunds; authorizing the renewal of certain long-term health policies; providing for the establishment and operation of the comprehensive health association and the joint underwriting association; providing comprehensive health insurance coverage for certain employees not eligible for Medicare; regulating fraternal benefit associations; regulating automobile insurance; providing for exemption from certain legal process of cash value, proceeds, or benefits under certain life insurance or annuity contracts; limiting the cancellation of fire insurance binders and policies; providing for administration of the FAIR plan; re-

quiring accident prevention course premium reductions; limiting the grounds for cancellation or reduction in limits during the policy period; providing for the priority of security for payment of basic economic loss benefits; extending basic economic loss benefit protection; requiring coverages for former spouses; regulating collision damage waiver fees; specifying membership on the assigned claims bureau; extending no-fault benefits to pedestrians who are struck by motorcycles; regulating township mutual insurance companies; providing for mandatory arbitration of certain claims; establishing a demonstration project to provide medical insurance to certain low income persons; requiring the commissioner to set rates for cooperative housing and neighborhood real estate trust insurance; authorizing investments in certain insurers; regulating trade practices; requiring life and health insurers to substantiate the underwriting standards they use; providing assigned risk plan coverage for certain vehicles used by the handicapped; regulating motor vehicle repairs; regulating certain self-insurance by political subdivisions; granting immunity from liability for volunteer coaches, managers, and officials; prescribing penalties; amending Minnesota Statutes 1986, sections 16A.133, subdivision 1; 43A.27, by adding a subdivision; 45.024, subdivision 2; 60A.17, subdivisions 1a, 2c, 11, and 13; 60A.1701, subdivisions 7, and 8; 60A.196; 60A.197; 60A.198, subdivision 3; 60A.23, subdivision 8; 60A.29, subdivisions 2, 5, and 16, and by adding subdivisions; 60A.30; 60A.31; 60B.44, subdivisions 1, 4, 5, and 9; 60C.08, subdivision 1; 60C.09; 60C.12; 61A.28, subdivision 12; 61B.05, subdivision 1; 61B.09; 62A.041; 62A.043, by adding a subdivision; 62A.141; 62A.146; 62A.152, subdivision 2; 62A.17; 62A.21; 62A.27; 62A.31, subdivision 1a; 62A.43, subdivision 2, and by adding a subdivision; 62A.46, by adding a subdivision; 62A.48, subdivisions 1, 2, 6, and by adding a subdivision; 62A.50, subdivision 3; 62D.05, by adding a subdivision; 62D.102; 62E.06, subdivision 1; 62E.10, subdivision 2, and by adding subdivisions; 62E.14, by adding a subdivision; 62F.041, subdivision 2; 62F.06, subdivision 1; 62H.01; 62H.02; 62H.04; 62I.02, subdivisions 1, and 3, and by adding a subdivision; 62I.03, subdivision 5; 62I.04; 62I.12, subdivision 1; 62I.13, by adding a subdivision; 62I.16, subdivision 3; 62I.22, subdivision 2, and by adding a subdivision; 64B.11, subdivision 4; 64B.18; 64B.27; 65A.01, subdivision 3a; 65A.03, subdivision 1; 65A.10; 65A.29, by adding a subdivision; 65A.35, subdivision 5; 65A.39; 65B.03, subdivision 1; 65B.12; 65B.1311; 65B.16; 65B.21, subdivision 2; 65B.28; 65B.46; 65B.49, by adding a subdivision; 65B.525, subdivision 1; 65B.63, subdivision 1; 67A.05, subdivision 2; 67A.06; 67A.231; 70A.06, by adding a subdivision; 70A.08, subdivision 3; 72A.20, subdivisions 11, 17, and by adding subdivisions; 72A.31, subdivision 1; 169.045, subdivision 1, and by adding a subdivision; 471.98, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 60A; 61A; 62A; 62E; 65A; 65B; 72A; 256B; and 604; proposing coding for new law as Minnesota Statutes, chapter 60E; repealing Minnesota Statutes 1986, sections 62A.12; and 67A.43, subdivision 3; and Minnesota Rules, parts 2700.2400 to 2700.2440."

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 re-referred

S.F No. 583: A bill for an act relating to education; providing for aids for education and the distributions of tax revenues; providing for certain

powers and duties of school boards, the state board of education, the commissioner of education, and others; establishing general education revenue that is composed of basic, compensatory education, training and experience, and sparsity revenue; combining certain categorical aids; providing special instruction and services for handicapped children from birth; making certain modifications to the school of the arts and resource center; establishing education districts and area learning centers; modifying requirements for school district planning, evaluating, and reporting; requiring counties to participate in regional public library systems; appropriating money; amending Minnesota Statutes 1986, sections 43A.08, subdivisions 1, and 1a; 120.03, subdivision 1; 120.17, subdivisions 1, 2, 3, 3a, 3b, 5, 7a, 12, and by adding subdivisions; 121.11, by adding a subdivision; 121.609, subdivision 4; 121.88, subdivision 7; 121.912, subdivision 1, and by adding a subdivision; 121.932, subdivision 3, and by adding a subdivision; 121.934, subdivisions 1, 2, and 6; 122.541, subdivision 2; 123.34, subdivision 9; 123.35, by adding a subdivision; 123.39, subdivision 1; 123.703, subdivision 3; 123.705; 124.14, subdivision 7; 124.17, subdivision 1, and by adding a subdivision; 124.175; 124.195, subdivision 8; 124.2162, by adding a subdivision; 124.223; 124.225, subdivisions 1, 4b, 7b, 8a, 8i, and 10; 124.26, by adding subdivisions; 124.271, subdivisions 2b, and 7; 124.2711, subdivision 1; 124.273, subdivision 5; 124A.02, subdivisions 9, and 16; 124A.031, subdivision 4; 124A.21; 125.03, subdivision 5; 125.05, subdivision 1; 125.611, subdivisions 11, 12, and 13; 126.54, subdivision 1; 126.56, subdivisions 3, and 6; 126.67, subdivisions 3a, and 6, and by adding a subdivision; 128A.01; 128A.02, subdivisions 2, and 4; 129B.39; 129B.43, subdivisions 1, and 4; 129C.10, subdivisions 1, 3, 4, 5, 6, and by adding subdivisions; 134.10; 136D.27; 136D.74, subdivision 2; 136D.87; 171.29, subdivision 2; 275.125, subdivisions 4, 5, and 8; and Laws 1986, First Special Session chapter 1, article 5, section 9; proposing coding for new law in Minnesota Statutes, chapters 122, 124, 124A, 126, 128A, 129B, and 134; repealing Minnesota Statutes 1986, sections 120.17, subdivision 13; 121.20; 121.935, subdivision 5; 123.3514, subdivision 9; 124.17, subdivisions 1a, and 2d; 124.185; 124.2161; 124.2162; 124.2163; 124.225, subdivision 1a; 124.245; 124.246; 124.247; 124.252; 124.26, subdivisions 1, and 6; 124.272; 124.273, subdivision 2b; 124.274; 124.275; 124.573; 124.65; 124.66; 124A.01; 124A.02, subdivisions 2, 5, 6, 7, 9, 10, 11, 12, 13, and 14; 124A.03, subdivisions 1, 1a, 3, 4, and 6; 124A.031, subdivision 1; 124A.033; 124A.035, subdivision 1; 124A.04; 124A.06, subdivisions 1, 1a, 1b, 2, 3a, and 4; 124A.08, subdivisions 1, 2, 3a, 4, and 5; 124A.10, subdivisions 1, 2, 3a, and 4; 124A.12, subdivisions 1, 2, 3a, and 4; 124A.14, subdivisions 1, 2, 3, 4, 5, 5a, and 6; 124A.16; 124A.20, subdivisions 1, 2, and 3; 124A.21; 125.611, subdivisions 8, 9, and 10; 126.031, subdivision 2; 126.264, subdivision 3; 126.267; 126.268, subdivision 2; 126.60; 126.62; 126.64; 126.65; 126.66; 126.67, subdivisions 1, 1a, 2a, 5b, and 9; 126.70; 126.71; 126.72; 126.80; 126.81; 129B.01; 129B.02; 129B.04; 129B.05; 129B.17; 129B.20; 129B.21; 129B.35; 129B.43, subdivisions 2, 3, and 6; 129B.61; 129B.62; 129B.63; 129B.64; 129B.65; 129B.66; 129B.67; 275.125, subdivisions 3, 6a, 8a, 11a, 11c, and 12; 354.66, subdivisions 4a and 9; 354A.094, subdivisions 4a and 9; and Laws 1985, First Special Session chapter 12, article 8, section 46.

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 1044: A bill for an act relating to education; providing for teacher seniority and severance pay in districts entering into agreements for secondary education and tuitioning agreements; amending Minnesota Statutes 1986, sections 122.535, subdivision 2; 122.541, subdivision 1; and 123.39, by adding a subdivision.

Reports the same back with the recommendation that the report from the Committee on Education, shown in the Journal for April 15, 1987, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass". Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 187: A bill for an act relating to liens; personal property; establishing a lien on personal property held in self-service storage facilities; providing for the enforcement of these liens; regulating rental agreements and advertising; proposing coding for new law in Minnesota Statutes, chapter 514.

Reports the same back with the recommendation that the report from the Committee on Judiciary, shown in the Journal for April 15, 1987, be amended to read:

"the bill be amended and when so amended the bill do pass and be referred to the Committee on Commerce". Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 156: A bill for an act relating to certain commercial transactions; adopting an article of the uniform commercial code that governs leases; amending Minnesota Statutes 1986, section 336.1-201; proposing coding for new law in Minnesota Statutes, chapter 336.

Reports the same back with the recommendation that the report from the Committee on Judiciary, shown in the Journal for April 15, 1987, be adopted; that committee recommendation being:

"the bill be amended 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 the following appointment as reported in the Journal for January 29, 1987:

#### BOARD OF THE ARTS

David M. Lilly, Jr.

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. Lessard from the Committee on General Legislation and Public Gaming, to which were referred the following appointments as reported in the Journal for March 5, 1987:

#### BOARD OF THE ARTS

Carol Ann Mackay

Marjorie Hayden

Calvin Zuehlke

Reports the same back with the recommendation that the appointments be confirmed.

Mr. Moe, R.D. moved that the foregoing committee report be laid on the table. The motion prevailed.

Mr. Lessard from the Committee on General Legislation and Public Gaming, to which were referred the following appointments as reported in the Journal for April 6, 1987:

#### CHARITABLE GAMBLING CONTROL BOARD

Robert C. Fragnito

Mary Kay Williams

Ray Potami

Lorraine Berman

Reports the same back with the recommendation that the appointments be confirmed.

Mr. Moe, R.D. moved that the foregoing committee report be laid on the table. The motion prevailed.

Mr. Lessard from the Committee on General Legislation and Public Gaming, to which was referred the following appointment as reported in the Journal for March 19, 1987:

#### CHARITABLE GAMBLING CONTROL BOARD

Raymond J. Joachim

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. Lessard from the Committee on General Legislation and Public Gaming, to which was referred the following appointment as reported in the Journal for February 26, 1987:

#### MINNESOTA RACING COMMISSION

Richard M. Kirkes

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. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was re-referred

S.F. No. 1210: A bill for an act relating to health; creating a program of health insurance for certain families; increasing cigarette and tobacco products taxes; raising the income standard for families for medical assistance; prescribing a floor stocks tax on cigarettes and tobacco products distributors; requiring a study of the feasibility of an institute for health research; appropriating money; amending Minnesota Statutes 1986, sections 256B.06, subdivision 1; 297.02, subdivision 1; 297.03, subdivision 5; 297.13, subdivision 1; 297.32, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapters 256 and 297.

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

Page 2, delete lines 12 to 14 and insert:

*"(c) "Covered services" means those services covered by the medical assistance program under chapter 256B, except that chemical dependency and mental health services are covered only to the extent required under chapter 62D for health maintenance organizations."*

Page 2, line 26, delete "who" and insert "that"

Page 9, line 12, delete "20.5" and insert "19"

Page 9, line 16, delete "41" and insert "38"

Page 10, line 32, after the semicolon, insert *"of that amount, the revenue produced by 1.5 mills of the tax on cigarettes weighing not more than three pounds a thousand and three mills of the tax on cigarettes weighing more than three pounds a thousand must be used to provide money for implementation of the family health insurance program in section 1;"*

Page 10, after line 32, insert:

*"(4) the revenue produced by two mills of the tax on cigarettes weighing not more than three pounds a thousand and four mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the state bond fund;"*

Page 10, line 33, strike "(4)" and insert "(5)"

Page 11, after line 35, insert:

*"Sec. 8. Minnesota Statutes 1986, section 297.35, subdivision 1, is amended to read:*

Subdivision 1. On or before the twenty-fifth day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product (1) brought, or caused to be brought, into this state for sale; and (2) made, manufactured or fabricated in this state for sale in this state, during the preceding calendar month. Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. Each return shall be accompanied by a remittance for the full tax liability shown therein, less ~~two~~ 1.5 percent of such liability as compensation to reimburse the distributor for expenses incurred in the administration of sections 297.31 to 297.39."

Page 12, line 9, delete "nine" and insert "7.5"

Page 12, line 12, delete "18" and insert "15"

Page 13, line 12, delete "9" and insert "10"

Page 13, line 18, delete "10" and insert "11"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 12, after "2," insert "297.35, subdivision 1;"

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

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

S.F. No. 1085: A bill for an act relating to human services; establishing a board of social work examiners; licensing and regulating social workers; providing penalties; appropriating money; amending Minnesota Statutes 1986, section 214.01, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 148A.

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

Delete everything after the enacting clause and insert:

#### "ARTICLE 1

### OFFICE OF SOCIAL WORK AND MENTAL HEALTH BOARDS

#### Section 1. [148B.01] [DEFINITIONS.]

*Subdivision 1. [TERMS.] For the purposes of this chapter, the following terms have the meanings given.*

*Subd. 2. [OFFICE.] "Office" means the office of social work and mental health boards established in section 2.*

*Subd. 3. [BOARD OF SOCIAL WORK.] "Board of social work" means the board of social work established in article 2, section 2.*

**Subd. 4. [BOARD OF MARRIAGE AND FAMILY THERAPY.]** *"Board of marriage and family therapy" means the board of marriage and family therapy established in article 3, section 2.*

**Subd. 5. [BOARD OF UNLICENSED MENTAL HEALTH SERVICE PROVIDERS.]** *"Board of unlicensed mental health service providers" means the board of unlicensed mental health service providers established in article 4, section 2.*

**Subd. 6. [SOCIAL WORK AND MENTAL HEALTH BOARDS.]** *"Social work and mental health boards" or "boards" means the board of social work, the board of marriage and family therapy, and the board of unlicensed mental health service providers.*

**Subd. 7. [REGULATED INDIVIDUAL.]** *"Regulated individual" means a person licensed by the board of social work or the board of marriage and family therapy, or required to file with the board of unlicensed mental health service providers.*

**Sec. 2. [148B.02] [OFFICE OF SOCIAL WORK AND MENTAL HEALTH BOARDS.]**

**Subdivision 1. [CREATION.]** *The office of social work and mental health boards is established to coordinate the administrative and staff functions of the boards of social work, marriage and family therapy, and unlicensed mental health service providers, and to collect and publish information as provided in this chapter. The office of social work and mental health boards consists of an executive secretary and other staff as provided in section 214.04.*

**Subd. 2. [REPORTS.]** *The office shall compile the report required by section 214.07 on behalf of the boards. The office shall present the information according to the category of educational credential held by the regulated individual, if any. Notwithstanding section 214.07, the office shall provide an interim report including this information to the commissioner of health on or before July 1, 1990.*

**Sec. 3. [148B.03] [APPLICABILITY.]**

*Sections 4 to 17 apply to all of the social work and mental health boards and the regulated individuals within their respective jurisdictions, unless superseded by an inconsistent law that relates specifically to a particular board.*

**Sec. 4. [148B.04] [DISCLOSURE.]**

**Subdivision 1. [CLASSIFICATION OF DATA.]** *Subject to the exceptions listed in this subdivision, all communications or information received by or disclosed to a board relating to any person or matter subject to its regulatory jurisdiction, and all records of any action or proceedings thereon, except a final decision of the board, are confidential and privileged and any disciplinary hearing must be closed to the public.*

**Subd. 2. [CONTESTED CASE PROCEEDINGS.]** *Upon application of a party in a contested case proceeding before a board, the board shall produce and permit the inspection and copying, by or on behalf of the moving party, of any designated documents or papers relevant to the proceedings, in accordance with rule 34, Minnesota rules of civil procedure.*

**Subd. 3. [INFORMATION ON ADVERSE ACTIONS.]** *If a board imposes disciplinary measures or takes adverse action of any kind, the name*

and business address of the regulated individual, the nature of the misconduct, and the action taken by the board are public data.

**Subd. 4. [EXCHANGE OF INFORMATION.]** The boards shall exchange information with other boards, agencies, or departments within the state, as required under section 214.10, subdivision 8, paragraph (d), and may release information in the reports required under section 2.

**Sec. 5. [148B.05] [RIGHT TO PRACTICE.]**

**Subdivision 1. [ADVERSE ACTION BY A BOARD.]** A suspension, revocation, condition, limitation, qualification or restriction of a regulated individual's license, filing, or right to practice is in effect pending determination of an appeal unless the court, upon petition and for good cause shown, orders otherwise. The right to provide services is automatically suspended if (1) a guardian of the person of a regulated individual is appointed by order of a probate court pursuant to sections 525.54 to 525.612, for reasons other than the minority of the individual, or (2) the individual is committed by order of a probate court pursuant to chapter 253B or sections 526.09 to 526.11. The right to provide services remains suspended until the individual is restored to capacity by a court and, upon petition by the individual, the suspension is terminated by the board after a hearing. In its discretion, a board may restore and reissue permission to provide services, but as a condition thereof may impose any disciplinary or corrective measure that it might originally have imposed.

**Subd. 2. [TEMPORARY SUSPENSION OF RIGHT OF PRACTICE.]** In addition to any other remedy provided by law, a board may, without a hearing, temporarily suspend the right of a regulated individual to provide services if the board finds that the regulated individual has violated a statute or rule that the board is empowered to enforce and continued practice would create a serious risk of harm to the public. The suspension is effective upon written notice to the individual specifying the statute or rule violated and remains in effect until the board issues a final order in the matter after a hearing. At the time it issues the suspension notice, the board shall schedule a disciplinary hearing to be held pursuant to the administrative procedure act. The individual must be provided with at least 20 days notice of any hearing held pursuant to this subdivision. The hearing must be scheduled to begin no later than 30 days after the suspension order is issued.

**Sec. 6. [148B.06] [TAX CLEARANCE CERTIFICATE.]**

**Subdivision 1. [CERTIFICATE REQUIRED.]** A board may not issue or renew a filing if the commissioner of revenue notifies the board and the regulated individual or applicant for a license or filing that the individual or applicant owes the state delinquent taxes in the amount of \$500 or more. A board may issue or renew a license or filing only if the commissioner of revenue issues a tax clearance certificate and the commissioner of revenue or the individual or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the individual or applicant does not owe the state any uncontested delinquent taxes. For purposes of this section "taxes" means all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes. "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the regulated individual or applicant

*has entered into a payment agreement to pay the liability and is current with the payments.*

**Subd. 2. [HEARING.]** *In lieu of the notice and hearing requirements of section 16, when a regulated individual or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the individual or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice required in subdivision 1. The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any other law, the individual or applicant must be served with 20 days notice in writing specifying the time and place of the hearing and the allegations against the regulated individual or applicant. The notice may be served personally or by mail.*

**Subd. 3. [INFORMATION REQUIRED.]** *The boards shall require all regulated individuals or applicants to provide their social security number and Minnesota business identification number on all license or filing applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all regulated individuals and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the individuals and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.*

**Sec. 7. [148B.07] [REPORTING OBLIGATIONS.]**

**Subdivision 1. [PERMISSION TO REPORT.]** *A person who has knowledge of any conduct constituting grounds for discipline or adverse action relating to licensure or filing under this chapter may report the violation to the appropriate board.*

**Subd. 2. [INSTITUTIONS.]** *A state agency, political subdivision, agency of a local unit of government, private agency, hospital, clinic, prepaid medical plan, or other health care institution or organization located in this state shall report to the appropriate board any action taken by the agency, institution or organization or any of its administrators or medical or other committees to revoke, suspend, restrict, or condition a regulated individual's privilege to practice or treat patients or clients in the institution, or as part of the organization, any denial of privileges, or any other adverse action or disciplinary action for conduct that might constitute grounds for adverse action or disciplinary action by a board under this chapter. The institution or organization shall also report the resignation of any regulated individuals prior to the conclusion of any disciplinary or adverse action proceeding for conduct that might constitute grounds for disciplinary or adverse action under this chapter, or prior to the commencement of formal charges but after the individual had knowledge that formal charges were contemplated or in preparation.*

**Subd. 3. [PROFESSIONAL SOCIETIES.]** *A state or local professional society for regulated individuals shall report to the appropriate board any termination, revocation, or suspension of membership or any other disciplinary or adverse action taken against a regulated individual. If the society has received a complaint that might be grounds for discipline under this chapter against a member on which it has not taken any disciplinary or adverse action, the society shall report the complaint and the reason*

why it has not taken action on it or shall direct the complainant to the appropriate board.

**Subd. 4. [REGULATED INDIVIDUALS AND LICENSED PROFESSIONALS.]** A regulated individual or a licensed health professional shall report to the appropriate board personal knowledge of any conduct that the regulated individual or licensed health professional reasonably believes constitutes grounds for disciplinary or adverse action under this chapter by any regulated individual, including conduct indicating that the individual may be medically incompetent, or may be medically or physically unable to engage safely in the provision of services. If the information was obtained in the course of a client relationship, the client is another regulated individual, and the treating individual successfully counsels the other individual to limit or withdraw from practice to the extent required by the impairment, the board may deem this limitation of or withdrawal from practice to be sufficient disciplinary action.

**Subd. 5. [INSURERS.]** Four times each year as prescribed by a board, each insurer authorized to sell insurance described in section 60A.06, subdivision 1, clause (13), and providing professional liability insurance to regulated individuals, or the medical joint underwriting association under chapter 62F, shall submit to the appropriate board a report concerning the regulated individuals against whom malpractice settlements or awards have been made to the plaintiff. The report must contain at least the following information:

- (1) the total number of malpractice settlements or awards made to the plaintiff;
- (2) the date the malpractice settlements or awards to the plaintiff were made;
- (3) the allegations contained in the claim or complaint leading to the settlements or awards made to the plaintiff;
- (4) the dollar amount of each malpractice settlement or award;
- (5) the regular address of the practice of the regulated individual against whom an award was made or with whom a settlement was made; and
- (6) the name of the regulated individual against whom an award was made or with whom a settlement was made.

The insurance company shall, in addition to the above information, report to the board any information it possesses that tends to substantiate a charge that a regulated individual may have engaged in conduct violating this chapter.

**Subd. 6. [COURTS.]** The court administrator of district court or any other court of competent jurisdiction shall report to the board any judgment or other determination of the court that adjudges or includes a finding that a regulated individual is mentally ill, mentally incompetent, guilty of a felony, guilty of a violation of federal or state narcotics laws or controlled substances act, or guilty of an abuse or fraud under Medicare or Medicaid; or that appoints a guardian of the regulated individual pursuant to sections 525.54 to 525.61 or commits a regulated individual pursuant to chapter 523B or sections 526.09 to 526.11.

**Subd. 7. [SELF-REPORTING.]** A regulated individual shall report to the appropriate board any personal action that would require that a report

be filed with the board by any person, health care facility, business, or organization pursuant to subdivisions 2 to 6.

*Subd. 8. [DEADLINES; FORMS.] Reports required by subdivisions 2 to 7 must be submitted not later than 30 days after the occurrence of the reportable event or transaction. The boards may provide forms for the submission of reports required by this section, may require that reports be submitted on the forms provided, and may adopt rules necessary to assure prompt and accurate reporting.*

*Subd. 9. [SUBPOENAS.] The boards may issue subpoenas for the production of any reports required by subdivisions 2 to 7 or any related documents.*

**Sec. 8. [148B.08] [IMMUNITY.]**

*Subdivision 1. [REPORTING.] Any person, health care facility, business, or organization is immune from civil liability or criminal prosecution for submitting a report to a board under section 7 or for otherwise reporting to the board violations or alleged violations of this chapter. All the reports are confidential and absolutely privileged communications.*

*Subd. 2. [INVESTIGATION.] Members of the boards of social work, marriage and family therapy, and unlicensed mental health service providers, and persons employed by the office or engaged in the investigation of violations and in the preparation and management of charges of violations of this chapter on behalf of the office or boards, are immune from civil liability and criminal prosecution for any actions, transactions, or publications in the execution of, or relating to, their duties under this chapter.*

**Sec. 9. [148B.09] [PROFESSIONAL COOPERATION.]**

*A regulated individual who is the subject of an investigation by or on behalf of a board shall cooperate fully with the investigation. Cooperation includes responding fully and promptly to any question raised by or on behalf of the board relating to the subject of the investigation and providing copies of client records, as reasonably requested by the board, to assist the board in its investigation. The board shall pay for copies requested. If the board does not have a written consent from a client permitting access to the client's records, the regulated individual shall delete any data in the record that identifies the client before providing it to the board. The board shall maintain any records obtained pursuant to this section as investigative data pursuant to chapter 13.*

**Sec. 10. [148B.10] [DISCIPLINARY RECORD ON JUDICIAL REVIEW.]**

*Upon judicial review of any board disciplinary or adverse action taken under this chapter, the reviewing court shall seal the administrative record, except for the board's final decision, and shall not make the administrative record available to the public.*

**Sec. 11. [148B.11] [PROFESSIONAL ACCOUNTABILITY.]**

*Subdivision 1. [INVESTIGATION.] Each board shall maintain and keep current a file containing the reports and complaints filed against regulated individuals within the board's jurisdiction. Each complaint filed with a board pursuant to section 214.10, subdivision 1, must be investigated according to section 214.10, subdivision 2. If the files maintained by a*

board show that a malpractice settlement or award to the plaintiff has been made against a regulated individual as reported by insurers under section 7, the executive director of the board shall notify the board and the board may authorize a review of the provider's practice.

Subd. 2. [ATTORNEY GENERAL INVESTIGATES.] When a board initiates a review of a regulated individual's practice it shall notify the attorney general who shall investigate the matter in the same manner as provided in section 214.10. If an investigation is to be made, the attorney general shall notify the regulated individual, and, if the incident being investigated occurred there, the administrator and chief of staff at the health care facilities or clinics in which the professional serves, if applicable.

Subd. 3. [ACCESS TO RECORDS.] The board shall be allowed access to records of a client treated by the regulated individual under review if the client signs a written consent permitting access. If no consent form has been signed, the hospital, clinic, or regulated individual shall first delete data in the record that identifies the client before providing it to the board.

#### Sec. 12. [148B.12] [MALPRACTICE HISTORY.]

Subdivision 1. [SUBMISSION.] Regulated individuals who have previously practiced in another state shall submit with their filing or application the following information:

(1) number, date, and disposition of any malpractice settlement or award made to the plaintiff or other claimant relating to the quality of services provided by the regulated individual; and

(2) number, date, and disposition of any civil litigations or arbitrations relating to the quality of services provided by the regulated individual in which the party complaining against the individual prevailed or otherwise received a favorable decision or order.

Subd. 2. [BOARD ACTION.] The board shall give due consideration to the information submitted under this section. A regulated individual who willfully submits incorrect information is subject to disciplinary action under this chapter.

#### Sec. 13. [148B.13] [PUBLICATION OF DISCIPLINARY ACTIONS.]

At least annually, each board shall publish and release to the public a description of all disciplinary measures or adverse actions taken by the board. The publication must include, for each disciplinary measure or adverse action taken, the name and business address of the regulated individual, the nature of the misconduct, and the measure or action taken by the board.

#### Sec. 14. [148B.14] [EVIDENCE OF PAST SEXUAL CONDUCT.]

In a proceeding for the suspension or revocation of the right to practice or other disciplinary or adverse action involving sexual contact with a client or former client, the board or administrative law judge shall not consider evidence of the client's previous sexual conduct nor shall any reference to this conduct be made during the proceedings or in the findings, except by motion of the complainant, unless the evidence would be admissible under the applicable provisions of section 609.347, subdivision 3.

#### Sec. 15. [148B.15] [DISPUTE RESOLUTION.]



*Subdivision 1. [ARBITRATION.] Each board shall encourage regulated individuals to submit all fee disputes to binding arbitration.*

*Subd. 2. [MEDIATION.] Each board shall encourage regulated individuals to submit all disputes that are not related to violations of a code of professional conduct to voluntary mediation.*

**Sec. 16. [148B.16] [CONTESTED CASES.]**

*Chapters 14 and 214 apply to any disciplinary proceeding or adverse action relating to filing taken under this chapter.*

**Sec. 17. [148B.17] [FEES.]**

*Each board shall by rule establish fees, including late fees, for licenses or filings and renewals so that the total fees collected by the board will as closely as possible equal anticipated expenditures during the fiscal biennium, as provided in section 16A.128, plus the prorated costs of the office of social work and mental health boards. Fees must be credited to the special revenue fund.*

**Sec. 18. Minnesota Statutes 1986, section 144.335, subdivision 1, is amended to read:**

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

(a) "Patient" means a natural person who has received health care services from a provider for treatment of a medical, psychiatric or mental condition, or a person the patient designates in writing as a representative. Except for minors who have received health care services pursuant to sections 144.341 to 144.347, in the case of a minor, "patient" includes a parent or guardian, or a person acting as a parent or guardian in the absence of a parent or guardian.

(b) "Provider" means (1) any person who furnishes health care services and is licensed to furnish the services pursuant to chapters 147, 148, 148B, 150A, 151, or 153; and (2) a health care facility licensed pursuant to this chapter or chapter 144A.

**Sec. 19. Minnesota Statutes 1986, section 148A.01, subdivision 5, is amended to read:**

**Subd. 5. [PSYCHOTHERAPIST.]** "Psychotherapist" means a physician, psychologist, nurse, chemical dependency counselor, social worker, member of the clergy, *marriage and family therapist, mental health service provider*, or other person, whether or not licensed by the state, who performs or purports to perform psychotherapy.

**Sec. 20. Minnesota Statutes 1986, section 214.01, subdivision 2, is amended to read:**

**Subd. 2. "Health-related licensing board"** means the board of examiners of nursing home administrators established pursuant to section 144A.19, the board of medical examiners created pursuant to section 147.01, the board of nursing created pursuant to section 148.181, the board of chiropractic examiners established pursuant to section 148.02, the board of optometry established pursuant to section 148.52, the board of psychology established pursuant to section 148.90, *the social work licensing board pursuant to article 2, section 2, the board of marriage and family therapy pursuant to article 3, section 2, the board of unlicensed mental health*

*service providers established pursuant to article 4, section 2, the board of dentistry established pursuant to section 150A.02, the board of pharmacy established pursuant to section 151.02, the board of podiatry established pursuant to section 153.02, and the board of veterinary medicine, established pursuant to section 156.01.*

Sec. 21. Minnesota Statutes 1986, section 214.04, subdivision 3, is amended to read:

Subd. 3. The executive secretary of each health-related and non-health-related board shall be the chief administrative officer for the board but shall not be a member of the board. The executive secretary shall maintain the records of the board, account for all fees received by it, supervise and direct employees servicing the board, and perform other services as directed by the board. The executive secretaries and other employees of the following boards shall be hired by the board, and the executive secretaries shall be in the unclassified civil service, except as provided in this subdivision:

- (1) dentistry;
- (2) medical examiners;
- (3) nursing;
- (4) pharmacy;
- (5) accountancy;
- (6) architecture, engineering, land surveying and landscape architecture;
- (7) barber examiners;
- (8) cosmetology;
- (9) electricity;
- (10) teaching; and
- (11) peace officer standards and training;
- (12) *social work;*
- (13) *marriage and family therapy;*
- (14) *unlicensed mental health service providers; and*
- (15) *office of social work and mental health boards.*

The board of medical examiners shall set the salary of its executive director, which may not exceed 95 percent of the top of the salary range set for the commissioner of health in section 15A.081, subdivision 1. At least 30 days before the board of medical examiners adopts a salary increase for its executive director, the board shall submit the proposed salary increase to the legislative commission on employee relations for its review.

The executive secretaries serving the remaining boards shall be hired by those boards, and shall be in the unclassified civil service except for part-time executive secretaries, who are not required to be in the unclassified service. Boards not requiring a full-time executive secretary may employ such services on a part-time basis. To the extent practicable the sharing of part-time executive secretaries by boards being serviced by the same department is encouraged. Persons providing services to those boards not listed in this subdivision, except executive secretaries of the boards and employees of the attorney general, shall be classified civil service em-

ployees of the department servicing the board. To the extent practicable the commissioner shall insure that staff services are shared by the boards being serviced by the department. If necessary, a board may hire part-time, temporary employees to administer and grade examinations.

Sec. 22. Minnesota Statutes 1986, section 609.341, subdivision 17, is amended to read:

Subd. 17. "Psychotherapist" means a physician, psychologist, nurse, chemical dependency counselor, social worker, clergy, *marriage and family therapist, mental health service provider*, or other person, whether or not licensed by the state, who performs or purports to perform psychotherapy.

Sec. 23. [EMERGENCY RULES.]

*The office or boards may adopt emergency rules under sections 14.29 to 14.385 to carry out the provisions of this chapter. Notwithstanding contrary provisions of chapter 14, the authority to use sections 14.29 to 14.385 expires on December 31, 1988.*

ARTICLE 2

BOARD OF SOCIAL WORK

Section 1. [148B.21] [DEFINITIONS.]

*Subdivision 1. [APPLICABILITY.] For the purposes of sections 1 to 13, the following terms have the meanings given.*

Subd. 2. [ACCREDITED PROGRAM OF SOCIAL WORK.] "Accredited program of social work" means a school of social work or other educational program that has been accredited by the council on social work education.

Subd. 3. [BOARD.] "Board" means the social work licensing board created in section 2.

Subd. 4. [COUNTY AGENCY SOCIAL WORKER.] "County agency social worker" means an individual who is employed by a county social service agency in Minnesota in social work practice or clinical social work.

Subd. 5. [STATE AGENCY SOCIAL WORKER.] "State agency social worker" means an individual who is employed by a state social service agency in Minnesota in social work practice or clinical social work.

Subd. 6. [PUBLIC AGENCY SOCIAL WORKER.] "Public agency social worker" means an individual who is employed by the federal government or the state of Minnesota or any of its political subdivisions in social work practice or clinical social work.

Subd. 7. [PRIVATE AGENCY SOCIAL WORKER.] "Private agency social worker" means an individual who is employed by an entity not listed in subdivision 6 in the practice of social work or clinical social work.

Subd. 8. [PRIVATE PRACTICE.] "Private practice" means social work practice conducted by an individual who is either self-employed, or a member of a partnership or of a group practice, rather than being employed by an agency, clinic, or other similar entity.

Subd. 9. [PSYCHOTHERAPY.] "Psychotherapy" means treatment of a person or persons who have cognitive, emotional, behavioral, or social dysfunctions through psychological or interpersonal methods. The treatment is a planned and structured program, conducted by a qualified mental

health professional and based on information from a differential diagnostic examination, and is directed toward the accomplishment of goals provided in a plan of care.

**Subd. 10. [QUALIFIED MENTAL HEALTH PROFESSIONAL.]** "Qualified mental health professional" means a psychiatrist licensed under chapter 147 who is board-certified or eligible for board certification; a psychologist licensed under sections 148.88 to 148.98; a licensed independent clinical social worker; or a psychiatric registered nurse licensed under section 148.211 with a master's degree from an accredited school of nursing and at least two years of post master's supervised experience in direct clinical practice.

**Subd. 11. [SOCIAL WORK PRACTICE.]** "Social work practice" means the use of social work theory and methods in the prevention, treatment, or resolution of social or psychological dysfunction caused by environmental stress, interpersonal or intrapersonal conflict, physical or mental disorders, or a combination of these causes, with particular attention to the person-in-situation configuration. Persons in social work practice accomplish these goals through direct services to individuals, families, groups, or communities; and development and administration of community organizations and social institutions that lead to an improved social environment. Social work practice includes but is not limited to psychosocial evaluation, counseling, group work, family therapy, family development education, referral to community resources, community organization and development, advocacy, facilitation of organizational change to meet social needs, and, to the extent authorized by sections 1 to 13, psychotherapy and professional services for the diagnosis, treatment, and prevention of mental and emotional disorders. Social work practice does not include medical care or any other type of remedial care that may be reimbursable by medical assistance, under chapter 256B, except to the extent the care is reimbursed under section 256B.02, subdivision 8, clause (5), or as provided under Minnesota Rules, parts 9500.1070, 9505.1020, or their successor parts.

**Subd. 12. [LICENSED SOCIAL WORKER.]** "Licensed social worker" means a social worker licensed under section 4, subdivision 3, to engage in social work practice.

**Subd. 13. [LICENSED GRADUATE SOCIAL WORKER.]** "Licensed graduate social worker" means a social worker licensed under section 4, subdivision 4, to engage in social work practice including psychotherapy when conducted under supervision.

**Subd. 14. [LICENSED INDEPENDENT SOCIAL WORKER.]** "Licensed independent social worker" means a social worker licensed under section 4, subdivision 5, to engage in social work practice including psychotherapy when conducted under supervision.

**Subd. 15. [LICENSED INDEPENDENT CLINICAL SOCIAL WORKER.]** "Licensed independent clinical social worker" means a social worker licensed under section 4, subdivision 6, to engage in social work practice, including professional services for the diagnosis, treatment, and prevention of mental and emotional disorders and psychotherapy without supervision.

**Subd. 16. [SUPERVISION.]** "Supervision" means the direction of social work practice in face-to-face sessions according to standards in section 5 and in rules established by the board of social work.

Sec. 2. [148B.22] [SOCIAL WORK LICENSING BOARD.]

*Subdivision 1. [CREATION.] The social work licensing board is created. The board consists of nine members appointed by the governor, including six social workers licensed under sections 1 to 13, and three public members as defined in section 214.02.*

*Subd. 2. [QUALIFICATIONS OF BOARD MEMBERS.] The social worker members of the board must consist of two licensed independent clinical social workers, two licensed independent social workers, and two licensed social workers. The social worker members must include two members who are public agency social workers, two members who are private agency social workers, one member who is engaged in private practice, and one member who is an educator engaged in regular teaching duties at an accredited program of social work. At least two members must represent racial minorities and at least two members must reside outside of the seven-county metropolitan area.*

*Subd. 3. [MEMBERS OF FIRST BOARD APPOINTED.] Members of the first board appointed according to subdivisions 1 and 2 need not be licensed, but must meet all qualifications, other than payment of fees, to be eligible for licensure under sections 1 to 13.*

*Subd. 4. [OFFICERS AND EXECUTIVE SECRETARY.] The board shall annually elect from its membership a chair, vice-chair, and secretary-treasurer, and shall adopt rules to govern its proceedings. The board shall appoint and employ an executive secretary who is not a member of the board.*

*Subd. 5. [TERMS AND SALARIES.] Chapter 214 applies to the social work licensing board unless superseded by sections 1 to 13.*

Sec. 3. [148B.23] [DUTIES OF THE BOARD.]

*Subdivision 1. [GENERAL.] The social work licensing board shall:*

*(1) adopt and enforce rules for licensure of social workers and for regulation of their professional conduct. The rules must be designed to protect the public;*

*(2) adopt rules establishing standards and methods of determining whether applicants and licensees are qualified under sections 4 to 6. The rules must make provision for examinations; establish standards for professional conduct, including adoption of a code of professional ethics; and establish continuing education requirements;*

*(3) hold examinations at least twice a year to assess applicants' knowledge and skills. The examinations may be written or oral and may be administered by the board or a designee. Examinations must test the knowledge and skills of each of the four groups of social workers. Examinations must minimize cultural bias and must be balanced in theory;*

*(4) issue licenses to individuals qualified under sections 1 to 13;*

*(5) issue copies of the rules for licensure to all applicants;*

*(6) establish and implement procedures, including a standard disciplinary process, to ensure that individuals licensed as social workers will comply with the board's rules;*

*(7) establish, maintain, and publish annually a register of current licensees;*

(8) establish initial and renewal application and examination fees sufficient to cover operating expenses of the board and its agents;

(9) educate the public about the existence and content of the rules for social work licensing to enable consumers to file complaints against licensees who may have violated the rules; and

(10) evaluate its rules in order to refine the standards for licensing social workers and to improve the methods used to enforce the board's standards.

*Subd. 2. [CONTINUING EDUCATION COMMITTEE.] The board shall appoint a continuing education committee to advise the board on the administration of continuing education requirements. The committee chair must be appointed by the board and be a member of the board. Additional committee members must be appointed by the board and need not be board members. The committee must include licensed social workers, licensed independent social workers, and licensed independent clinical social workers and shall include:*

(1) a social worker engaged in regular teaching duties at an accredited program of social work;

(2) a public agency social worker;

(3) a private agency social worker;

(4) a social worker engaged in private practice;

(5) a public member as defined in section 214.02;

(6) at least one member who is a person of color; and

(7) at least one member who resides outside the seven-county metropolitan area.

#### **Sec. 4. [148B.24] [REQUIREMENTS FOR LICENSURE.]**

*Subdivision 1. [CATEGORIES OF LICENSEES.] The board shall issue licenses for the following four groups of individuals qualified under sections 1 to 13 to practice social work:*

(1) social workers;

(2) graduate social workers;

(3) independent social workers; and

(4) independent clinical social workers.

*Subd. 2. [FEE.] Each applicant shall pay a nonrefundable fee set by the board. Fees paid to the board must be deposited in the special revenue fund.*

*Subd. 3. [SOCIAL WORKER.] To be licensed as a social worker, an applicant must provide evidence satisfactory to the board that the applicant:*

(1) has received a baccalaureate degree from an accredited program of social work;

(2) has passed the examination provided for in section 3, subdivision 1;

(3) will engage in social work practice only under supervision for at least two years in full-time employment or 4,000 hours; and

(4) will conduct all professional activities as a social worker in ac-

*cordance with standards for professional conduct established by the rules of the board.*

**Subd. 4. [GRADUATE SOCIAL WORKER.]** *To be licensed as a graduate social worker, an applicant must provide evidence satisfactory to the board that the applicant:*

*(1) has received a master's degree from an accredited program of social work or doctoral degree in social work;*

*(2) has passed the examination provided for in section 3, subdivision 1;*

*(3) will engage in social work practice only under supervision; and*

*(4) will conduct all professional activities as a graduate social worker in accordance with standards for professional conduct established by the rules of the board.*

**Subd. 5. [INDEPENDENT SOCIAL WORKER.]** *To be licensed as an independent social worker, an applicant must provide evidence satisfactory to the board that the applicant:*

*(1) has received a master's degree from an accredited program of social work or doctoral degree in social work;*

*(2) has passed the examination provided for in section 3, subdivision 1;*

*(3) has practiced social work for at least two years in full-time employment or 4,000 hours under supervision after receiving the master's or doctoral degree in social work; and*

*(4) will conduct all professional activities as an independent social worker in accordance with standards for professional conduct established by the rules of the board.*

**Subd. 6. [INDEPENDENT CLINICAL SOCIAL WORKER.]** *To be licensed as an independent clinical social worker, an applicant must provide evidence satisfactory to the board that the applicant:*

*(1) has received a master's degree from an accredited program of social work, or doctoral degree in social work, that included an advanced concentration of clinically oriented course work as defined by the board and a supervised clinical field placement at the graduate level, or post master's clinical training that is found by the board to be equivalent to that course work and field placement;*

*(2) has practiced clinical social work for at least two years in full-time employment or 4,000 hours under supervision after receiving the master's or doctoral degree in social work;*

*(3) has passed the examination provided for in section 3, subdivision 1; and*

*(4) will conduct all professional activities as an independent clinical social worker in accordance with standards for professional conduct established by the rules of the board.*

**Sec. 5. [148B.25] [SUPERVISION.]**

*When supervision is required under sections 1 to 13, it must be provided by a social worker licensed at least at the level of the worker being su-*

*pervised and qualified to practice without supervision; or, when the social work licensing board determines that supervision by a qualified social worker is unobtainable and in other situations considered appropriate by the board of social work, by another qualified professional.*

**Sec. 6. [148B.26] [PSYCHOTHERAPY.]**

*Social workers qualified to practice psychotherapy are licensed independent clinical social workers; or licensed graduate or licensed independent social workers who have training required by section 4, subdivision 6, and practice under the supervision of a qualified mental health professional.*

**Sec. 7. [148B.27] [LICENSE RENEWAL REQUIREMENTS.]**

*Subdivision 1. [RENEWAL.] Licensees shall renew licenses at the time and in the manner established by the rules of the board.*

*Subd. 2. [CONTINUING EDUCATION.] At the time of renewal, each licensee shall provide evidence satisfactory to the board that the licensee has completed during each three-year period at least the equivalent of 45 clock hours of continuing professional post-degree education in programs approved by the board and continues to be qualified to practice under sections 1 to 13.*

**Sec. 8. [LICENSES; TRANSITION PERIOD.]**

*Subdivision 1. [EXEMPTION FROM EXAMINATION.] For two years from the effective date of sections 1 to 13, the board shall issue a license without examination to an applicant:*

*(1) for a licensed social worker, if the board determines that the applicant has received a baccalaureate degree from an accredited program of social work, or that the applicant has at least a baccalaureate degree from an accredited college or university and two years in full-time employment or 4,000 hours of experience in the supervised practice of social work within the five years before the effective date of sections 1 to 13;*

*(2) for a licensed graduate social worker, if the board determines that the applicant has received a master's degree from an accredited program of social work or doctoral degree in social work; or a master's or doctoral degree from a graduate program in a human service discipline, as approved by the board;*

*(3) for a licensed independent social worker, if the board determines that the applicant has received a master's degree from an accredited program of social work or doctoral degree in social work; or a master's or doctoral degree from a graduate program in a human service discipline, as approved by the board; and, after receiving the degree, has practiced social work for at least two years in full-time employment or 4,000 hours under the supervision of a social worker meeting these requirements, or of another qualified professional; and*

*(4) for a licensed independent clinical social worker, if the board determines that the applicant has received a master's degree from an accredited program of social work or doctoral degree in social work; or a master's or doctoral degree from a graduate program in a human service discipline as approved by the board; and, after receiving the degree, has practiced clinical social work for at least two years in full-time employment or 4,000 hours under the supervision of a clinical social worker meeting these requirements, or of another qualified mental health professional.*



*Subd. 2. [OTHER REQUIREMENTS.] An applicant licensed under this section must also agree to:*

*(1) engage in social work practice only under the applicable supervision requirements for each category of licensee; and*

*(2) to conduct all professional activities as a social worker in accordance with standards for professional conduct established by the board by rule.*

*Subd. 3. [EMERGENCY RULEMAKING AUTHORITY.] The board is authorized to adopt emergency and permanent rules to implement this section.*

**Sec. 9. [148B.28] [RECIPROCITY.]**

*The board shall issue an appropriate license to an individual who holds a current license or other credential from another jurisdiction if the board finds that the requirements for that credential are substantially similar to the requirements in sections 4 to 6.*

**Sec. 10. [148B.29] [NONTRANSFERABILITY OF LICENSES.]**

*A social work license is not transferable.*

**Sec. 11. [148B.30] [DENIAL, SUSPENSION, OR REVOCATION OF LICENSE.]**

*Subdivision 1. [GROUNDS.] The board may refuse to renew or to grant a license to, or may suspend, revoke, or restrict the license of an individual whom the board, after a hearing under the contested case provisions of chapter 14, determines:*

*(1) is incompetent to engage in social work practice, or is found to be engaged in social work practice in a manner harmful or dangerous to a client or to the public;*

*(2) has violated the rules of the board or the statutes the board is empowered to enforce;*

*(3) has obtained or attempted to obtain a license or license renewal by bribery or fraudulent representation; or*

*(4) has knowingly made a false statement on a form required by the board for licensing or license renewal.*

*Subd. 2. [RESTORING A LICENSE.] For reasons it finds sufficient, the board may grant a license previously refused, restore a license that has been revoked, or reduce a period of suspension or restriction of a license.*

*Subd. 3. [REVIEW.] Suspension, revocation, or restriction of a license shall be reviewed by the board at the request of the licensee against whom the disciplinary action was taken.*

**Sec. 12. [148B.31] [PROHIBITION AGAINST UNLICENSED PRACTICE OR USE OF TITLES; PENALTY.]**

*Subdivision 1. [PRACTICE.] After the board adopts rules, no individual shall engage in social work practice unless that individual holds a valid license as a licensed social worker, licensed graduate social worker, licensed independent social worker, or licensed independent clinical social worker.*

*Subd. 2. [USE OF TITLES.] After the effective date of rules adopted by the board, no individual shall be presented to the public by any title*

incorporating the words "social work" or "social worker" unless that individual holds a valid license issued under sections 1 to 13. County agency social workers and state agency social workers who are not licensed under sections 1 to 11 may use the title county agency social worker or state agency social worker.

Subd. 3. [PENALTY.] A person who violates sections 4 to 11 is guilty of a misdemeanor.

### Sec. 13. [148B.32] [EXCEPTIONS TO LICENSE REQUIREMENT.]

Subdivision 1. [OTHER PROFESSIONALS.] Nothing in sections 1 to 11 shall be construed to prevent members of other professions or occupations from performing functions for which they are qualified or licensed. This exception includes but is not limited to licensed physicians; registered nurses; licensed practical nurses; licensed psychologists; probation officers; members of the clergy; attorneys; marriage and family therapists; chemical dependency counselors; professional counselors; school counselors; and registered occupational therapists, and certified occupational therapist assistants. These persons must not, however, hold themselves out to the public by any title or description stating or implying that they are engaged in the practice of social work, or that they are licensed to engage in the practice of social work.

Subd. 2. [STUDENTS.] Nothing in sections 1 to 13 shall be construed to prevent students enrolled in an accredited program of social work to engage in the practice of social work, or to prevent social work practice by individuals preparing for licensed independent clinical social work practice under qualified supervision in a social work setting.

## ARTICLE 3

### BOARD OF MARRIAGE AND FAMILY THERAPY

#### Section 1. [148B.41] [DEFINITIONS.]

Subdivision 1. [APPLICABILITY] For the purposes of sections 1 to 11, the following terms have the meanings given.

Subd. 2. [BOARD.] "Board" means the board of marriage and family therapy created in section 2.

Subd. 3. [MARRIAGE AND FAMILY THERAPY.] "Marriage and family therapy" means the process of providing professional marriage and family psychotherapy to individuals, married couples, and family groups, either singly or in groups. The practice of marriage and family therapy utilizes established principles that recognize the interrelated nature of the individual problems and dysfunctions in family members to assess, understand, and treat emotional and mental problems. Marriage and family therapy includes premarital, marital, divorce, and family therapy, and is a specialized mode of treatment for the purpose of resolving emotional problems and modifying intrapersonal and interpersonal dysfunction.

#### Sec. 2. [148B.42] [BOARD OF MARRIAGE AND FAMILY THERAPY.]

Subdivision 1. [CREATION.] There is created a board of marriage and family therapy that consists of seven members appointed by the governor. Four members must be licensed, practicing marriage and family therapists who, for at least five years immediately preceding appointment, have been rendering professional services in marriage and family therapy. One member must be engaged in the professional teaching and research of marriage

*and family therapy. Two members must be representatives of the general public who have no direct affiliation with the practice of marriage and family therapy. All members must have been a resident of the state for two years preceding their appointment. Of the first board members appointed, three shall continue in office for two years, two members for three years, and two members, including the chair, for terms of four years respectively. Their successors shall be appointed for terms of four years each, except that a person chosen to fill a vacancy shall be appointed only for the unexpired term of the board member whom the newly appointed member succeeds. Upon the expiration of a board member's term of office, the board member shall continue to serve until a successor is appointed and qualified.*

*Subd. 2. [OFFICERS; STAFF] The board shall annually elect from its membership a chair and a vice-chair, and shall adopt rules to govern its proceedings. The board shall appoint and employ an executive secretary who is not a member of the board.*

*Subd. 3. [MEMBERSHIP TERMS; COMPENSATION AND REMOVAL.] The membership terms, compensation, and removal of board members is governed by section 15.0575, unless superseded by this section.*

**Sec. 3. [148B.43] [DUTIES OF THE BOARD.]**

*The board shall:*

*(1) adopt, enforce, implement, and administer rules for marriage and family therapy licensing, which shall be designed to protect the public;*

*(2) develop by rule appropriate techniques, including examinations and other methods, for determining whether applicants and licensees are qualified under sections 1 to 11;*

*(3) adopt rules to issue and renew licenses to individuals who are qualified under sections 1 to 11;*

*(4) establish and implement procedures designed to assure that licensed marriage and family therapists will comply with the board's rules;*

*(5) study and investigate the practice of marriage and family therapy within the state in order to improve the standards imposed for the licensing of marriage and family therapists and to improve the procedures and methods used for enforcement of the board's standards;*

*(6) formulate and implement by rule a code of ethics for all licensed marriage and family therapists; and*

*(7) establish continuing education requirements by rule for marriage and family therapists.*

**Sec. 4. [148B.44] [PROHIBITIONS AND PENALTY.]**

*Subdivision 1. [UNLICENSED PRACTICE PROHIBITED.] Except as otherwise provided in this chapter, after the effective date of rules adopted by the board implementing sections 1 to 11, no individual shall engage in marriage and family therapy practice unless that individual holds a valid license issued under sections 1 to 11.*

*Subd. 2. [APPEARANCE AS LICENSEE PROHIBITED.] After the effective date of rules adopted by the board implementing sections 1 to 11, no individual shall hold himself or herself out to be a marriage and family therapist unless that individual holds a valid license issued under sections*

1 to 11.

*Subd. 3. [PENALTY.] A person who violates a provision of sections 1 to 11 is guilty of a gross misdemeanor.*

**Sec. 5. [148B.45] [REQUIREMENTS FOR LICENSURE.]**

*Subdivision 1. [DOCUMENTARY EVIDENCE OF QUALIFICATIONS.] An applicant for a license shall furnish evidence that the applicant:*

- (1) has attained the age of majority;*
- (2) is of good moral character;*
- (3) is a citizen of the United States or is lawfully entitled to remain and work in the United States;*
- (4) has at least two years of supervised postgraduate experience in marriage and family counseling satisfactory to the board;*
- (5) has (i) completed a master's or doctoral degree in marriage and family therapy from a program in a regionally accredited educational institution or from a program accredited by the Commission on Accreditation for Marriage and Family Therapy Education of the American Association for Marriage and Family Therapy, or (ii) completed a master's or doctoral degree from a regionally accredited educational institution in a related field for which the course work is considered by the board to be equivalent to that provided in clause (i);*
- (6) will agree to conduct all professional activities as a licensed marriage and family counselor in accordance with a code of ethics for marriage and family therapists to be adopted by the board in rule; and*
- (7) has passed an examination approved by the board by rule.*

*Subd. 2. [FEE.] Each applicant shall pay a nonrefundable application fee set by the board.*

**Sec. 6. [LICENSES; TRANSITION PERIOD.]**

*Notwithstanding section 2, subdivision 1, members of the first board appointed need not be licensed under sections 1 to 11, but shall meet all qualifications, other than payments of fees, so as to be eligible for licensure under sections 1 to 11. Notwithstanding section 5, clause (7), for two years from the effective date of sections 1 to 11, a license must be issued to an applicant without examination if the board is satisfied that the applicant meets the requirements of section 5, clauses (1) to (6).*

**Sec. 7. [148B.46] [RECIPROCITY WITH OTHER STATES.]**

*The board shall issue a marriage and family therapy license to an individual who holds a current license as a marriage and family therapist from another jurisdiction if the board determines that the standards for licensure in the other jurisdiction are at least equivalent to or exceed the requirements of sections 1 to 11 and the rules of the board.*

**Sec. 8. [148B.47] [NONTRANSFERABILITY OF LICENSES.]**

*A marriage and family therapy license is not transferable.*

**Sec. 9. [148B.48] [REFUSAL TO GRANT LICENSE; SUSPENSION OR REVOCATION OF LICENSE.]**

*Subdivision 1. [GROUNDS FOR ACTION.] The board may refuse to*

grant a license or may suspend, revoke, condition, limit, qualify, or restrict the license of any individual who the board, after a hearing under the contested case provisions of chapter 14, determines:

(1) is incompetent to practice marriage and family therapy, or is found to engage in the practice of marriage and family therapy in a manner harmful or dangerous to a client or to the public;

(2) is convicted by a court of competent jurisdiction of a crime that the board determines is of a nature to render the convicted person unfit to practice marriage and family therapy. The board should compile, maintain, and adopt a list of such crimes;

(3) has violated a provision of sections 1 to 11 or one or more of the rules of the board;

(4) has obtained or attempted to obtain a license or license renewal by bribery or fraudulent representation;

(5) has knowingly made a false statement on a form required by the board for licensing or license renewal; or

(6) has failed to obtain continuing education credits as provided by the board in rule.

Subd. 2. [RESTORING A LICENSE.] Upon a vote of five of its members, the board may restore a license that has been revoked, reduce a period of suspension, or withdraw a reprimand.

Sec. 10. [148B.49] [EXCEPTIONS FROM LICENSE REQUIREMENT.]

Subdivision 1. [OTHER PROFESSIONALS.] Nothing in sections 1 to 11 shall be construed to prevent qualified members of other licensed or certified professions or occupations, such as licensed physicians, registered nurses, licensed practical nurses, psychologists licensed by the board of psychology, social workers, probation officers, members of the clergy, attorneys, school counselors who are employed by an accredited educational institution while performing those duties for which they are employed, or registered occupational therapists or certified occupational therapist assistants who are certified by the American Occupational Therapy Association, from doing work of a marriage and family therapy nature.

Subd. 2. [STUDENTS.] Nothing in sections 1 to 11 shall be construed to prevent marriage and family therapy practice by students or interns or individuals preparing for marriage and family therapy to practice under qualified supervision of a licensed professional, recognized and approved by the board in a recognized educational institution or agency so long as they are designated by titles such as "student," "trainee," "intern," or other titles clearly indicating training status.

Sec. 11. [148B.50] [PRIVILEGED COMMUNICATIONS; EXCEPTIONS.]

A person licensed under sections 1 to 11 and employees and professional associates of the person cannot be required to disclose any information that the person, employee, or associate may have acquired in rendering marriage and family therapy services, unless:

(1) disclosure is required by other state laws;

(2) failure to disclose the information presents a clear and present danger to the health or safety of an individual;

(3) the person, employee, or associate is a party defendant to a civil, criminal, or disciplinary action arising from the therapy, in which case a waiver of the privilege accorded by this section is limited to that action;

(4) the patient is a defendant in a criminal proceeding and the use of the privilege would violate the defendant's right to a compulsory process or the right to present testimony and witnesses in that persons behalf; and

(5) a patient agrees to a waiver of the privilege accorded by this section, and in circumstances where more than one person in a family is receiving therapy, each such family member agrees to the waiver. Absent a waiver from each family member, a marital and family therapist cannot disclose information received by a family member.

#### ARTICLE 4

### BOARD OF UNLICENSED MENTAL HEALTH SERVICE PROVIDERS

#### Section 1. [148B.61] [DEFINITIONS.]

*Subdivision 1. [TERMS.] As used in sections 1 to 8, the following terms have the meanings given them in this section.*

*Subd. 2. [BOARD.] "Board" means the board of mental health service providers established in section 2.*

*Subd. 3. [MENTAL HEALTH SERVICE PROVIDER.] "Mental health service provider" or "provider" means any person who provides, for a remuneration, mental health services as defined in subdivision 4. It does not include persons licensed by the board of medical examiners under chapter 147; the board of nursing under sections 148.171 to 148.285; or the board of psychology under sections 148.88 to 148.98; the board of social work under article 2, sections 1 to 13; the board of marriage and family therapy under article 3, sections 1 to 11; or another licensing board if the person is practicing within the scope of the license.*

*Subd. 4. [MENTAL HEALTH SERVICES.] "Mental health services" means the professional treatment, assessment, or counseling of another person for a cognitive, behavioral, emotional, mental, or social dysfunction, including intrapersonal or interpersonal dysfunctions.*

*Subd. 5. [MENTAL HEALTH CLIENT.] "Mental health client" or "client" means a person who receives the services of a mental health service provider.*

#### Sec. 2. [148B.62] [BOARD OF UNLICENSED MENTAL HEALTH SERVICE PROVIDERS.]

*Subdivision 1. [COMPOSITION.] The board of unlicensed mental health service providers consists of 17 members, including two chemical dependency counselors, two professional counselors, two pastoral counselors, five members representing other identifiable specialties and subgroups of providers subject to filing requirements, and six public members as defined in section 214.02. Within 90 days after the effective date of rules adopted by the board to implement sections 1 to 8, members of the board specified must be mental health service providers who have filed with the board pursuant to section 3.*

*Subd. 2. [APPOINTMENT.] Members of the board are appointed by the governor and serve under section 214.09.*

*Subd. 3. [BOARD ADMINISTRATION.] The board shall elect from among its members a chair and a vice-chair to serve for one year or until*

*a successor is elected and qualifies. The members of the board have authority to administer oaths and the board, in session, to take testimony as to matters pertaining to the duties of the board. Nine members of the board constitute a quorum for the transaction of business.*

**Subd. 4. [RULEMAKING.]** *The board shall adopt rules necessary to implement, administer, or enforce sections 1 to 8 under chapter 14 and section 214.001, subdivisions 2 and 3. The board shall consult with the commissioner of health, the commissioner of human services, and the commissioner of employee relations in the development of rules. The board may not adopt rules that restrict or prohibit persons from providing mental health services on the basis of education, training, experience, or supervision; or that restrict the use of any title.*

**Sec. 3. [148B.63] [FILING REQUIRED.]**

**Subdivision 1. [FILING.]** *All mental health service providers shall file with the state, on a form provided by the board, their name; home and business address; telephone number; degrees held, if any, major field, and whether the degrees are from an accredited institution and how the institution is accredited; and any other relevant experience. An applicant for filing who has practiced in another state shall authorize, in writing, the licensing or regulatory entity in the other state or states to release to the board any information on complaints or disciplinary actions pending against that individual, as well as any final disciplinary actions taken against that individual. The board shall provide a form for this purpose. The board may reject a filing if there is evidence of a violation of or failure to comply with this chapter.*

**Subd. 2. [ACKNOWLEDGEMENT OF FILING.]** *The board shall issue an acknowledgement of filing to each mental health service provider who files under subdivision 1 and relevant rules of the board, and who is determined by the board to be in compliance with this chapter. The acknowledgement of filing must not be displayed in any manner nor shall it be shown to mental health clients. The acknowledgement of filing shall contain in bold print the phrase: "This acknowledgement of filing does not imply or certify in any way that this mental health professional has met any standards or criteria of education or training."*

**Subd. 3. [NONTRANSFERABILITY.]** *Acknowledgements of filing are nontransferable.*

**Subd. 4. [PENALTIES.]** *Failure to file with the board, or supplying false or misleading information on the filing form, application for registration, or any accompanying statements shall constitute grounds for adverse action.*

**Subd. 5. [PROVISION OF MENTAL HEALTH SERVICES WITHOUT FILING.]** *Except as otherwise provided in this chapter, it is unlawful for any person not filing with the board to provide mental health services in this state as defined in section 1, subdivision 4. Any person violating subdivision 1 is guilty of a gross misdemeanor.*

**Sec. 4. [148B.64] [PROHIBITED USE OF ACKNOWLEDGMENT.]**

*No mental health service provider may display the acknowledgement received under section 3, subdivision 2, or refer to it in any advertising, on stationary, or in any communication to a client or the public, or otherwise use the fact that the provider has filed with the state as an indication of state approval or endorsement or satisfaction of standards of conduct,*

training, or skill.

**Sec. 5. [148B.65] [PROHIBITED CONDUCT.]**

*Subdivision 1. [PROHIBITED CONDUCT.] Notwithstanding any law to the contrary, the board may reject a filing or application, or may impose adverse action as described in section 6 against any mental health service provider for failure to comply with the provisions of this chapter. The following conduct is prohibited and is grounds for adverse action:*

*(a) Conviction of a crime reasonably related to the provision of mental health services. Conviction, as used in this subdivision, includes a conviction of an offense which, if committed in this state, would be deemed a felony without regard to its designation elsewhere, or a criminal proceeding where a finding or verdict of guilty is made or returned but the adjudication of guilt is either withheld or not entered.*

*(b) Conviction of crimes against persons. For the purposes of this chapter, a crime against a person means violations of the following sections: sections 609.185; 609.19; 609.195; 609.20; 609.205; 609.21; 609.215; 609.221; 609.222; 609.223; 609.224; 609.23; 609.231; 609.235; 609.24; 609.245; 609.25; 609.255; 609.265; 609.26, subdivision 1, clause (1) or (2); 609.342; 609.343; 609.344; 609.345; 609.365; 609.498, subdivision 1; 609.50, clause (1); 609.561; 609.562; and 609.595.*

*(c) Revocation, suspension, restriction, limitation, or other disciplinary action against the mental health professional's license, certificate, registration, or right of practice in another state or jurisdiction, for offenses that would be subject to disciplinary action in this state, or failure to report to the board that charges regarding the person's license, certificate, registration, or right of practice have been brought in another state or jurisdiction.*

*(d) Advertising that is false or misleading.*

*(e) Filing with the board false or misleading statements of credentials, training, or experience.*

*(f) Conduct likely to deceive, defraud, or harm the public; or demonstrating a willful or careless disregard for the health, welfare, or safety of a client; or any other practice that may create unnecessary danger to any client's life, health, or safety, in any of which cases, proof of actual injury need not be established.*

*(g) Adjudication as mentally incompetent, or as a person who has a psychopathic personality as defined in section 526.09 or who is dangerous to himself or herself, or adjudication pursuant to chapter 253B as chemically dependent, mentally ill, mentally retarded, or mentally ill and dangerous to the public.*

*(h) Inability to provide mental health services with reasonable safety to clients by reason of physical, mental, or emotional illness; drunkenness; or use of legend drugs, chemicals, controlled substances, or any other similar materials or mood-altering substances.*

*(i) Revealing a communication from, or relating to, a client except when otherwise required or permitted by law.*

*(j) Failure to comply with a client's request made under section 144.335 or to furnish a client record or report required by law.*



(k) Splitting fees or promising to pay a portion of a fee to any other professional other than for services rendered by the other professional to the client.

(l) Engaging in abusive or fraudulent billing practices, including violations of the federal Medicare and Medicaid laws or state medical assistance laws.

(m) Engaging in sexual contact with a client or former client as defined in section 148A.01.

(n) Failure to make reports as required by section 5, or cooperate with an investigation of the board as required by section 7.

(o) Obtaining money, property, or services from a client, other than reasonable fees for services provided to the client, through the use of undue influence, harassment, duress, deception, or fraud.

(p) Undertaking or continuing a professional relationship with a client in which the objectivity of the professional would be impaired.

(q) Failure to provide the client with a copy of the client bill of rights, or violation of any provision of the client bill of rights.

**Subd. 2. [EVIDENCE.]** In adverse actions alleging a violation of subdivision 1, paragraph (a), (b), or (c), a copy of the judgment or proceeding under the seal of the court administrator or of the administrative agency that entered the same shall be admissible into evidence without further authentication and shall constitute prima facie evidence of its contents.

**Subd. 3. [MENTAL EXAMINATION; ACCESS TO MEDICAL DATA.]**  
(a) If the board has probable cause to believe that a mental health service provider comes under subdivision 1, paragraph (g) or (h), it may direct the provider to submit to a mental or physical examination or chemical dependency evaluation. For the purpose of this subdivision every mental health service provider is deemed to have consented to submit to a mental or physical examination or chemical dependency evaluation when directed in writing by the board and further to have waived all objections to the admissibility of the examining physicians', psychologists', or mental health professional's testimony or examination reports on the ground that the same constitute a privileged communication. Failure of a mental health service provider to submit to an examination when directed constitutes an admission of the allegations against the provider, unless the failure was due to circumstance beyond the provider's control, in which case a default and final order may be entered without the taking of testimony or presentation of evidence. A mental health service provider affected under this paragraph shall at reasonable intervals be given an opportunity to demonstrate that the provider can resume the provision of mental health services with reasonable safety to clients. In any proceeding under this paragraph, neither the record of proceedings nor the orders entered by the board shall be used against a mental health service provider in any other proceeding.

(b) In addition to ordering a physical or mental examination, the board may, notwithstanding section 13.42, 144.651, or any other law limiting access to medical or other health data, obtain medical data and health records relating to a mental health service provider without the provider's consent if the board has probable cause to believe that a provider comes under subdivision 1, paragraph (g), (h), or (m). The medical data may be

requested from a health care professional, as defined in section 144.335, subdivision 1, paragraph (b), an insurance company, or a government agency, including the department of human services. A health care professional, insurance company, or government agency shall comply with any written request of the board under this subdivision and is not liable in any action for damages for releasing the data requested by the board if the data are released pursuant to a written request under this subdivision, unless the information is false and the person or organization giving the information knew, or had reason to believe, the information was false. Information obtained under this subdivision is private data under sections 13.01 to 13.87.

**Sec. 6. [148B.66] [ADVERSE ACTIONS.]**

**Subdivision 1. [FORMS OF ADVERSE ACTION.]** When the board finds that a mental health service provider has violated a provision or provisions of this chapter, it may do one or more of the following:

- (1) deny or reject the filing;
- (2) revoke the right to practice;
- (3) suspend the right to practice;
- (4) impose limitations or conditions on the provider's provision of mental health services, the imposition of rehabilitation requirements, or the requirement of practice under supervision;
- (5) impose a civil penalty not exceeding \$10,000 for each separate violation, the amount of the civil penalty to be fixed so as to deprive the provider of any economic advantage gained by reason of the violation charged or to reimburse the board for all costs of the investigation and proceeding;
- (6) order the provider to provide unremunerated professional service under supervision at a designated public hospital, clinic, or other health care institution; or
- (7) censure or reprimand the provider.

**Subd. 2. [PROCEDURES.]** The board shall adopt a written statement of internal operating procedures for receiving and investigating complaints reviewing misconduct cases, and imposing adverse actions.

**Subd. 3. [MANDATORY SUSPENSION OR REVOCATION OF RIGHT OF PRACTICE.]** The board shall suspend or revoke the right of a provider to provide mental health services for violations of section 4, subdivision 1, paragraphs (a), (b), and (m).

**Sec. 7. [148B.67] [MENTAL HEALTH CLIENT BILL OF RIGHTS.]**

**Subdivision 1. [SCOPE.]** All mental health service providers other than those providing services in a facility regulated under section 144.651 shall provide to each client prior to providing treatment a written copy of the mental health client bill of rights. A copy must also be posted in a prominent location in the office of the mental health service provider. Reasonable accommodations shall be made for those clients who cannot read or who have communication impairments and those who do not read or speak English. The mental health client bill of rights shall include the following:

- (a) The name, title, business address, and telephone number of the provider.

(b) *The degrees, training, experience, or other qualifications of the provider, followed by the following statement in bold print:*

**THE STATE OF MINNESOTA HAS NOT ADOPTED UNIFORM EDUCATIONAL AND TRAINING STANDARDS FOR MENTAL HEALTH SERVICE PROVIDERS. THIS STATEMENT OF CREDENTIALS IS FOR INFORMATIONAL PURPOSES ONLY.**

(c) *The name, business address, and telephone number of the provider's supervisor, if any.*

(d) *Notice that a client has the right to file a complaint with the provider's supervisor, if any, and the procedure for filing complaints.*

(e) *The name, address, and telephone number of the board and notice that a client may file complaints with the board.*

(f) *The provider's fees per unit of service, the provider's method of billing for such fees, the names of any insurance companies that have agreed to reimburse the provider, or health maintenance organizations with whom the provider contracts to provide service, whether the provider accepts Medicare, medical assistance, or general assistance medical care, and whether the provider is willing to accept partial payment, or to waive payment, and in what circumstances.*

(g) *A statement that the client has a right to reasonable notice of changes in services or charges.*

(h) *A brief summary, in plain language, of the theoretical approach used by the provider in treating patients.*

(i) *Notice that the client has a right to complete and current information concerning the provider's assessment and recommended course of treatment, including the expected duration of treatment.*

(j) *A statement that clients may expect courteous treatment and to be free from verbal, physical, or sexual abuse by the provider.*

(k) *A statement that client records and transactions with the provider are confidential, unless release of these records is authorized in writing by the client, or otherwise provided by law.*

(l) *A statement of the client's right to be allowed access to records and written information from records in accordance with section 144.335.*

(m) *A statement that other services may be available in the community, including where information concerning services is available.*

(n) *A statement that the client has the right to choose freely among available providers, and to change providers after services have begun, within the limits of health insurance, medical assistance, or other health programs.*

(o) *A statement that the client has a right to coordinated transfer when there will be a change in the provider of services.*

(p) *A statement that the client may refuse services or treatment, unless otherwise provided by law.*

(q) *A statement that the client may assert the client's rights without retaliation.*

*Subd. 2. [ACKNOWLEDGMENT BY CLIENT.] Prior to the provision*

of any service, the client must sign a written statement attesting that the client has received the client bill of rights.

Sec. 8. [148B.68] [RENEWALS.]

*Notwithstanding any other law, the board shall adopt rules providing for the renewal of filings. The rules shall specify the period of time for which a filing is valid, procedures and information required for the renewal, and renewal fees.*

Sec. 9. [REPORTS.]

*Subdivision 1. [COMMISSIONER OF HEALTH.] The commissioner of health shall review the report of the office under sections 214.001, 214.13, and 214.141. The commissioner shall make recommendations to the legislature by January 15, 1991, on the need for registration or licensure of unlicensed mental health service providers and the need to retain the board of unlicensed mental health service providers.*

*Subd. 2. [BOARD OF UNLICENSED MENTAL HEALTH SERVICE PROVIDERS.] The board of unlicensed mental health service providers must report on the board's findings and activities to the commissioner of health and the legislature by July 1, 1990. The board shall report to the legislature on or before January 15, 1991, with recommendations on whether providers who are not trained should be allowed to continue to practice.*

*Subd. 3. [LEGISLATIVE INTENT.] Nothing in this section is intended to require the commissioner of health to delay review of applications for credentialing pursuant to sections 214.13 and 214.141 pending the outcome of the reports required under this section.*

Sec. 10. [APPROPRIATION.]

*\$\_\_\_\_\_ is appropriated from the general fund to \_\_\_\_\_*

Sec. 11. [SUNSET.]

*Article 4, sections 1 to 8, are repealed effective July 1, 1991."*

Delete the title and insert:

*"A bill for an act relating to occupations and professions; establishing an office of social work and mental health boards; establishing a board of social work; regulating and licensing social workers; establishing a board of marriage and family therapy; licensing and regulating marriage and family therapists; establishing a board of unlicensed mental health service providers; regulating unlicensed mental health service providers; providing penalties; appropriating money; amending Minnesota Statutes 1986, sections 144.335, subdivision 1; 148A.01, subdivision 5; 214.01, subdivision 2; 214.04, subdivision 3; and 609.341, subdivision 17; proposing coding for new law as Minnesota Statutes, chapter 148B."*

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

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

S.F. No. 682: A bill for an act relating to human services; expanding employment and training services in the aid to families with dependent children program; changing standards of eligibility for general assistance

recipients and work readiness recipients; implementing immediate income withholding; modifying the child care sliding fee program; establishing the family health insurance program; changing standards of eligibility for the medical assistance program; amending Minnesota Statutes 1986, sections 144.219; 256.01, subdivision 2; 256.736, subdivisions 3, 4, 6, and 8, and by adding subdivisions; 256.74, subdivision 1; 256B.06, subdivision 1; 256D.01, subdivision 1a; 256D.02, subdivisions 5 and 8; 256D.03, subdivision 2; 256D.05, subdivision 1; 256D.051, subdivisions 1, 2, 4, 5, 6, and 8; 256D.06, subdivisions 1, 1b, and 2; 256D.08, subdivision 1; 256D.101; 256D.15; 257.33; 257.34, subdivision 1; 257.57, subdivision 2; 257.60; 257.62, by adding a subdivision; 257.63, subdivision 2; 260.015, subdivision 6; 260.155, by adding a subdivision; 260.191, by adding a subdivision; 267.02, by adding a subdivision; 267.03, subdivision 2; 268.0122, subdivision 3; 268.86, subdivisions 1 and 2; 268.871, subdivisions 1 and 2, and by adding a subdivision; 268.872, subdivision 3; 268.88; 268.91, subdivisions 1, 2, 3, 4, 5, and 6, and by adding subdivisions; 510.07; 518.171, subdivision 1; 518.24; 518.551, subdivision 1; 518.611, subdivisions 1, 2, 3, 4, 6, and 8; and 518.64, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 256 and 256D; repealing Minnesota Statutes 1986, sections 256D.051, subdivisions 4, 5, and 12; and 257.34, subdivision 2.

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

Page 6, line 10, delete "*an advanced*" and insert "*a post-baccalaureate*"

Page 8, lines 18 and 20, after "*caretaker*" insert "*or child*"

Page 8, line 27, strike "of"

Page 8, line 28, strike "*advanced age*" and insert "*age 55 or older*"

Page 10, line 8, after the stricken "*relative*" insert "*caretaker*" and reinstate the stricken "*or child*" and after the reinstated "*child*" delete "*caretaker*"

Page 10, line 25, after "*caretaker*" insert "*or child*"

Page 15, line 32, delete "*service delivery region*" and insert "*county*"

Page 20, line 1, after "*services*" insert "*with the goal of achieving permanent employment*"

Page 20, line 3, delete "*with the goal of achieving*"

Page 20, line 4, delete "*permanent employment*"

Page 23, line 20, after "62C" insert a comma

Page 26, after line 7, insert:

*"Subdivision 1. [INCENTIVE AWARD ACCOUNT.] The state share of AFDC child support collections received by the commissioner of human services during fiscal year 1988 in excess of \$13,430,000 must be deposited in an incentive award account for nonpublic assistance collections. In succeeding years the commissioner shall deposit in the account the state share of collections that exceed the sum of the prior year's state share and that year's deposits in the incentive award account."*

Page 26, line 21, delete "1" and insert "2"

Page 26, line 24, delete "3" and insert "4"

Page 27, line 17, after the period, insert "*Incentive payments under this section must begin with the quarter ending September 30, 1988.*"

Page 27, lines 21 and 26, delete "2" and insert "3"

Renumber the subdivisions in sequence

Page 33, line 21, delete "*aid to families with dependent*"

Page 33, line 22, delete "*children*" and insert "AFDC"

Page 34, line 10, delete "*aid to families with*"

Page 34, line 11, delete "*dependent children*" and insert "AFDC"

Page 34, line 14, delete "*aid to families with dependent children*" and insert "AFDC"

Page 34, line 19, delete ", subdivision 4 or 5,"

Page 34, line 22, delete "*aid to*"

Page 34, line 23, delete "*families with dependent children*" and insert "AFDC"

Page 34, line 26, delete "*aid to*"

Page 34, line 27, delete "*families with dependent children*" and insert "AFDC"

Page 34, line 30, delete "*aid to families with dependent children*" and insert "AFDC"

Page 35, line 5, delete "*aid to families with dependent*"

Page 35, line 6, delete "*children*" and insert "AFDC"

Page 35, line 7, delete "*aid to families with*"

Page 35, line 8, delete "*dependent children*" and insert "AFDC"

Page 36, after line 11, insert:

"Sec. 26. Minnesota Statutes 1986, section 256D.02, is amended by adding a subdivision to read:

*Subd. 16. "AFDC" means aid to families with dependent children."*

Pages 42 to 44, delete sections 31 and 32

Page 50, line 21, delete "*minor's child's*" and after "*father*" insert "*of the minor's child, including steps being taken to establish paternity, if appropriate*"

Page 51, after line 3, insert:

"(c) *If the minor parent refuses to plan for herself and her child or fails, without good cause, to follow through on an agreed upon plan, the county social services agency may file a petition under section 260.131 seeking an order for protective supervision under section 260.191, subdivision 1, clause (a), on the grounds that the minor parent's child is dependent due to the state of immaturity of the minor parent.*"

Page 51, delete lines 4 to 7

Page 54, line 13, delete "*such*" and insert "*the*"

Pages 54 to 56, delete sections 48 to 50

Page 63, line 1, delete "within"

Page 63, line 2, delete "their service delivery region"

Page 64, line 31, strike "1985" and insert "1987"

Page 64, strike line 32 and insert "October 1, 1987. The plan must include the implementation plan for aid to families with dependent children employment and training services as required under section 84."

Page 64, strike lines 33 to 36

Page 65, strike lines 1 to 12

Page 67, line 30, delete "funds" and insert "money"

Page 69, line 29, delete "these" and insert "this"

Page 74, line 24, delete "shall not be" and insert "are not"

Page 75, after line 1, insert:

"Sec. 67. Minnesota Statutes 1986, section 518.131, subdivision 7, is amended to read:

Subd. 7. The court shall be guided by the factors set forth in sections ~~518.17~~ 518.551 (concerning child support), 518.552 (concerning maintenance) and 518.17 to 518.175 (concerning custody and visitation) in making temporary orders and restraining orders."

Page 76, line 3, delete "shall be" and insert "is"

Page 76, lines 7 and 8, delete "shall be" and insert "is"

Page 76, after line 19, insert:

"Sec. 71. Minnesota Statutes 1986, section 518.551, is amended by adding a subdivision to read:

Subd. 10. [ADMINISTRATIVE PROCESS CHILD SUPPORT PILOT PROJECT.] *A pilot project is established to obtain and enforce child and medical support orders and maintenance through administrative process in order to evaluate the efficiency of the administrative process. The pilot project shall begin on July 1, 1988, and end on June 30, 1989.*

*All proceedings for establishing or enforcing child and medical support orders conducted in Dakota county from July 1, 1988, through June 30, 1989, in which Dakota county human services is a party or acts on behalf of a party shall be conducted by an administrative law judge from the office of administrative hearings, except for the following proceedings:*

- (1) adjudication of paternity;*
- (2) motions to set aside a paternity adjudication or declaration of parentage;*
- (3) motions to modify an existing support obligation;*
- (4) evidentiary hearing on contempt motions; and*
- (5) motions to sentence or to revoke the stay of a jail sentence in contempt proceedings.*

*For the purposes of this pilot project, a motion to add language to an existing support obligation that is required by statute to appear in a support order shall not be considered a modification of an existing support obli-*

gation. An administrative law judge may hear a stipulation reached on a contempt motion, but any stipulation that involves a finding of contempt and a jail sentence, whether stayed or imposed, shall require the review and signature of a county or district judge.

For the purpose of this pilot project, all powers, duties, and responsibilities conferred on judges of the county or district court to obtain and enforce child and medical support obligations, subject to the limitation set forth herein, are conferred on the administrative law judge conducting the proceedings, including the power to issue orders to show cause and to issue bench warrants for failure to appear.

During fiscal year 1988, the chief administrative law judge, the commissioner of human services, the director of Dakota county human services, the Dakota county attorney, and the clerk of the Dakota county court shall jointly establish procedures for the implementation of this pilot project.

Nonattorney employees of Dakota county human services may prepare, sign, serve, and file motions for obtaining or enforcing child and medical support orders and any related documents, appear at prehearing conferences, and participate in proceedings before an administrative law judge. This activity shall not be considered to be the unauthorized practice of law.

For the purpose of this pilot project, the hearings shall be conducted under the conference contested case rules adopted by the chief administrative law judge. Any discovery required in a proceeding shall be conducted under the rules of family court and the rules of civil procedure. Orders issued by an administrative law judge shall be enforceable by the contempt powers of the county or district courts.

The administrative law judge shall make a report to the chief administrative law judge or the chief administrative law judge's designee, stating findings of fact and conclusions and recommendations concerning the proposed action, in accordance with sections 14.48 to 14.56. The chief administrative law judge or a designee shall render the final decision and order in accordance with sections 14.61 and 14.62. The decision and order of the chief administrative law judge or a designee shall be a final agency decision for purposes of sections 14.63 to 14.69.

Sec. 72. Minnesota Statutes 1986, section 518.57, subdivision 1, is amended to read:

Subdivision 1. [ORDER.] Upon a decree of dissolution, legal separation or annulment, the court may make a further order which is just and proper concerning the maintenance of the minor children as provided by section 518.47 to 518.551, and for the maintenance of any child of the parties as defined in section 518.54, as support money, and may make the same a lien or charge upon the property of the parties to the proceeding, or either of them, either at the time of the entry of the judgment or by subsequent order upon proper application."

Page 76, lines 26 and 32, delete "shall" and insert "must"

Page 77, line 3, delete everything after "(a)"

Page 77, line 4, delete "SUPPORT ORDERS.]" and delete the new language

Page 77, line 5, delete the new language and strike "if" and insert



"whenever"

Page 77, lines 30 to 32, delete the new language

Page 77, after line 30, insert:

*"This paragraph applies to orders issued before August 1, 1987, without additional court action."*

Page 77, line 33, delete everything after "(b)"

Page 77, delete lines 34 to 36

Page 78, delete lines 1 to 9

Page 78, line 10, delete "(c) [ARREARAGES.]"

Page 78, line 16, after the period, insert *"This paragraph applies to obligations resulting from orders issued before, on, or after August 1, 1987, without additional court action."*

Page 78, lines 17 to 21, reinstate the stricken language

Page 78, lines 26 and 27, delete ", paragraph (a), clause (3),"

Page 78, line 36, reinstate the stricken "(b)" and delete "(c)"

Page 79, line 13, reinstate the stricken "(b)" and delete "(c)" and insert *"and section 80"*

Page 80, line 5, delete "no"

Page 80, line 7, delete "shall be" and insert "are not"

Page 80, line 15, delete "and" and insert a comma

Page 80, line 16, after "any" insert *", and the name and address of the agency to which child support is to be sent"*

Page 80, line 19, after "shall" insert *"contact the agency to which child support is to be sent to verify the terms of the withholding and"*

Page 80, line 28, delete "shall" and insert "may"

Page 80, after line 30, insert:

"Sec. 79. Minnesota Statutes 1986, section 518.611, is amended by adding a subdivision to read:

*Subd. 11. [CONTRACT FOR SERVICE.] To carry out the provisions of this section, the public authority responsible for child support enforcement may contract for services, including the use of electronic funds transfer.*

Sec. 80. [518.613] [AUTOMATIC WITHHOLDING.]

*Subdivision 1. [GENERAL.] Notwithstanding any provision of section 518.611, subdivision 2 or 3, to the contrary, whenever an obligation for child support or maintenance is initially determined and ordered or modified by the court in a county in which this section applies, the amount of child support or maintenance ordered by the court must be withheld from the income, regardless of source, of the person obligated to pay the support. For purposes of this section, "modified" does not mean a cost-of-living adjustment without any other modification of the support order.*

*Subd. 2. [ORDER; COLLECTION SERVICES.] Every order for child support must include the obligor's social security number and the name and address of the obligor's employer or other payor of funds. Upon entry*

*of the order for support or maintenance, the court shall mail a copy of the court's order and the provisions of section 518.611 and this section to the obligor's employer or other payor of funds and to the public agency responsible for child support enforcement. An obligee who is not a recipient of public assistance shall apply for the collection services of the public authority when an order for support is entered.*

**Subd. 3. [WITHHOLDING.]** *The employer or other payor shall withhold and forward the child support or maintenance ordered in the manner and within the time limits provided in section 518.611. Amounts received from employers or other payors under this section by the public agency responsible for child support enforcement that are in excess of public assistance received by the obligee must be remitted to the obligee. A county in which this section applies may contract for services to carry out the provisions of this section.*

**Subd. 4. [APPLICATION.]** *On and after August 1, 1987, and prior to August 1, 1989, this section applies in a county selected under section 81 and in a county that chooses to have this section apply by resolution of a majority vote of its county board. On and after August 1, 1989, this section applies in every county of the state.*

**Sec. 81. [518.614] [DEMONSTRATION PROJECT FOR INCOME WITHHOLDING.]**

*On or before July 1, 1987, the commissioner of human services shall designate no fewer than five counties in which child support or maintenance must be withheld from the obligor's income under section 80. The total population of the counties designated must equal at least 25 percent of the population of the state. The designated counties must include at least one county in which a city of the first class is located, and at least two counties that are not metropolitan counties, as defined in section 473.121, subdivision 4. The group of counties designated must be representative of urban, suburban, and rural demographic areas."*

Page 81, after line 30, insert:

"Sec. 83. Minnesota Statutes 1986, section 518.645, is amended to read:  
518.645 [FORM OF ORDER.]

Unless otherwise ordered by the court, an order for withholding of support or maintenance payments issued under this chapter shall be substantially in the following form:

**IT IS ORDERED THAT:**

1. The sum of \_\_\_\_\_ per \_\_\_\_\_, representing child support and/or spousal maintenance, ordered by the Court, shall be withheld from the (Husband/Wife Respondent/Petitioner)'s income on \_\_\_\_\_ by (his/her) present employer or other payor of funds, \_\_\_\_\_, and any future employer or other payor of funds, and shall be remitted to: \_\_\_\_\_, monthly or more frequently, in accordance with the provisions of Minnesota Statutes, Chapter 518. The file number above and the Obligor's name shall be included with each remittance.

2. An additional amount equal to 20 percent of the amount required to be withheld by paragraph 1 shall be withheld from the income of the Obligor by the employer or payor until the entire arrearage in paragraph 3(b) is paid.

3. The parties are notified that ~~CHILD SUPPORT AND/OR MAINTENANCE WILL BE WITHHELD FROM INCOME ONLY AFTER ALL OF THE FOLLOWING CONDITIONS HAVE BEEN MET:~~

(a) \_\_\_\_\_ or the Obligee determines that the Obligor is at least thirty days in arrears in the payment of ~~child support and/or~~ spousal maintenance;

(b) \_\_\_\_\_ or the Obligee serves written notice of income withholding on the Obligor showing the determination that ~~child support and/or~~ maintenance payments are thirty days in arrears;

(c) Within 15 days after service of the notice of income withholding, the Obligor fails to move the Court to deny withholding on the grounds that an arrearage of at least 30 days does not exist as of the date of the notice of income withholding or on other grounds limited to mistakes of fact and, ex parte, to stay service of withholding on the employer or other payor of funds until the motion to deny withholding is heard. Within 45 days from the date of the notice of income withholding, the court shall hold the hearing on the motion to deny withholding and notify the parties of its decision; and

(d) Not sooner than 15 days after service of written notice of income withholding on the Obligor, \_\_\_\_\_ or the Obligee serves a copy of the notice of income withholding and a copy of the Court's withholding order on the employer or other payor of funds, who will then be obligated to withhold payments from income and forward the amount withheld to \_\_\_\_\_.

4. The parties and the employer or other payor of funds are further notified that NO EMPLOYER MAY DISCHARGE, SUSPEND, OR OTHERWISE PENALIZE OR DISCIPLINE AN EMPLOYEE BECAUSE THE EMPLOYER MUST WITHHOLD SUPPORT OR MAINTENANCE MONEY. Minnesota Statutes, section 518.611.

5. ~~The Maintenance~~ payments shall begin to be withheld no later than the first pay period that occurs after 14 days following the date of mailing of the notice to the employer or other payor of funds in paragraph 3(d) ~~and from that date. Child support payments shall begin to be withheld no later than the first pay period that occurs 14 days following the date of mailing of the court's order to the employer or other payor of funds under Minnesota Statutes, section 518.611, subdivision 2, paragraph (b). On and after this date, the employer or other payor of funds is liable for amounts required to be withheld.~~

6. This order for withholding takes priority over any attachment, execution, garnishment, or wage assignment levied against the income of the Obligor. Amounts withheld are not subject to other statutory limitations on amounts levied against the income of the Obligor but must not exceed the maximum permitted under the federal Consumer Credit Protection Act, United States Code, title 15, section 1673(b)(2). If there is more than one withholding order on a single Obligor, the employer or other payor of funds shall put them into effect in the order received, up to the maximum allowed under the Consumer Credit Protection Act.

7. When the Obligor's employment is terminated or the periodic payment ends, the Obligor and the employer or other payor of funds ~~is are~~ required to notify \_\_\_\_\_ within ~~30~~ *ten* days of the termination date. The notice must include the Obligor's home address of record and, if known, the name and address of the Obligor's new employer or other payor of funds.

8. Upon transmittal of the last reimbursement payment to the obligor, where lump sum severance pay, accumulated sick pay or vacation pay is paid upon termination of employment, and where the employee is in arrears in making court ordered child support payments, the employer must withhold an amount which is the lesser of (1) the amount in arrears or (2) that portion of the arrearages which is the product of the obligor's monthly court ordered support amount multiplied by the number of months of net income that the lump sum payment represents.

9. If the Obligee serves the employer or other payor of funds under paragraph 3(d), the Obligee shall also serve the determination and order on \_\_\_\_\_, together with an application and fee to use collection services.

10. Service of this Order shall be \_\_\_\_\_

#### Sec. 84. [1987 COUNTY IMPLEMENTATION PLANS.]

*By October 1, 1987, each county shall prepare an implementation plan for AFDC employment and training services and submit it to the commissioner of jobs and training as part of their local service unit plan under section 268.88. The implementation plan must include a timetable for phasing in AFDC employment and training services, any barriers to implementing AFDC employment and training services, and a proposed design for the AFDC employment and training delivery system."*

Page 82, after line 26, insert:

*"\$\_\_\_\_\_ is appropriated from the general fund to the commissioner of human services for the purpose of section 80, to be available until June 30, 1988. Within 45 days after the end of each quarter, the commissioner of human services shall distribute one-fourth of this sum to the counties in which section 80 applies. Each county shall receive a percentage of the award equal to its total number of child support enforcement cases divided by the sum of the child support enforcement cases in all counties eligible to receive a share. A county must submit a copy of its board resolution to the commissioner, and be in compliance with section 80, on or before the first day of the quarter in order to be eligible for that quarter's award."*

Page 82, line 27, delete "There" and insert "\$\_\_\_\_\_" and after "appropriated" insert "to the commissioner of human services"

Page 82, line 28, delete "\$\_\_\_\_\_"

Page 83, line 10, delete "79, and 81 to 85" and insert "73, 75 to 79, 81, and 83 to 89"

Page 83, line 11, delete "80" and insert "82"

Page 83, line 12, after the period, insert "Section 74 is effective August 1, 1987, and applies to orders entered before, on, or after that date. Section 80 is effective August 1, 1987."

Page 83, line 18, after "children" insert "(AFDC)" and after "program" delete "(AFDC)"

Page 83, line 22, delete "be required to"

Page 83, line 23, delete "to"

Page 83, line 27, delete "be"

Page 83, line 28, delete "required to"

Page 84, line 1, delete "to"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 15, after "8" insert "and by adding a subdivision"

Page 1, line 16, delete "4, 5,"

Page 1, delete line 21

Page 1, line 22, delete everything before "267.02"

Page 1, line 28, before "518.171" insert "518.131, subdivision 7;"

Page 1, line 29, before the semicolon, insert ", and by adding a subdivision" and before "518.611" insert "518.57, subdivision 1;"

Page 1, line 30, after "8" insert ", and by adding a subdivision" and delete the second "and" and after "2;" insert "and 518.645;"

Page 1, line 32, delete "and" and after "256D" insert ", and 518"

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

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

S.F. No. 412: A bill for an act relating to real property; creating a lien against real property for expenses incurred by agencies or political subdivisions in taking action to protect public health, safety, or the environment with respect to the release of substances; providing for filing, enforcement, and appeal of the lien; proposing coding for new law in Minnesota Statutes, chapter 514.

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

Delete everything after the enacting clause and insert:

"Section 1. [514.675] [LIEN FOR EXPENSES OF ACTIONS TO PROTECT PUBLIC HEALTH, SAFETY, OR THE ENVIRONMENT.]

*Subdivision 1. [DEFINITIONS.] The definitions in this subdivision apply to this section unless the context clearly requires otherwise.*

(a) "Agency" means the pollution control agency.

(b) "Release" means a release of a hazardous substance or pollutant or contaminant as those terms are defined in section 115B.02, or a discharge of pollutants subject to the requirements of section 115.061.

(c) "Remedial action" means action to prevent, control, mitigate, or remedy a release or threatened release, including related investigation, preparation, and monitoring activities.

*Subd. 2. [LIEN CREATED; EXPIRATION.] (a) When the agency takes remedial action to protect the public health, safety, or the environment, the reasonable and necessary expenses incurred by the agency in taking the remedial action, including administrative and legal expenses, constitute a lien against real property as provided in this section.*

*(b) The lien is effective upon filing of a notice of lien under subdivision 7. The lien expires five years after the date the notice of lien is filed unless*

the agency files an additional notice of lien under subdivision 7.

(c) When a lien under this section has been attached to real property and the agency determines that remedial action is completed and is adequate to protect the public health, safety, and environment, no further lien under this section may attach to the property for expenses of remedial action taken after the agency's determination, except for expenses required by a release that had not occurred at the time the determination was made. Any person whose property rights may be affected by attachment of a lien may request the agency to make a determination under this clause by submitting a written request to the director stating the reasons why a determination is needed and the facts in support of the determination. The director shall submit the request, together with the director's recommendations, to the agency for its determination.

**Subd. 3. [PROPERTY OWNED BY PERSON NOT LEGALLY RESPONSIBLE FOR EXPENSES.]** If the owner of the property to which a lien attaches under this section is not legally responsible for the payment of remedial action expenses, the following provisions apply:

(a) The amount of the lien is limited to an increase in market value of the real property attributable to the remedial action.

(b) Except as provided in subdivision 5, the lien has priority over all other liens and encumbrances on the real property, regardless of when recorded, including liens and encumbrances recorded before the effective date of this section.

(c) The lien may be attached only against real property where the release first occurred.

**Subd. 4. [PROPERTY OWNED BY PERSON LEGALLY RESPONSIBLE FOR EXPENSES.]** If the owner of the property to which a lien attaches under this section is legally responsible for the payment of remedial action expenses, the following provisions apply:

(a) The amount of the lien is the full amount of the reasonable and necessary expenses incurred in taking the remedial action, including legal and administrative expenses.

(b) To the extent of an increase in market value of the real property attributable to the remedial action, and except as provided in subdivision 5, the lien has priority over all other liens and encumbrances on the real property, regardless of when recorded, including liens and encumbrances recorded before the effective date of this section.

(c) With respect to an amount of a lien that exceeds any increase in market value of the real property attributable to the remedial action or a lien on real property where there is no increase in market value attributable to the remedial action, the lien is subordinate to all other liens and encumbrances recorded or arising before the notice of the lien is filed.

(d) The lien may be attached to the following real property:

(1) real property where the release occurred or where the remedial action is taken;

(2) real property contiguous to the real property against which the lien may be filed under clause (1) if, within the five years preceding the filing of the notice of lien, the contiguous property was included in the legal description of the real property against which the lien may be filed under

clause (1); and

(3) real property where the substances present in the release were generated or stored before coming to be located at the property where the release occurred, provided that no increase in market value of real property described in this clause may be attributed to remedial action taken at other real property.

**Subd. 5. [EXCEPTIONS TO PRIORITY LIEN.]**

(a) A lien on real property, the greater part of which is devoted to single or multifamily housing, is subordinate to all other liens and encumbrances recorded or arising before the notice of lien is filed.

(b) A lien created by this section is subordinate to a lien for real estate taxes or special assessments.

(c) A lien recorded before a notice of lien is filed under this section by a lienholder who is not legally responsible for the payment of remedial action expenses has priority over a lien under this section but only up to an amount not to exceed the market value of the real property determined before remedial action begins. Subject to a challenge under subdivision 9, the market value of the real property before remedial action begins is determined by appraisal as provided in subdivision 7.

**Subd. 6. [PROCEDURES BEFORE FILING NOTICE OF LIEN.]** (a) Before seeking to file a notice of lien under paragraph (b), the agency shall provide to the owner of the property against which the lien is to be filed, and to any lienholder or encumbrancer of record, notice of the agency's intent to take remedial action and a reasonable opportunity to negotiate an agreement with the agency concerning the taking of remedial action or reimbursement of the agency's remedial action expenses. In the case of remedial action to be taken under section 115B.17, the procedures required as a condition of taking action under section 115B.17, subdivision 1, constitute notice and reasonable opportunity for negotiation under this subdivision provided that the owner of the real property and a lienholder or encumbrancer of record are notified of the agency's request for remedial action and are afforded a reasonable opportunity to negotiate an agreement with the agency concerning the taking of remedial action or the reimbursement of the agency's remedial action expenses.

(b) After the agency takes the actions under paragraph (a), the agency may petition the district court of the county in which the real property is located for an order allowing the filing of a notice of lien against the real property. The petition must include the name of the owner, a lienholder or encumbrancer of record, and the legal description of the real property to which the notice of lien is proposed to attach. A copy of the petition must be served as provided in the rules of civil procedure on the owner of the real property and a lienholder or encumbrancer of record. The court shall issue an order allowing the agency to file the notice of lien if the agency shows that:

(1) the agency has determined that the real property to which the lien is proposed to attach is real property where the release first occurred or that the owner of the real property is legally responsible for the payment of the remedial action expenses;

(2) the agency afforded notice and reasonable opportunity to negotiate an agreement to the owner and other parties as required in paragraph (a);

(3) an agreement for taking remedial action or for reimbursing the agency's expenses of remedial action has not been reached;

(4) money appropriated for that purpose has been allocated by the agency for remedial action;

(5) the agency has authorized the commencement of remedial action;

(6) with respect to property to which the lien may attach under subdivision 4, paragraph (d), clause (2), the real property meets the requirements of that provision; and

(7) with respect to property to which the lien may attach under subdivision 4, paragraph (d), clause (3), the agency has determined that substances present in the release were generated or stored at the real property before coming to be located at the real property where the release occurred.

The proceeding under this paragraph is summary in nature and is limited to a determination of whether the agency has made the showing required in clauses (1) to (7). Adjudication of other matters relating to the validity, amount, or priority of the lien must be made in an action for enforcement of the lien under subdivision 9. When the agency shows that it has taken an action or made a determination as provided in this paragraph, the action or determination of the agency is not subject to judicial review in this proceeding. In the case of an agency action or determination, it is sufficient if the agency shows that the action or determination was made by agency resolution in accordance with legal procedure and was accompanied by a written statement of the reasons for the action or determination, provided that the agency showing is insufficient if a party opposed to the petition demonstrates a reasonable probability of success in challenging the validity of the lien in a later enforcement action where the merits of the agency action or determination could be considered. The party must demonstrate a probability of success sufficient to meet the burden imposed on a person seeking a temporary injunction.

A court order allowing the filing of a lien notice must describe the real property against which the lien may be filed. The court shall make its findings and issue its decision in a proceeding under this clause within 60 days after the agency files its petition.

Subd. 7. [FILING AND RECORDING; APPRAISAL.] (a) Subject to an order of the court allowing the filing under subdivision 6, paragraph (b), the agency may file a notice of lien any time after remedial action begins. The notice of lien must state the date when remedial action began, the address and telephone number of the agency, the purpose of the remedial action, the name of the owner, and the legal description of the real property subject to the lien. The agency may file an additional notice of lien without petition or court order within one year before a lien would otherwise expire under subdivision 2, if the remedial action has commenced but has not been completed.

(b) After expenses have been incurred for remedial action, a lien statement may be filed showing (1) the purpose and amount of the expenses incurred in taking the remedial action; (2) the address and telephone number of the agency; (3) the amount of an increase in the market value of the real property attributable to the remedial action; and (4) the name of the owner and the legal description of the property subject to the lien. The filing of a lien statement perfects the lien retroactively to the date on which the notice of lien was filed.



(c) Except for a lien against real property under subdivision 4, where no increase in market value is claimed, appraisals of the market value of the real property before and after the remedial action must be attached to the lien statement. Except as otherwise provided in this paragraph, an appraisal of the market value of the real property must be made before the agency takes remedial action, and must consider the existence and scope of the release for which remedial action will be taken, the value and current use of improvements on the property, and the effect that the release or remedial action may have upon the continued use of the improvements. Appraisals must be performed by a qualified, independent appraiser selected by the agency. An appraisal is not required before a preparation or investigation incident to the remedial action is completed, or before taking remedial action to address an emergency requiring immediate action to protect the public health, safety, or the environment. In the case of emergency remedial action, the appraisal of market value of the real property before remedial action must be made as soon as practicable after the remedial action begins.

(d) When a notice of lien has been filed but a lien statement has not been filed, the agency shall execute a release of the notice upon request of a person with a legal interest in the real property if the agency determines that a claim for expenses incurred in taking remedial action has been satisfied or that legally enforceable arrangements have been made by agreement, stipulation, or otherwise for taking remedial action or reimbursement of the agency's remedial action expenses. After a lien statement has been filed, the agency shall execute a partial or full satisfaction of the lien upon request of a person with a legal interest in the real property if the claim for expenses incurred in taking remedial action has been partially or fully paid.

(e) Notices and statements must be filed in the office of the county recorder or the office of the registrar of titles of the county in which the real property is located. An attestation, certification, or acknowledgement is not required as a condition of filing.

**Subd. 8. [OFFICER RESPONSIBLE FOR ADMINISTRATION; DISPOSITION OF PAYMENTS.]** The filing, mailing, or serving of a document authorized or required under this section is the responsibility of the director of the agency, or a delegate of the director. Amounts received in payment of claims for expenses incurred in taking remedial action, or in satisfaction of a lien under this section, must be deposited in the fund from which the expenses were paid by the agency.

**Subd. 9. [ENFORCEMENT.]** (a) When the lien created under this section is perfected by the filing of a lien statement, the lien is enforceable by foreclosure in the manner provided for the foreclosure of judgment liens under chapter 550. Except as provided in paragraph (b), the lien may be enforced against a person who owned the real property at the time the notice of lien was filed or who acquires ownership of the real property after the notice of lien is filed.

(b) In the case of an owner of the real property at the time that the first notice of lien is filed, the lien is enforceable against the owner only when ownership of the real property is transferred to another person or when the agency obtains a judgment that the owner is a person legally responsible for the payment of remedial action expenses.

(c) When the agency seeks to enforce a lien under this section, a person

whose legal interest in the property may be adversely affected by enforcement of the lien may challenge the validity, amount, and priority of the lien, subject to the following provisions:

(1) When the lien is challenged on the grounds that the owner of the real property is not legally responsible for the payment of remedial action expenses, the legal responsibility of the owner must be determined under sections 115.061 and 115.071, sections 115B.01 to 115B.18, or other applicable law.

(2) When an increase in market value attributable to the remedial action is challenged, the court shall make a final determination of the increased value attributable to the remedial action consistent with the provisions for determining value of property in chapter 117, as far as practicable.

(3) The agency's certification of its remedial action expenses is prima facie evidence that the expenses are reasonable and necessary.

(4) If the owner of the real property is not legally responsible for the payment of remedial action expenses, the owner may raise as an affirmative defense to enforcement of the lien that the agency has not made reasonable efforts to recover the expenses from persons known to the agency who are legally responsible for the payment of the expenses and financially able to satisfy a judgment.

*Subd. 10. [OTHER REMEDIES PRESERVED.] This section does not affect the right of the agency to use a remedy available under other law to recover expenses incurred in taking remedial action.*

#### Sec. 2. [EFFECTIVE DATE.]

*Section 1 is effective the day following final enactment."*

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

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

S.F. No. 261: A bill for an act relating to statutes; reenacting certain amendments to the dram shop act.

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

Delete everything after the enacting clause and insert:

#### "ARTICLE I

##### Section 1. [REENACTMENT.]

*Minnesota Statutes, chapter 340A, as published in Minnesota Statutes 1986, is reenacted.*

#### ARTICLE II

Section 1. Minnesota Statutes 1986, section 145.63, is amended to read:

145.63 [LIMITATION ON LIABILITY FOR SPONSORING ORGANIZATIONS AND MEMBERS OF REVIEW ORGANIZATIONS.]

*Subdivision 1. [MEMBERS.] No person who is a member or employee of, who acts in an advisory capacity to or who furnishes counsel or services*

to, a review organization shall be liable for damages or other relief in any action brought by a person or persons whose activities have been or are being scrutinized or reviewed by a review organization, by reason of the performance by the person of any duty, function or activity of such review organization, unless the performance of such duty, function or activity was motivated by malice toward the person affected thereby. No person shall be liable for damages or other relief in any action by reason of the performance of the person of any duty, function, or activity as a member of a review committee or by reason of any recommendation or action of the review committee when the person acts in the reasonable belief that the action or recommendation is warranted by facts known to the person or the review organization after reasonable efforts to ascertain the facts upon which the review organization's action or recommendation is made, except that any corporation designated as a review organization under the Code of Federal Regulations, title 42, section 466 (1983) shall be subject to actions for damages or other relief by reason of any failure of a person, whose care or treatment is required to be scrutinized or reviewed by the review organization, to receive medical care or treatment as a result of a determination by the review organization that medical care was unnecessary or inappropriate.

*Subd. 2. [ORGANIZATIONS.] No state or local association of professionals or organization of professionals from a particular area shall be liable for damages or other relief in any action brought by a person whose activities have been or are being scrutinized or reviewed by a review organization established by the association or organization, unless the association or organization was motivated by malice towards the person affected by the review or scrutiny.*

Sec. 2. Minnesota Statutes 1986, section 340A.501, is amended to read:  
340A.501 [RESPONSIBILITY OF LICENSEE.]

Every licensee is responsible for the conduct in the licensed establishment and any sale of alcoholic beverage by any employee authorized to sell alcoholic beverages in the establishment is the act of the licensee *for the purposes of all provisions of this chapter except sections 340A.701, 340A.702, and 340A.703.*

Sec. 3. Minnesota Statutes 1986, section 340A.801, subdivision 1, is amended to read:

Subdivision 1. [RIGHT OF ACTION.] A spouse, child, parent, guardian, employer, or other person injured in person, property, or means of support, *or who incurs other pecuniary loss by an intoxicated person or by the intoxication of another person, has a right of action in the person's own name for all damages sustained against a person who caused the intoxication of that person by illegally selling alcoholic beverages. All damages recovered by a minor under this section must be paid either to the minor or to the minor's parent, guardian, or next friend as the court directs.*

Sec. 4. [REPEALER.]

*Minnesota Statutes 1986, section 340A.801, subdivision 5, is repealed.*

Sec. 5. [EFFECTIVE DATE.]

*Article II, section 2, is effective the day following final enactment."*

Delete the title and insert:

"A bill for an act relating to liquor laws; eliminating vicarious criminal liability for the employer of an individual who violates a liquor law; reenacting certain amendments to the dram shop act; providing for liability of professional review organizations; amending Minnesota Statutes 1986, sections 145.63; 340A.501; and 340A.801, subdivision 1; repealing Minnesota Statutes 1986, section 340A.801, subdivision 5."

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

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

S.F. No. 300: A bill for an act relating to education; establishing chemical abuse pre-assessment teams and community advisory teams; requiring teachers to report possession, use, and transfer of chemical substances by students; providing penalties; amending Minnesota Statutes 1986, sections 127.41, subdivision 3; and 260.161, subdivision 3; 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, delete section 1

Page 2, line 12, delete "*means superintendents,*" and insert "*has the meaning given it in section 125.03, subdivision 1.*"

Page 2, delete lines 13 to 17

Page 2, line 20, after "*a*" insert "*school district*" and delete "*under section 124.246,*"

Page 2, line 25, delete "*local*"

Page 2, line 26, delete "*district*"

Page 2, line 32, delete "*of a school district*"

Page 2, line 34, delete "*at a*" and insert "*in the*" and delete "*and*"

Page 2, line 35, delete "*city or town level*"

Page 3, line 1, delete "*3*" and insert "*2*" and after the first comma, insert "*to the extent possible,*"

Page 3, line 11, delete "*3*" and insert "*2*"

Page 3, line 14, after the semicolon, insert "*and*"

Page 3, line 22, delete "*; and*"

Page 3, line 23, delete "*(4) prepare a statement that*" and insert "*pursuant to the*"

Page 3, line 26, delete everything after "*1*" and insert a period

Page 3, delete lines 27 to 29

Pages 3 and 4, delete section 5

Page 4, line 9, delete "*Subdivision 1. [REQUIREMENT; VOLUNTARY REPORTING.] (a)*"

Page 4, line 11, after "*a*" insert "*school district*" and delete "*under section 124.246,*"

Page 4, delete lines 17 to 36

Page 5, delete lines 1 and 2

Page 5, delete sections 7 and 8

Page 6, line 30, delete "4" and insert "3" and delete ", clause (c)"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 5, delete "providing"

Page 1, line 6, delete "penalties;"

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

### SECOND READING OF SENATE BILLS

S.F. Nos. 1188, 1223, 1296, 1441, 760, 852, 748, 1426, 1044 and 156 were read the second time.

### SECOND READING OF HOUSE BILLS

H.F. Nos. 1390, 354, 955, 1009, 947, 1170, 1267, 31, 332 and 1120 were read the second time.

### MOTIONS AND RESOLUTIONS

Mr. Ramstad moved that his name be stricken as a co-author to S.F. No. 220. The motion prevailed.

Mr. Berg moved that the name of Mr. Morse be added as a co-author to S.F. No. 717. The motion prevailed.

Mr. Marty moved that the name of Mrs. Adkins be added as a co-author to S.F. No. 780. The motion prevailed.

Mr. Pogemiller moved that the name of Mr. Dicklich be added as a co-author to S.F. No. 1468. The motion prevailed.

Mr. Spear moved that the name of Mr. Marty be added as a co-author to S.F. No. 1472. The motion prevailed.

Mr. Peterson, R.W. moved that the name of Mr. Davis be added as a co-author to S.F. No. 1492. The motion prevailed.

Mr. Novak moved that the name of Mr. Laidig be added as a co-author to S.F. No. 1495. The motion prevailed.

Mr. Knutson introduced—

Senate Resolution No. 61: A Senate resolution congratulating Catherine Jean Dimond for receiving the Young American Award from the Viking Council Boy Scouts of America.

Referred to the Committee on Rules and Administration.

Ms. Reichgott and Messrs. Jude and Ramstad introduced—

Senate Resolution No. 62: A Senate resolution congratulating Dr. Hedi Oplesch for receiving the Cross of the Order of Merit of the Federal Republic

of Germany.

Referred to the Committee on Rules and Administration.

Messrs. Pogemiller, Luther and Moe, R.D. introduced—

Senate Concurrent Resolution No. 10: A Senate concurrent resolution relating to the legislature; requiring a study of broadcasting the proceedings and hearings of the Senate and House of Representatives.

Referred to the Committee on Rules and Administration.

Mr. Metzen moved that S.F. No. 1428, No. 162 on General Orders, be stricken and re-referred to the Committee on Finance. The motion prevailed.

## CALENDAR

H.F. No. 499: A bill for an act relating to metropolitan government; changing the treatment of current value credits and modifying the cost allocation system of the metropolitan waste control commission; providing for a reserve fund for the commission; authorizing appointment of advisory committees by the commission; authorizing an implementation period for transition to a new cost allocation system; amending Minnesota Statutes 1986, sections 473.511, subdivision 4; and 473.517, subdivisions 1, 2, 3, and 9; repealing Minnesota Statutes 1986, section 473.517, subdivisions 4, 5, and 7.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

H.F. No. 200: A bill for an act relating to abuse and neglect reporting; providing a standard for the disclosure of a reporter's name under the child abuse reporting act and the vulnerable adults reporting act; amending Minnesota Statutes 1986, sections 626.556, subdivision 11; and 626.557, subdivision 12.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

H.F. No. 839: A bill for an act relating to public safety; local emergency telephone service; requiring automatic location identification for public safety answering points; amending Minnesota Statutes 1986, section 403.02, subdivision 6, and by adding a subdivision.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 66 and nays 1, as follows:

Those who voted in the affirmative were:

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

Mr. Davis voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 1028: A bill for an act relating to labor; regulating mediation, fact finding, and other functions of the bureau of mediation services; providing for violations of the labor union democracy act; amending Minnesota Statutes 1986, sections 179.02, subdivision 2, and by adding a subdivision; 179.07; 179.08; 179.083; 179.22; 179.38; proposing coding for new law in Minnesota Statutes, chapter 179; repealing Minnesota Statutes 1986, sections 179.05; 179.23; and 179.24.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 67 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

H.F. No. 1049: A bill for an act relating to labor; regulating the administration of the occupational safety and health act; clarifying employee rights to sue; amending Minnesota Statutes 1986, sections 182.659, subdivisions 6 and 8; 182.661, by adding a subdivision; 182.666, subdivisions 1, 2, 4, 5, and 6; and 182.669, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 67 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

S.F. No. 922: A bill for an act relating to horse racing; regulating license suspensions and revocations of class C licenses; modifying the time periods and dollar limitations used to trigger contested case hearings; requiring rules that prohibit horses from carrying foreign substances when they race; requiring medical testing fee rules; making permanent the statutory provisions authorizing the use of certain medications; amending Minnesota Statutes 1986, sections 240.08, subdivision 5; 240.16, subdivision 1; 240.22; 240.24, subdivisions 1 and 3; and Laws 1985, chapter 211, section 5.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 66 and nays 0, as follows:

Those who voted in the affirmative were:



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

So the bill passed and its title was agreed to.

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.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 66 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

S.F. No. 235: A bill for an act relating to missing children; requiring schools to develop policies on notifying parents whose children are absent from school; requiring that certain documents be provided to schools when new students enroll; proposing coding for new law in Minnesota Statutes, chapter 123.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 66 and nays 1, as follows:

Those who voted in the affirmative were:

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

Mr. Merriam voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 750: A bill for an act relating to state lands; authorizing sale of certain tax-forfeited lands that border public water in East Grand Forks, Polk county.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 66 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Knaak	Moe, R.D.	Schmitz
Anderson	DeCramer	Knutson	Morse	Solon
Beckman	Dicklich	Kroening	Novak	Spear
Belanger	Diessner	Laidig	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	

So the bill passed and its title was agreed to.

S.F. No. 345: A bill for an act relating to environment; prohibiting the use of certain pesticides; proposing coding for new law in Minnesota Statutes, chapter 18A.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 67 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SUSPENSION OF RULES

Mr. Moe, R.D. moved that the Senate take up the Consent Calendar and that the rules of the Senate be so far suspended as to waive the lie-over requirement. The motion prevailed.

### CONSENT CALENDAR

H.F. No. 1042: A bill for an act relating to motor carriers; exempting drivers of intrastate charter carriers from having in possession a medical examiner certificate if the driver has a school bus endorsement; amending Minnesota Statutes 1986, section 221.031, by adding a subdivision.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 62 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

H.F. No. 557: A bill for an act relating to state departments and agencies; renaming the mental retardation division of the department of human services; amending Minnesota Statutes 1986, section 245.072.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### 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. No. 678, which the committee recommends to pass.

S.F. No. 863, which the committee recommends to pass with the following amendments offered by Messrs. Wegscheid and Pehler:

Mr. Wegscheid moved to amend S.F. No. 863 as follows:

Page 2, line 4, after the period, insert "*The assignment of racing days and times of racing to a facility licensed under section 1 may not prevent the commission from assigning to a racetrack in existence on January 1, 1987, the same or overlapping days or times.*"

Page 2, line 5, delete "*thoroughbred*" and insert "*nonstandard-bred*"

The motion prevailed. So the amendment was adopted.

Mr. Pehler moved to amend S.F. No. 863 as follows:

Page 1, after line 23, insert:

*"An application for an additional class A license within the seven-county metropolitan area may not delay or adversely affect an application for a class A license for a facility to be located outside the seven-county metropolitan area."*

The motion prevailed. So the amendment was adopted.

S.F. No. 283, which the committee recommends progress subject to the following motions:

Mr. Spear moved to amend S.F. No. 283 as follows:

Amend the title as follows:

Page 1, line 2, delete everything after the semicolon

Page 1, line 3, delete everything before "prohibiting"

Page 1, line 4, before the first semicolon, insert "by a pregnancy counseling service"

The motion prevailed. So the amendment was adopted.

Mr. Spear then moved to amend S.F. No. 283 as follows:

Page 1, delete lines 9 to 13

Renumber the subdivisions in sequence

The motion prevailed. So the amendment was adopted.

The question was taken on the recommendation to pass S.F. No. 283.

The roll was called, and there were yeas 31 and nays 32, as follows:

Those who voted in the affirmative were:

Anderson	Dicklich	Merriam	Piper	Storm
Berg	Diessner	Moe, D.M.	Pogemiller	Taylor
Berglin	Frederick	Moe, R.D.	Purfeerst	Willet
Brandl	Freeman	Morse	Ramstad	
Brataas	Lantry	Novak	Reichgott	
Cohen	Luther	Peterson, D.C.	Solon	
DeCramer	Marty	Peterson, R.W.	Spear	

Those who voted in the negative were:

Adkins	Davis	Jude	McQuaid	Stumpf
Beckman	Frank	Knaak	Mehrkens	Vickerman
Benson	Frederickson, D.J.	Kroening	Olson	Waldorf
Bernhagen	Gustafson	Laidig	Pehler	Wegscheid
Bertram	Hughes	Langseth	Renneke	
Chmielewski	Johnson, D.E.	Larson	Samuelson	
Dahl	Johnson, D.J.	Lessard	Schmitz	

The motion did not prevail. S.F. No. 283 was then progressed.

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. Peterson, R.W. introduced—

S.F. No. 1498: A bill for an act relating to taxation; restricting the motor vehicle excise tax exemption for vehicles purchased for resale; amending Minnesota Statutes 1986, sections 168.27, subdivision 16; and 297B.035, subdivision 1.

Referred to the Committee on Transportation. Mr. Peterson, R.W. questioned the reference thereon and, under Rule 35, the bill was referred to the Committee on Rules and Administration.

Mr. Mehrkens introduced—

S.F. No. 1499: A bill for an act relating to unemployment compensation; benefit requalification after voluntary quit or discharge for misconduct; amending Minnesota Statutes 1986, section 268.09, subdivision 1.

Referred to the Committee on Employment.

Mr. Purfeerst introduced—

S.F. No. 1500: A bill for an act relating to firearms safety; increasing the age under which a firearms safety course and certificate are required; amending Minnesota Statutes 1986, section 97B.021, subdivision 1.

Referred to the Committee on Environment and Natural Resources.

Mr. Metzen introduced—

S.F. No. 1501: A bill for an act relating to state government; transferring the powers and duties of the department of health and its commissioner with respect to the regulation of health maintenance organizations to the department of commerce and its commissioner; making various technical changes; amending Minnesota Statutes 1986, sections 62D.01, subdivision 2; 62D.02, subdivisions 2, 8, and 12; 62D.03; 62D.04, subdivisions 1 and 2; 62D.06, subdivision 2; 62D.07, subdivision 2; 62D.08, subdivisions 1, 2, and 3; 62D.10, subdivision 4; 62D.11, subdivision 2; 62D.12, subdivisions 1, 2, and 9; 62D.14, subdivisions 1, 3, 5, and 6; 62D.15, subdivisions 1 and 4; 62D.16; 62D.17; 62D.18; 62D.19; 62D.20; 62D.21; 62D.22, subdivisions 4 and 10; 62D.24; and 62D.30, subdivisions 1 and 3; repealing Minnesota Statutes 1986, section 62D.02, subdivision 3.

Referred to the Committee on Health and Human Services.

Mr. Storm introduced—

S.F. No. 1502: A bill for an act relating to education; removing the not for profit requirement for certain schools in connection with tax deductions; amending Minnesota Statutes 1986, section 290.089, subdivision 2.

Referred to the Committee on Education.

Messrs. Purfeerst, Langseth and Novak introduced—

S.F. No. 1503: A bill for an act relating to transportation; providing increases in taxes on motor vehicles and on gasoline and special fuel; increasing driver license fees; providing for the deposit of receipts from the motor vehicle excise tax; amending Minnesota Statutes 1986, sections 168.013, by adding a subdivision; 171.02, subdivision 3; 171.06, subdivision 2; 296.02, subdivision 1b; 296.025, subdivision 1; and 297B.09, subdivision 2.

Referred to the Committee on Transportation.

### ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 2:00 p.m., Monday, April 27, 1987. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate