

FORTY-THIRD DAY

St. Paul, Minnesota, Tuesday, May 2, 1989

The Senate met at 12:30 p.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Benson 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. Edmund Goldbach.

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

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

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.

May 1, 1989

The Honorable Jerome M. Hughes
President of the Senate

Dear Sir:

I have the honor of informing you that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 69, 264, 936 and 1241.

Sincerely,
Rudy Perpich, Governor

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 1488, 435, 618, 628, 1106, 134, 1082 and 787.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1989

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 321: A bill for an act relating to public nuisances; expanding the nuisance law to include prior convictions for certain drug and liquor offenses; amending Minnesota Statutes 1988, section 617.81, subdivision 2.

Senate File No. 321 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1989

Mr. Moe, R.D. moved that S.F. No. 321 be laid on the table. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 331: A bill for an act relating to notaries public; eliminating the requirement that notaries be bonded; amending Minnesota Statutes 1988, sections 359.02 and 359.071.

Senate File No. 331 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1989

Mr. Moe, R.D. moved that S.F. No. 331 be laid on the table. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 388: A resolution memorializing the President and Congress to enact legislation to allow the use of flexible highway design standards in

the interstate highway 35W corridor, to make federal money available for a light rail transit system, and to make funds available for the completion and repair of federal aid highways.

Senate File No. 388 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1989

Mr. Moe, R.D. moved that S.F. No. 388 be laid on the table. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 493: A bill for an act relating to juvenile court; expanding the definition of child in need of protection or services; expanding the child hearsay exception to include statements regarding the abuse or neglect of another child witnessed by the child making the statement; clarifying the authority of the court to order the temporary removal of a child due to immediate endangerment; amending Minnesota Statutes 1988, sections 260.015, subdivision 2a; 260.156; and 260.172, subdivision 1.

Senate File No. 493 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1989

Mr. Moe, R.D. moved that S.F. No. 493 be laid on the table. The motion prevailed.

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 206: A bill for an act relating to state government; administrative procedures; regulating exempt rules; making certain technical changes; amending Minnesota Statutes 1988, sections 14.40; and 97A.051, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 3; repealing Minnesota Statutes 1988, sections 97A.051, subdivision 3; 144A.10, subdivision 6a; 174.031, subdivision 2; 254B.03, subdivision 6; 254B.04, subdivision 2; 257.357; and 574.262, subdivision 3; Laws 1985, chapter 4, section 8; and Laws 1987, chapter 337, section 128.

There has been appointed as such committee on the part of the House: Rodosovich, Pappas and Blatz.

Senate File No. 206 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1989

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 162, 1560, 1589, 30, 1207, 1423, 1425, 1121, 1221, 1432, 13, 186, 1387, 260 and 1697.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 1, 1989

FIRST READING OF HOUSE BILLS

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

H.F. No. 162: A bill for an act relating to insurance; regulating insurance information collection, use, disclosure, access, and correction practices; requiring reasons for adverse underwriting decisions; amending Minnesota Statutes 1988, section 72A.20, subdivision 11; proposing coding for new law in Minnesota Statutes, chapter 72A.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 94, now on General Orders.

H.F. No. 1560: A bill for an act relating to natural resources; authorizing the Elephant Creek impoundment in St. Louis county.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1289, now on General Orders.

H.F. No. 1589: A bill for an act relating to the city of Minneapolis; giving the city certain powers pertaining to the delivery of energy and environmental services; providing for combined hearings on improvements and assessments; amending Minnesota Statutes 1988, section 430.07, subdivision 5.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1494, now on General Orders.

H.F. No. 30: A bill for an act relating to employment; requiring breaks during the work day; proposing coding for new law in Minnesota Statutes, chapter 177.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 109, now on General Orders.

H.F. No. 1207: A bill for an act relating to counties; providing conditions for the disposition of county property; amending Minnesota Statutes 1988, section 373.01, subdivision 1.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1195, now on General Orders.

H.F. No. 1423: A bill for an act relating to nursing home admission agreements; prohibiting use of blanket waivers of liability by continuing care facilities and nursing homes; requiring nursing home admission agreements to be available to the public and clarifying that such agreements are consumer contracts; prohibiting nursing homes from requiring third party

guarantors; requiring nursing homes to identify their status as public benefits providers; prohibiting use of blanket consents for treatment; requiring written acknowledgment that residents have received a copy of the patients' bill of rights; providing penalties; requiring a facility fee payment to enrolled hospitals for certain emergency room or clinic visits; amending Minnesota Statutes 1988, section 80D.04, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 144; and 256B.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1196, now on the Calendar.

H.F. No. 1425: A bill for an act relating to privacy of communications; modifying standards for disclosure of communications by electronic communications services; limiting use of contract personnel; modifying reporting requirements; modifying procedures for the use of pen registers and trap and trace devices; requiring orders for the use of mobile tracking devices; providing for a civil cause of action; removing the sunset on the privacy of communications act; authorizing the attorney general and county attorneys to issue administrative subpoenas; creating crimes that prohibit warning subjects of investigations, electronic surveillance, or search warrants; imposing penalties; amending Minnesota Statutes 1988, sections 626A.02, subdivision 3; 626A.04; 626A.06, subdivisions 1 and 4a; 626A.11, subdivisions 1 and 2; 626A.12, subdivision 1; 626A.17; 626A.35; 626A.36; 626A.37; 626A.38, subdivision 1; 626A.39, by adding a subdivision; and 626A.40; Laws 1988, chapter 577, section 63; proposing coding for new law in Minnesota Statutes, chapters 8, 388, 609, and 626A; repealing Minnesota Statutes 1988, sections 626A.12, subdivision 1a; 626A.22; 626A.23; 626A.24; and 626A.38, subdivision 5; Laws 1988, chapter 577, section 62.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1237, now on General Orders.

H.F. No. 1121: A bill for an act relating to animals; regulating using animals for certain purposes; providing a penalty; amending Minnesota Statutes 1988, section 343.33.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1037, now on General Orders.

H.F. No. 1221: A bill for an act relating to education; allowing school districts to be considered providers under the state medical assistance plan; proposing coding for new law in Minnesota Statutes, chapter 124.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1075, now on General Orders.

H.F. No. 1432: A bill for an act relating to transportation; requiring nonrailroad lessors to comply with certain procedures before sale of property interests; amending Minnesota Statutes 1988, sections 222.631, by adding a subdivision; 222.632; and 222.633.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1303, now on General Orders.

H.F. No. 13: A bill for an act relating to courts; raising the jurisdictional limit on claims heard in conciliation court; permitting bail in civil contempt cases to be used to satisfy the judgment; requiring a report; amending Minnesota Statutes 1988, sections 487.30, subdivisions 1 and 5; 488A.12, subdivision 3; 488A.14, subdivision 6; 488A.16, subdivision 8; 488A.29,

subdivision 3; 488A.31, subdivision 6; and 488A.33, subdivision 7.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 830, now on General Orders.

H.F. No. 186: A bill for an act relating to employment; protective agents; prohibiting employers to hire as a protective agent a person convicted of certain crimes; disqualifying persons convicted of criminal sexual conduct from holding a license to operate a private detective or protective agent service; amending Minnesota Statutes 1988, sections 326.32, by adding subdivisions; 326.336, subdivision 1; 326.3381, subdivision 3, and by adding a subdivision; 326.3384, subdivision 1; and 364.09.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 55, now on General Orders.

H.F. No. 1387: A bill for an act relating to education; prohibiting certain punishment in schools; proposing coding for new law in Minnesota Statutes, chapter 127.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 796, now on General Orders.

H.F. No. 260: A bill for an act relating to employment; providing for review of an employee's personnel record; providing for removal or revision of disputed information contained in an employee's personnel record; regulating use of omitted information; proposing coding for new law in Minnesota Statutes, chapter 181.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 312, now on General Orders.

H.F. No. 1697: A bill for an act relating to traffic regulations; prohibiting the towing of motor vehicles for traffic violations for a period of four hours except under certain circumstances; providing a mechanic's lien for those who tow a vehicle at the direction of a law enforcement officer; amending Minnesota Statutes 1988, section 514.18, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 169.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1248, now on General Orders.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted, with the exception of the report on S.F. No. 368. The motion prevailed.

Mr. Hughes from the Committee on Elections and Ethics, to which was referred

S.F. No. 368: A bill for an act relating to elections; providing a public subsidy for legislative candidates in special elections; amending Minnesota Statutes 1988, sections 10A.31, subdivision 5, and by adding a subdivision; and 10A.33.

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

Delete everything after the enacting clause and insert:

"ARTICLE I

STATE ELECTIONS AND ETHICS PROVISIONS

Section 1. Minnesota Statutes 1988, section 10A.01, subdivision 10c, is amended to read:

Subd. 10c. "Noncampaign disbursement" means a purchase or payment of money or anything of value made, or an advance of credit incurred, by a political committee, political fund, or principal campaign committee for any purpose other than to influence the nomination or election of a candidate or to promote or defeat a ballot question.

Noncampaign disbursement includes:

- (a) Payment for accounting and legal services;
- (b) Return of a contribution to the source;
- (c) Repayment of a loan made to the political committee, political fund, or principal campaign committee by that committee or fund;
- (d) Return of money from the state elections campaign fund;
- (e) Payment for food and beverages consumed at a fundraising of expenses relating to an event which is held for the purpose of fundraising;
- (f) Services for a constituent by a member of the legislature or a constitutional officer in the executive branch, performed from the beginning of the term of office to 60 days after adjournment sine die of the legislature in the election year for the office held; and
- (g) A donation in kind given to the political committee, political fund, or principal campaign committee for purposes listed in clauses (e) and (f). The board shall determine whether an activity involves a noncampaign disbursement within the meaning of this subdivision.

Sec. 2. Minnesota Statutes 1988, section 10A.04, subdivision 2, is amended to read:

Subd. 2. Each report shall cover the time from the last day of the period covered by the last report to 15 days prior to the current filing date. The reports shall be filed with the board by the following dates:

- (a) January 15;
- (b) April 15; and
- (c) July 15; and
- ~~(d) October 15.~~

Sec. 3. Minnesota Statutes 1988, section 10A.04, subdivision 4a, is amended to read:

Subd. 4a. If in any reporting period the lobbyist's reportable disbursements total not over \$100 and no honorarium, gift, loan, item or benefit equal in value to \$50 or more was given or paid to any public official, a statement to that effect in lieu of the report may be filed for that period. The unreported disbursements shall be included in the report for the following period, unless the total for that period, including the carryover, is not over \$100. The ~~October~~ January 15 report shall include all previously unreported disbursements, even though the total for the year is not over \$100.

Sec. 4. Minnesota Statutes 1988, section 10A.18, is amended to read:

10A.18 [BILLS WHEN RENDERED AND PAID.]

Every person who has a bill, charge, or claim against any political committee or political fund for any expenditure shall render, *to the extent practicable*, in writing to the treasurer of the committee or fund the bill, charge, or claim within 60 days after the material or service is provided. ~~Failure to so present the bill, charge or claim is a misdemeanor.~~

Sec. 5. Minnesota Statutes 1988, section 10A.19, is amended by adding a subdivision to read:

Subd. 3. [JOINT COMMITTEE.] When a candidate for governor and a candidate for lieutenant governor combine their principal campaign committees, the treasurer of the combined committee shall register the committee as provided under section 10A.14.

Sec. 6. Minnesota Statutes 1988, section 10A.19, is amended by adding a subdivision to read:

Subd. 4. [LIEUTENANT GOVERNOR.] A candidate for lieutenant governor named in a joint committee established under section 5 shall establish a separate principal campaign committee after the candidate accepts more than \$100 from any source other than self for the purpose of seeking endorsement for the next following election for the office sought or held. Within ten days after the candidate for lieutenant governor establishes a separate principal campaign committee under this subdivision, the treasurer of the joint committee shall amend the committee registration to disclose that the committee is the principal campaign committee of the candidate for governor.

Sec. 7. Minnesota Statutes 1988, section 10A.20, subdivision 5, is amended to read:

Subd. 5. In any statewide election any contribution or contributions from any one source totaling \$2,000 or more, or in any legislative election totaling more than \$400, received between the last day covered in the last report prior to an election and the election shall be reported to the board in one of the following ways:

- (1) in person within 48 hours after its receipt;*
- (2) by telegram or mailgram within 48 hours after its receipt; or*
- (3) by certified mail sent within 48 hours after its receipt.*

These contributions must also be reported in the next required report.

The 48-hour notice requirement does not apply with respect to primary elections where the statewide or legislative candidate is unopposed in that primary.

Sec. 8. Minnesota Statutes 1988, section 10A.22, subdivision 7, is amended to read:

Subd. 7. The treasurer of a political committee or political fund shall not accept a contribution of more than \$100 from a ~~political committee or political fund~~ an association not registered in this state unless the contribution is accompanied by a written statement which meets the disclosure and reporting period requirements imposed by section 10A.20. This statement shall be certified as true and correct by an officer of the contributing

~~political committee or political fund~~ association. The political committee or political fund which accepts the contribution shall include a copy of the statement with the report which discloses the contribution to the board. The provisions of this subdivision shall not apply when a national political party transfers money to its affiliate in this state.

Sec. 9. Minnesota Statutes 1988, section 10A.22, is amended by adding a subdivision to read:

Subd. 8. [CONDITIONS.] Notwithstanding subdivision 7, the unregistered association may provide the statement to no more than three political committees or political funds in any calendar year and each statement must cover at least the 30 days immediately preceding and including the date on which the contribution was made. Any individual or association violating the provisions of this subdivision may be subject to a civil penalty of up to \$1,000. An individual who knowingly violates this subdivision is guilty of a misdemeanor.

Sec. 10. Minnesota Statutes 1988, section 10A.24, is amended to read:

10A.24 [DISSOLUTION OR TERMINATION.]

Subdivision 1. [TERMINATION REPORT.] No political committee or political fund shall dissolve until it has settled all of its debts and disposed of all its assets in excess of \$100 and filed a termination report. The termination report may be made at any time and shall include all information required in periodic reports.

Subd. 2. [TERMINATION AFTER SIX YEARS.] Notwithstanding subdivision 1, after mailing notice to any remaining creditors by certified mail, a political committee or political fund that has debts which were incurred more than six years previously, has disposed of all its assets, and has met the requirements of section 10A.20, subdivision 7, may file a termination report.

Sec. 11. Minnesota Statutes 1988, section 10A.241, is amended to read:

10A.241 [TRANSFER OF FUNDS AND DEBTS.]

Notwithstanding any provisions of this chapter to the contrary except as provided in this section, a candidate may terminate the candidate's principal campaign committee for ~~one~~ a state office by transferring ~~any all funds~~ and debts of that committee to the candidate's principal campaign committee for another state office, a local office, or a congressional office, provided that any outstanding unpaid bills or loans from the committee being terminated are assumed and continuously reported by the committee to which the transfer is being made until paid or forgiven. A loan that is forgiven is covered by section 10A.20 and, for purposes of section 10A.32, is a contribution to the principal campaign committee from which the debt was transferred under this section.

Sec. 12. Minnesota Statutes 1988, section 10A.25, subdivision 2, is amended to read:

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

- (a) For governor and lieutenant governor, running together, \$600,000

\$1,418,213;

(b) For attorney general, ~~\$100,000~~ \$236,369;

(c) For secretary of state, state treasurer, and state auditor, separately, ~~\$50,000~~ \$118,185;

(d) For state senator, ~~\$15,000~~ \$35,456;

(e) For state representative, ~~\$7,500~~ \$18,597.

Sec. 13. Minnesota Statutes 1988, section 10A.25, subdivision 3, is amended to read:

Subd. 3. Notwithstanding subdivision 2, clause (a), a candidate for endorsement for the office of lieutenant governor at the convention of a political party may make expenditures and approved expenditures of ~~\$30,000 or~~ five percent of the amount in subdivision 2, clause (a), ~~whichever is greater as adjusted by section 10A.255~~, to seek endorsement. This amount shall be in addition to the amount which may be expended pursuant to subdivision 2, clause (a).

Sec. 14. Minnesota Statutes 1988, section 10A.25, subdivision 5, is amended to read:

Subd. 5. Notwithstanding the limits imposed by subdivision 2, the winning candidate in a contested race in a primary who receives less than twice as many votes as any one of the candidate's opponents in that primary may make aggregate expenditures and approved expenditures equal to 120 percent of the applicable amount as set forth in subdivision 2, *as adjusted by section 10A.255*.

Sec. 15. Minnesota Statutes 1988, section 10A.27, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivisions 2 and 6, no candidate shall permit the candidate's principal campaign committee to accept contributions from any individual, political committee, or political fund in excess of the following:

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

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

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

(d) To a candidate for state senator, \$1,500 in an election year for the office sought and ~~\$300~~ \$400 in other years; and

(e) To a candidate for state representative, \$750 in an election year for the office sought and ~~\$150~~ \$200 in the other year.

Sec. 16. Minnesota Statutes 1988, section 10A.275, is amended to read:

10A.275 [MULTICANDIDATE POLITICAL PARTY EXPENDITURES.]

Subdivision 1. [EXCEPTIONS.] Notwithstanding any other provisions of this chapter, the following expenditures by a state political party ~~or~~; a substate unit of a state political party ~~as described in section 10A.27~~,

~~subdivision 4;~~ or two or more substate units of a state political party acting together, with at least one substate unit being either: the state party organization or the party organization within congressional districts, counties, or legislative districts, shall not be considered contributions to or expenditures on behalf of any candidate for the purposes of section 10A.25 or 10A.27, and shall not be allocated to any candidates pursuant to section 10A.22, subdivision 5:

(a) expenditures on behalf of candidates of that party generally without referring to any of them specifically in any advertisement published, posted or broadcast;

(b) expenditures for the preparation, display, mailing or other distribution of an official party sample ballot listing the names of three or more individuals whose names are to appear on the ballot;

(c) expenditures for any telephone conversation including the names of three or more individuals whose names are to appear on the ballot; or

(d) expenditures for any political party fundraising effort on behalf of three or more candidates; or

(e) expenditures for party committee staff member services that benefit three or more candidates. This paragraph applies only to staff members paid from the political committee of a state political party as defined in section 10A.27, subdivision 4.

Subd. 2. [SUBSTATE UNIT OF STATE POLITICAL PARTY.] For purposes of this section, "substate unit of a state political party" means the party organization within each house of the legislature; the state party organization; or the party organization within congressional districts, counties, legislative districts, municipalities, or precincts.

Sec. 17. Minnesota Statutes 1988, section 10A.31, subdivision 5, is amended to read:

Subd. 5. In each calendar year the money in the general account ~~shall~~ must be allocated to candidates as follows:

- (1) 21 percent for the offices of governor and lieutenant governor together;
- (2) 3.6 percent for the office of attorney general;
- (3) 1.8 percent each for the offices of secretary of state, state auditor, and state treasurer;
- (4) In each calendar year during the period in which state senators serve a four-year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;

(5) In each calendar year during the period in which state senators serve a two-year term, 35 percent each for the offices of state senator and state representative.

In each calendar year the money in each party account ~~shall~~ must be allocated as follows:

- (1) 14 percent for the offices of governor and lieutenant governor together;
- (2) 2.4 percent for the office of attorney general;
- (3) 1.2 percent each for the offices of secretary of state, state auditor, and state treasurer;

(4) In each calendar year during the period in which state senators serve a four-year term, $23\frac{1}{3}$ percent for the office of state senator and $46\frac{2}{3}$ percent for the office of state representative;

(5) In each calendar year during the period in which state senators serve a two-year term, 35 percent each for the offices of state senator and state representative;

(6) ten percent for the state committee of a political party; money allocated to each state committee under this clause must be deposited in a separate account and must be spent for legitimate political party operations, including voter education; the sample ballot; operations of precinct caucuses, county unit conventions, and state conventions; and the maintenance and programming of computers used to provide lists of voters, party workers, party officers, patterns of voting, and other data for use in political party activities; money allocated to a state committee under this clause must be paid to the committee as it is received in the account, on a monthly or other basis agreed to between the committee and the board.

To assure that moneys will be returned to the counties from which they were collected, and to assure that the distribution of those moneys rationally relates to the support for particular parties or for particular candidates within legislative districts, money from the party accounts for legislative candidates shall be distributed as follows:

Each candidate for the state senate and state house of representatives whose name is to appear on the ballot in the general election shall receive money from the candidate's party account set aside for candidates of the state senate or state house of representatives, whichever applies, according to the following formula;

For each county within the candidate's district the candidate's share of the dollars allocated in that county to the candidate's party account and set aside for that office shall be:

(a) The sum of the votes cast in the last general election in that part of the county in the candidate's district for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct of the state and (ii) for the state senate and state house of representatives, divided by

(b) The sum of the votes cast in that county in the last general election for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct in the state and (ii) for the state senate and state house of representatives, multiplied by

(c) The amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

The sum of all the county shares calculated in the formula above is the candidate's share of the candidate's party account.

In a year in which an election for the state senate occurs, with respect to votes for candidates for the state senate only, "last general election" means the last general election in which an election for the state senate occurred.

For any party under whose name no candidate's name appeared on the ballot in each voting precinct in the state in the last general election,

amounts in the party's account shall be allocated based on (a) the number of people voting in the last general election in that part of the county in the candidate's district, divided by (b) the number of the people voting in that county in the last general election, multiplied by (c) the amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

In a year in which the first election after a legislative reapportionment is held, "the candidate's district" means the newly drawn district, and voting data from the last general election will be applied to the area encompassing the newly drawn district notwithstanding that the area was in a different district in the last general election.

If in a district there was no candidate of a party for the state senate or state house of representatives in the last general election, or if a candidate for the state senate or state house of representatives was unopposed, the vote for that office for that party shall be the average vote of all the remaining candidates of that party in each county of that district whose votes are included in the sums in clauses (a) and (b). The average vote shall be added to the sums in clauses (a) and (b) before the calculation is made for all districts in the county.

Money from a party account not distributed to candidates for state senator and representative in any election year shall be returned to the general fund of the state. Money from a party account not distributed to candidates for other offices in an election year shall be returned to the party account for reallocation to candidates as provided in clauses (1) to (6) in the following year. Money from the general account refused by any candidate ~~shall be distributed to all other qualifying candidates in proportion to their shares as provided in this subdivision~~ must be transferred to the special election account established in section 18.

Sec. 18. Minnesota Statutes 1988, section 10A.31, is amended by adding a subdivision to read:

Subd. 12. [SPECIAL ELECTION ACCOUNT.] The special election account is established as a separate account in the state election campaign fund. Money from the special election account must be distributed to each eligible candidate for a legislative office in a special election in an amount equal to the amount available to a candidate for the same office in the same district at the last general election. If there is insufficient money in the account to make the payments required under this subdivision, the entire amount of money available must be apportioned equally to all eligible legislative candidates. For purposes of this subdivision, "eligible candidate" means a candidate who meets the eligibility requirements for receiving money from the state election campaign fund as provided under section 10A.32. Money from the special election account must be distributed in the same manner as provided for general account money to legislative candidates in a general election.

Sec. 19. Minnesota Statutes 1988, section 10A.32, subdivision 3, is amended to read:

Subd. 3. As a condition of receiving any money from the state elections campaign fund, a candidate shall agree by stating in writing to the board that (a) the candidate's expenditures and approved expenditures shall not exceed the expenditure limits as set forth in section 10A.25 and that (b) except for an amount equal to 25 percent of the expenditure limits set forth

in section 10A.25, but not exceeding \$15,000, the candidate shall not accept contributions or allow approved expenditures to be made on the candidate's behalf for the period beginning with January 1 of the election year or with the registration of the candidate's principal campaign committee, whichever occurs later, and ending December 31 of the election year, which aggregate contributions and approved expenditures exceed the difference between the amount which may legally be expended by or for the candidate, and the amount which the candidate receives from the state elections campaign fund. The agreement, insofar as it relates to the expenditure limits set forth in section 10A.25, remains effective until the dissolution of the principal campaign committee of the candidate or the opening of filings for the next succeeding election to the office held or sought at the time of agreement, whichever occurs first. Money in the account of the principal campaign committee of a candidate on January 1 of the election year for the office held or sought shall be considered contributions accepted by that candidate in that year for the purposes of this subdivision. That amount of all contributions accepted by a candidate in an election year which equals the amount of noncampaign disbursements and contributions and expenditures to promote or defeat a ballot question which are made by that candidate in that year shall not count toward the aggregate contributions and approved expenditure limit imposed by this subdivision. Except for an amount equal to 25 percent of the expenditure limits set forth in section 10A.25, but not exceeding \$15,000, any amount by which the aggregate contributions and approved expenditures agreed to under clause (b) exceed the difference shall be returned to the state treasurer in the manner provided in subdivision 2. In no case shall the amount returned exceed the amount received from the state elections campaign fund.

The candidate may submit the signed agreement to the filing officer on the day of filing the affidavit of candidacy or petition to appear on the ballot, or to the board no later than September 1.

The board prior to the first day of filing for office shall forward forms for the agreement to all filing officers. The filing officer shall without delay forward signed agreements to the board. An agreement may not be rescinded after September 1.

Before the first day of filing for office, the board shall also forward a copy of section 10A.25, subdivision 3, to all filing officers. Before September 1, the filing officer shall provide a copy of section 10A.25, subdivision 3, to each candidate who files an affidavit of candidacy or whose name is to appear on the ballot by petition.

For the purposes of this subdivision only, the total amount to be distributed to each candidate is calculated to be the candidate's share of the total estimated funds in the candidate's party account as provided in subdivision 3a, plus the total amount estimated as provided in subdivision 3a to be in the general account of the state elections campaign fund and set aside for that office divided by the number of candidates whose names are to appear on the general election ballot for that office. If for any reason the amount actually received by the candidate is greater than the candidate's share of the estimate, and the contributions thereby exceed the difference, the agreement shall not be considered violated.

A candidate whose campaign spending is unlimited under conditions imposed by section 10A.25, subdivision 10, and who certifies that the candidate made campaign expenditures equal to the full amount of the

public financing received is not required to return any portion of the money received from the state elections campaign fund under the aggregate contribution limit provisions of this subdivision.

Sec. 20. Minnesota Statutes 1988, section 10A.33, is amended to read:
10A.33 [APPLICATION.]

Except as otherwise provided in section 10A.31, subdivision 5, and section 18, the provisions of sections 10A.30 to 10A.32 shall apply only in general elections and primaries preceding general elections and shall do not apply to special elections or special primaries.

Sec. 21. Minnesota Statutes 1988, section 211A.07, is amended to read:
211A.07 [BILLS WHEN RENDERED AND PAID.]

A person who has a bill, charge, or claim against a candidate's committee shall, to the extent practicable, render it in writing to the committee within 60 days after the material or service is provided. A bill, charge, or claim that is not presented within 60 days after the material or service is provided must not be paid.

Sec. 22. Minnesota Statutes 1988, section 211B.15, subdivision 2, is amended to read:

Subd. 2. [PROHIBITED CONTRIBUTIONS.] A corporation may not make a contribution or offer or agree to make a contribution, directly or indirectly, of any money, property, free service of its officers or employees, or thing of monetary value to a major political party, organization, committee, or individual to promote or defeat the candidacy of an individual for nomination, election, or appointment to a political office. For the purpose of this subdivision, "contribution" includes an expenditure to promote or defeat the election or nomination of a candidate to a political office that is made with the authorization or expressed or implied consent of, or in cooperation or in concert with, or at the request or suggestion of, a candidate or committee established to support or oppose a candidate. *For the purpose of this subdivision, "contribution" also includes the posting of campaign signs on commercial property free of charge or for a nominal fee.*

Sec. 23. Minnesota Statutes 1988, section 383B.055, subdivision 1, is amended to read:

Subdivision 1. The state ethical practices board shall:

(a) ~~Develop forms for all statements and reports required to be filed under sections 383B.041 to 383B.054 and furnish the forms to the county filing officer in Hennepin county;~~

~~(b) (1) issue and publish advisory opinions concerning the requirements of sections 383B.041 to 383B.057 upon application in writing by the county filing officer of Hennepin county or any individual or association who wishes to use the opinion to guide the applicant's own conduct; and~~

~~(c) (2) exempt any individual or association required to disclose information under sections 383B.046 to 383B.05 from any requirement of those sections in the same manner as it exempts any individual or association from disclosure requirements under chapter 10A. An individual or association exempted from the disclosure provisions of chapter 10A, shall also be exempt from the disclosure provisions of sections 383B.046 to 383B.05.~~

Sec. 24. Minnesota Statutes 1988, section 383B.055, subdivision 2, is

amended to read:

Subd. 2. *The county filing officer of Hennepin county shall develop forms for all statements and reports required to be filed under sections 383B.041 to 383B.054. The filing officer shall furnish sufficient copies of the forms provided by the ethical practices board to all officers with whom candidates file affidavits or applications of candidacy and nominating petitions.*

Sec. 25. [APPROPRIATION; SPECIAL ELECTIONS ACCOUNT.]

\$ is transferred from the general account of the state election campaign fund to the special election account established in section 18 for special legislative elections held before the 1990 general election. Up to \$ from the general account that is refused by any candidate in the 1990 election year must be distributed to all other qualifying candidates in proportion to their share as provided in Minnesota Statutes, section 10A.31, subdivision 5. The balance of the refused money must be transferred to the special election account.

Sec. 26. [EFFECTIVE DATE.]

Sections 17 and 18 are effective the day following final enactment.

ARTICLE 2

CONGRESSIONAL CAMPAIGN FINANCING

Section 1. Minnesota Statutes 1988, section 10A.01, is amended by adding a subdivision to read:

Subd. 5a. [CONGRESSIONAL CANDIDATE.] *"Congressional candidate" means an individual who seeks nomination or election to the United States senate or house of representatives and who is a "candidate" as that term is defined under United States Code, title 2, section 431, paragraph (2), as amended through December 31, 1988.*

Sec. 2. Minnesota Statutes 1988, section 10A.01, subdivision 7, is amended to read:

Subd. 7. [CONTRIBUTION.] "Contribution" means:

(1) *with respect to a candidate, a transfer of funds or a donation in kind-*

~~Contribution~~ *and includes any loan or advance of credit to a political committee, political fund, or principal campaign committee, which loan or advance of credit is (a) (i) forgiven, or (b) (ii) paid by an entity individual or an association other than the political committee, political fund, or principal campaign committee to which the loan or advance of credit is made. If an advance of credit or a loan is forgiven or paid as provided in this subdivision paragraph, it is a contribution in the year in which the loan or advance of credit is made.*

A contribution made for the purpose of defeating a candidate is considered made for the purpose of influencing the nomination or election of that candidate or any opponent of that candidate.

A contribution does not include services provided without compensation by an individual volunteering personal time on behalf of a candidate, ballot question, political committee or political fund, or the publishing or broadcasting of news items or editorial comments by the news media; and

(2) *with respect to a congressional candidate, a "contribution" as that term is defined under United States Code, title 2, section 431, paragraph*

(8), as amended through December 31, 1988.

Sec. 3. Minnesota Statutes 1988, section 10A.01, subdivision 10, is amended to read:

Subd. 10. [CAMPAIGN EXPENDITURE; EXPENDITURE.] "Campaign expenditure" or "expenditure" means:

(1) with respect to a candidate, a purchase or payment of money or anything of value, or an advance of credit, made or incurred for the purpose of influencing the nomination or election of a candidate or for the purpose of promoting or defeating a ballot question.

An expenditure is considered to be made in the year in which the goods or services for which it was made are used or consumed.

An expenditure made for the purpose of defeating a candidate is considered made for the purpose of influencing the nomination or election of that candidate or any opponent of that candidate.

Except as provided in ~~clause (a)~~, item (i), an expenditure includes the dollar value of a donation in kind.

An expenditure does not include:

~~(a)~~ (i) Noncampaign disbursements as defined in subdivision 10c;

~~(b)~~ (ii) Transfers as defined in subdivision 7a;

~~(c)~~ (iii) Services provided without compensation by an individual volunteering personal time on behalf of a candidate, ballot question, political committee, or political fund; or

~~(d)~~ (iv) The publishing or broadcasting of news items or editorial comments by the news media; and

(2) with respect to a congressional candidate, an "expenditure" as that term is defined under United States Code, title 2, section 431, paragraph (9), as amended through December 31, 1988.

Sec. 4. Minnesota Statutes 1988, section 10A.01, subdivision 10b, is amended to read:

Subd. 10b. [INDEPENDENT EXPENDITURE.] "Independent expenditure" means:

(1) with respect to a candidate, an expenditure expressly advocating the election or defeat of a clearly identified candidate, which expenditure is made without the express or implied consent, authorization, or cooperation of, and not in concert with or at the request or suggestion of, any candidate or any candidate's principal campaign committee or agent. An independent expenditure is not a contribution to that candidate; and

(2) with respect to a congressional candidate, an "independent expenditure" as that term is defined under United States Code, title 2, section 431, paragraph (17), as amended through December 31, 1988.

Sec. 5. Minnesota Statutes 1988, section 10A.01, subdivision 15, is amended to read:

Subd. 15. [POLITICAL COMMITTEE.] "Political committee" means:

(1) with respect to a candidate, any association as defined in subdivision 3 whose major purpose is to influence the nomination or election of a

candidate or to promote or defeat a ballot question; and

(2) with respect to a congressional candidate, a "political committee" as that term is defined under United States Code, title 2, section 431, paragraph (4), as amended through December 31, 1988.

"Political committee" includes a major political party as defined in subdivision 12, a minor political party as defined in subdivision 13, and any a principal campaign committee formed pursuant to section 10A.19 of a candidate or congressional candidate, and an authorized committee of a congressional candidate.

Sec. 6. Minnesota Statutes 1988, section 10A.01, is amended by adding a subdivision to read:

Subd. 15a. [PRINCIPAL CAMPAIGN COMMITTEE.] "Principal campaign committee" means:

(1) with respect to a candidate, a political committee designated and caused to be formed by that candidate under section 10A.19; and

(2) with respect to a congressional candidate, a political committee designated and authorized by that congressional candidate under United States Code, title 2, section 432, subsection (e)(1), as amended through December 31, 1988.

Sec. 7. Minnesota Statutes 1988, section 10A.01, is amended by adding a subdivision to read:

Subd. 15b. [AUTHORIZED COMMITTEE.] "Authorized committee" means the principal campaign committee or another political committee designated and authorized by a congressional candidate under United States Code, title 2, section 432, subsection (e)(1), as amended through December 31, 1988, to receive contributions or make expenditures on behalf of that congressional candidate.

Sec. 8. [10A.105] [LIMITATION ON APPLICABILITY.]

The provisions of sections 10A.11 to 10A.24 relating to the organization, registration, and administration of and reporting and disclosure by political committees, including principal campaign committees, and political funds are not applicable to congressional candidates and authorized committees of congressional candidates. The organization, registration, and administration of and reporting and disclosure by authorized committees of congressional candidates is governed by the relevant provisions of United States Code, title 2, chapter 14, as amended through December 31, 1988.

Sec. 9. [10A.245] [CAMPAIGN REPORTS; CONGRESSIONAL CANDIDATES.]

A congressional candidate who agrees to be bound by the expenditure limits in section 10A.25, as adjusted by section 10A.255, as a condition of receiving a public subsidy for the candidate's campaign shall file with the board copies of all reports that the candidate or the candidate's principal campaign committee treasurer acting for the candidate is required to file under United States Code, title 2, chapter 14, as amended through December 31, 1988. The reports must be filed with the board at the times required under United States Code, title 2, section 434, as amended through December 31, 1988.

Sec. 10. Minnesota Statutes 1988, section 10A.01, is amended by adding

a subdivision to read:

Subd. 2a. [CONGRESSIONAL CANDIDATES.] In a year in which an election is held for an office sought by a congressional candidate, no expenditures may be made by the authorized committees of that congressional candidate that result in an aggregate amount in excess of the following:

(1) for United States senator, \$3,000,000; and

(2) for representative in Congress, \$300,000.

Sec. 11. Minnesota Statutes 1988, section 10A.25, is amended by adding a subdivision to read:

Subd. 5a. [CONGRESSIONAL CANDIDATES IN CONTESTED PRIMARY RACES.] Notwithstanding the limits imposed by section 10, the winning congressional candidate in a contested race in a primary who receives less than twice as many votes as any one of the candidate's opponents in that primary may make aggregate expenditures equal to 120 percent of the applicable amount in section 10, as adjusted by section 10A.255.

Sec. 12. Minnesota Statutes 1988, section 10A.25, is amended by adding a subdivision to read:

Subd. 6a. [POST-ELECTION YEAR EXPENDITURES BY CONGRESSIONAL CANDIDATES.] In a year following an election year for the office held or sought, the aggregate amount of expenditures on behalf of a congressional candidate for or holder of that office must not exceed 20 percent of the expenditure limit in section 10, as adjusted by section 10A.255.

Sec. 13. Minnesota Statutes 1988, section 10A.25, subdivision 10, is amended to read:

Subd. 10. The expenditure limits imposed by this section apply only to candidates and congressional candidates whose major political party opponents agree to be bound by the limits and who themselves agree to be bound by the limits as a condition of receiving a public subsidy for their campaigns in the form of an allocation of money from the state elections campaign fund.

A candidate or a congressional candidate of a major political party who agrees to be bound by the limits and receives a public subsidy, who has an opponent who: (1) is a candidate of a major political party; and (2) does not agree to be bound by the limits but is otherwise eligible to receive a public subsidy, is no longer bound by the limits but is still eligible to receive a public subsidy.

Sec. 14. Minnesota Statutes 1988, section 10A.255, is amended to read:

10A.255 [ADJUSTMENT BY CONSUMER PRICE INDEX.]

Subdivision 1. [METHOD OF CALCULATION.] The dollar amounts provided in section 10A.25, subdivision 2, and section 10, must be adjusted for general election years as provided in this section. By June 1 of the general election year, the executive director of the board shall determine the percentage increase in the consumer price index from December of the year preceding the last general election year to December of the year preceding the year in which the determination is made. The dollar amounts used for the preceding last general election year must be multiplied by that percentage. The product of the calculation must be added to each dollar

amount to produce the dollar limitations to be in effect for the next general election. The product must be rounded up to the next highest whole dollar. The index used must be the revised consumer price index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor with 1982 as a base year.

Subd. 2. [TRANSITIONAL PERIOD.] (a) The dollar amounts provided in section 10A.25, subdivision 2, must be adjusted for 1988 in the manner provided in subdivision 1, except that the percentage increase in the consumer price index must be determined from April of 1986 to December of 1987 and the adjustment must be calculated by the executive director by June 1, 1988.

(b) Except for the office of state representative in the legislature, the dollar amounts provided in section 10A.25, subdivision 2, must be adjusted for 1990 in the manner provided in subdivision 1, except that the percentage increase in the consumer price index must be determined from April of 1986 to December of 1989 and the adjustment must be calculated by the executive director by June 1, 1990.

(c) *The dollar amounts in section 10 must be adjusted for the 1992 races for representative in Congress and the 1992 race for United States senate, and subsequent general elections for those offices in the manner provided in subdivision 1, except that the last general election year must be considered to be 1986 and the dollar amounts used for the last general election year for the offices of United States senator and representative in Congress must be \$3,000,000 and \$300,000 respectively.*

Subd. 3. [PUBLICATION OF EXPENDITURE LIMIT.] *On or before June 15 of each year, the board shall publish in the State Register the expenditure limit for each office for that calendar year under section 10A.25 as adjusted by this section.*

Sec. 15. Minnesota Statutes 1988, section 10A.27, is amended by adding a subdivision to read:

Subd. 9. [CONTRIBUTION AND LOAN LIMITATIONS APPLICABLE TO A CONGRESSIONAL CANDIDATE.] *Contributions by or to a congressional candidate and loans to a congressional candidate are governed by the relevant provisions of United States Code, title 2, chapter 14, as amended through December 31, 1988.*

Sec. 16. Minnesota Statutes 1988, section 10A.275, is amended to read:

10A.275 [MULTICANDIDATE POLITICAL PARTY EXPENDITURES.]

Subdivision 1. [APPLICABILITY TO CANDIDATES.] Notwithstanding any other provisions of this chapter, the following expenditures by a state political party or a substate unit of a state political party as described in section 10A.27, subdivision 4, shall not be considered contributions to or expenditures on behalf of any candidate for the purposes of section 10A.25 or 10A.27, and shall not be allocated to any candidates pursuant to section 10A.22, subdivision 5:

(a) expenditures on behalf of candidates of that party generally without referring to any of them specifically in any advertisement published, posted or broadcast;

(b) expenditures for the preparation, display, mailing or other distribution

of an official party sample ballot listing the names of three or more individuals whose names are to appear on the ballot;

(c) expenditures for any telephone conversation including the names of three or more individuals whose names are to appear on the ballot; or

(d) expenditures for any political party fundraising effort on behalf of three or more candidates.

Subd. 2. [APPLICABILITY TO CONGRESSIONAL CANDIDATES.] Expenditures of the type listed in subdivision 1, clauses (a) to (d), are governed by the relevant provisions of United States Code, title 2, section 431, paragraph (9), as amended through December 31, 1988.

Sec. 17. Minnesota Statutes 1988, section 10A.28, is amended to read:

10A.28 [PENALTY FOR EXCEEDING EXPENDITURE AND CONTRIBUTION LIMITS.]

Subdivision 1. [CANDIDATE EXCEEDING EXPENDITURE LIMITS.] A candidate subject to the expenditure limits of in section 10A.25 who permits the candidate's principal campaign committee to make expenditures or permits approved expenditures to be made on the candidate's behalf in excess of the limits imposed by section 10A.25 ~~shall be~~, *as adjusted by section 10A.255*, is subject to a civil fine up to four times the amount which the expenditures exceeded the limit.

Subd. 1a. [CONGRESSIONAL CANDIDATES EXCEEDING EXPENDITURE LIMITS.] A congressional candidate subject to the expenditure limits in section 10A.25 who permits the candidate's authorized committees to make aggregate expenditures on the candidate's behalf in excess of the limits imposed by section 10A.25, as adjusted by section 10A.255, is subject to a civil fine up to four times the amount the expenditures exceed the limit.

Subd. 2. [CONTRIBUTION LIMITS EXCEEDED WITH RESPECT TO CANDIDATES.] A candidate who permits the candidate's principal campaign committee to accept contributions in excess of the limits imposed by section 10A.27 ~~shall be~~ is subject to a civil fine of up to four times the amount by which the contribution exceeded the limits.

Subd. 2a. [CONTRIBUTION LIMITS EXCEEDED WITH RESPECT TO CONGRESSIONAL CANDIDATES.] A congressional candidate who permits the candidate's authorized committees to accept contributions in excess of the limits imposed under United States Code, title 2, chapter 14, as amended through December 31, 1988, is subject to the penalties imposed by United States Code, title 2, section 437g, as amended through December 31, 1988.

Subd. 3. [CONCILIATION AGREEMENTS.] If the board finds that there is reason to believe that excess expenditures have been made or excess contributions accepted contrary to the provisions of subdivision 1, *1a*, or 2, the board shall make every effort for a period of not less than 14 days after its finding to correct the matter by informal methods of conference and conciliation and to enter a conciliation agreement with the person involved. A conciliation agreement made pursuant to this subdivision shall be a matter of public record. Unless violated, a conciliation agreement shall be a bar to any civil proceeding under subdivision 4.

Subd. 4. [CIVIL ACTION.] If the board is unable after a reasonable time

to correct by informal methods any matter which constitutes probable cause to believe that excess expenditures have been made or excess contributions accepted contrary to subdivision 1, *1a*, or 2, the board shall make a public finding of probable cause in the matter. After making a public finding, the board shall bring an action, or transmit the finding to a county attorney who shall bring an action, ~~in the district court of Ramsey county or, in the case of a legislative candidate, the district court of a county within the legislative district,~~ to impose a civil fine as prescribed by the board pursuant to subdivision 1, *1a*, or 2. *An action filed against a congressional candidate for United States senator or against a candidate for state constitutional office must be brought in the district court of Ramsey county. An action filed against a candidate for state legislative office must be brought in the district court of a county within the candidate's legislative district. An action filed against a congressional candidate for representative in Congress must be brought in the district court of a county within the congressional candidate's congressional district.* All money recovered pursuant to this section shall be deposited in the general fund of the state.

Sec. 18. Minnesota Statutes 1988, section 10A.30, subdivision 2, is amended to read:

Subd. 2. Within the state elections campaign fund account there shall be maintained: (1) a separate *state political party* account for the candidates of each political party ~~and~~, (2) a *state general account*, (3) a *separate political party account for the congressional candidates of each political party*, and (4) a *congressional general account*. *Money must be divided equally between the state accounts and the congressional accounts.*

Sec. 19. Minnesota Statutes 1988, section 10A.31, subdivision 1, is amended to read:

Subdivision 1. Every individual resident of Minnesota who files an income tax return or a renter and homeowner property tax refund return with the commissioner of revenue may designate on their original return that ~~\$5~~ \$10 shall be paid from the general fund of the state into the state elections campaign fund. If a husband and wife file a joint return, each spouse may designate that ~~\$5~~ \$10 shall be paid. No individual shall be allowed to designate ~~\$5~~ \$10 more than once in any year.

Sec. 20. Minnesota Statutes 1988, section 10A.31, subdivision 2, is amended to read:

Subd. 2. The taxpayer may designate that ~~the amount designated:~~ (1) \$10 be paid into the account of a political party ~~or into the general account for congressional and state candidates or~~ (2) \$10 be paid into the *congressional and state general accounts, to be divided equally between the accounts.*

Sec. 21. Minnesota Statutes 1988, section 10A.31, subdivision 3, is amended to read:

Subd. 3. The commissioner of the department of revenue shall provide on the first page of the income tax form and the renter and homeowner property tax refund return a space for the individual to indicate a wish to allocate ~~\$5~~ \$10 (~~\$10~~ \$20 if filing a joint return) from the general fund of the state to finance the election campaigns of state candidates *and congressional candidates*. The form shall also contain language prepared by the commissioner which permits the individual to direct the state to allocate the ~~\$5~~ \$10 (or ~~\$10~~ \$20 if filing a joint return) to: (i) one of the major political parties; (ii) any minor political party as defined in section 10A.01,

subdivision 13, which qualifies under the provisions of subdivision 3a; or (iii) all qualifying candidates as provided by subdivision 7. The renter and homeowner property tax refund return shall include instructions that the individual filing the return may designate \$5 \$10 on the return only if the individual has not designated \$5 \$10 on the income tax return.

Sec. 22. Minnesota Statutes 1988, section 10A.31, subdivision 5, is amended to read:

Subd. 5. [ALLOCATION OF ACCOUNTS.] (a) *Candidates.* In each calendar year the money in the *state* general account ~~shall~~ *must* be allocated to candidates as follows:

- (1) 21 percent for the offices of governor and lieutenant governor together;
- (2) 3.6 percent for the office of attorney general;
- (3) 1.8 percent each for the offices of secretary of state, state auditor, and state treasurer;
- (4) In each calendar year during the period in which state senators serve a four-year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;

(5) In each calendar year during the period in which state senators serve a two-year term, 35 percent each for the offices of state senator and state representative.

In each calendar year the money in each party account ~~shall~~ *for candidates must* be allocated as follows:

- (1) 14 percent for the offices of governor and lieutenant governor together;
- (2) 2.4 percent for the office of attorney general;
- (3) 1.2 percent each for the offices of secretary of state, state auditor, and state treasurer;
- (4) In each calendar year during the period in which state senators serve a four-year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;
- (5) In each calendar year during the period in which state senators serve a two-year term, 35 percent each for the offices of state senator and state representative;

(6) ten percent for the state committee of a political party; money allocated to each state committee under this clause must be deposited in a separate account and must be spent for legitimate political party operations, including voter education; the sample ballot; operations of precinct caucuses, county unit conventions, and state conventions; and the maintenance and programming of computers used to provide lists of voters, party workers, party officers, patterns of voting, and other data for use in political party activities; money allocated to a state committee under this clause must be paid to the committee as it is received in the account, on a monthly or other basis agreed to between the committee and the board.

To assure that moneys will be returned to the counties from which they were collected, and to assure that the distribution of those moneys rationally relates to the support for particular parties or for particular candidates within legislative districts, money from the party accounts for legislative candidates shall be distributed as follows:

Each candidate for the state senate and state house of representatives whose name is to appear on the ballot in the general election shall receive money from the candidate's party account set aside for candidates of the state senate or state house of representatives, whichever applies, according to the following formula:

For each county within the candidate's district the candidate's share of the dollars allocated in that county to the candidate's party account and set aside for that office shall be:

(a) The sum of the votes cast in the last general election in that part of the county in the candidate's district for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct of the state and (ii) for the state senate and state house of representatives, divided by

(b) The sum of the votes cast in that county in the last general election for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct in the state and (ii) for the state senate and state house of representatives, multiplied by

(c) The amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

The sum of all the county shares calculated in the formula above is the candidate's share of the candidate's party account.

In a year in which an election for the state senate occurs, with respect to votes for candidates for the state senate only, "last general election" means the last general election in which an election for the state senate occurred.

For any party under whose name no candidate's name appeared on the ballot in each voting precinct in the state in the last general election, amounts in the party's account shall be allocated based on (a) the number of people voting in the last general election in that part of the county in the candidate's district, divided by (b) the number of the people voting in that county in the last general election, multiplied by (c) the amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

In a year in which the first election after a legislative reapportionment is held, "the candidate's district" means the newly drawn district, and voting data from the last general election will be applied to the area encompassing the newly drawn district notwithstanding that the area was in a different district in the last general election.

If in a district there was no candidate of a party for the state senate or state house of representatives in the last general election, or if a candidate for the state senate or state house of representatives was unopposed, the vote for that office for that party shall be the average vote of all the remaining candidates of that party in each county of that district whose votes are included in the sums in clauses (a) and (b). The average vote shall be added to the sums in clauses (a) and (b) before the calculation is made for all districts in the county.

Money from a party account not distributed to candidates for state senator and representative in any election year shall be returned to the general fund of the state. Money from a party account not distributed to candidates for

other offices in an election year shall be returned to the party account for reallocation to candidates as provided in clauses (1) to (6) in the following year. Money from the general account refused by any candidate shall be distributed to all other qualifying candidates in proportion to their shares as provided in this subdivision.

(b) *Congressional candidates.* In each calendar year the money in each party account for congressional candidates and the congressional general account must be allocated as follows:

(1) 16-1/3 percent for the office of United States senator for which an election will be held in 1990 and every six years afterward;

(2) 16-1/3 percent for the office of United States senator for which an election will be held in 1994 and every six years afterward; and

(3) 67-1/3 percent for the offices of representative in Congress.

Sec. 23. Minnesota Statutes 1988, section 10A.31, is amended by adding a subdivision to read:

Subd. 5a. [FORMULA FOR DISTRIBUTION TO LEGISLATIVE CANDIDATES.] (a) To ensure that money will be returned to the counties from which it was collected, and to ensure that the distribution of money rationally relates to the support for particular parties or for particular candidates within legislative districts, money from the party accounts for legislative candidates must be distributed as provided under this subdivision.

Each candidate for the state senate and state house of representatives whose name is to appear on the ballot in the general election must receive money from the candidate's party account set aside for candidates of the state senate or state house of representatives, whichever applies, according to the following formula.

For each county within the candidate's district the candidate's share of the dollars allocated in that county to the candidate's party account and set aside for that office must be:

(1) the sum of the votes cast in the last general election in that part of the county in the candidate's district for all candidates of the candidate's party (i) whose names appeared on the ballot in each voting precinct of the state and (ii) for the state senate and state house of representatives, divided by

(2) the sum of the votes cast in that county in the last general election for all candidates of the candidate's party (i) whose names appeared on the ballot in each voting precinct in the state and (ii) for the state senate and state house of representatives, multiplied by

(3) the amount in the candidate's party account allocated in that county and set aside for the candidates for the office the candidate is seeking.

The sum of all the county shares calculated in the formula in this paragraph is the candidate's share of the candidate's party account.

(b) With respect to the formula in paragraph (a), the terms "last general election" and "candidate's district" have the following meanings:

(1) In a year in which an election for the state senate occurs, with respect to votes for candidates for the state senate only, "last general election" means the last general election in which an election for the state senate occurred.

(2) *For a party under whose name no candidate's name appeared on the ballot in each voting precinct in the state in the last general election, "last general election" means the last general election in which the name of a candidate of that party appeared on the ballot in each voting precinct in the state.*

(3) *In a year in which the first election after a legislative reapportionment is held, "the candidate's district" means the newly drawn district, and voting data from the last general election must be applied to the area encompassing the newly drawn district even though the area was in a different district in the last general election.*

(c) *If in a district there was no candidate of a party for the state senate or state house of representatives in the last general election, or if a candidate for the state senate or state house of representatives was unopposed, the vote for that office for that party must be the average vote of all the remaining candidates of that party in each county of that district whose votes are included in the sums in paragraph (a), clauses (1) and (2). The average vote must be added to the sums in paragraph (a), clauses (1) and (2), before the calculation is made for all districts in the county.*

Sec. 24. Minnesota Statutes 1988, section 10A.31, is amended by adding a subdivision to read:

Subd. 5b. [FORMULA FOR DISTRIBUTION TO CONGRESSIONAL CANDIDATES FOR REPRESENTATIVE IN CONGRESS.] The commissioner of revenue shall develop a formula for distribution of money from the state elections campaign fund to congressional candidates for the office of representative in Congress to ensure that money will be returned to the counties from which it was collected, and to ensure that the distribution of the money rationally relates to the support for particular parties or for particular congressional candidates within congressional districts. Money from the party accounts distributed to congressional candidates from the state elections campaign fund must be distributed according to the formula developed.

Sec. 25. Minnesota Statutes 1988, section 10A.31, is amended by adding a subdivision to read:

Subd. 5c. [UNDISTRIBUTED MONEY.] Money in a party account not distributed in an election year to candidates for state senator and representative and congressional candidates must be returned to the general fund of the state. Money in a party account not distributed in an election year to candidates for other office must be kept in the party account but must be reallocated in the following year to all of the candidate offices under subdivision 5. Money in the general account refused in an election year by a candidate or congressional candidate must be distributed in that year to all other qualifying candidates and congressional candidates under subdivision 7.

Sec. 26. Minnesota Statutes 1988, section 10A.31, subdivision 6, is amended to read:

Subd. 6. [DISTRIBUTION OF FUNDS AFTER PRIMARY ELECTION.] Within two weeks after certification by the state canvassing board of the results of the primary, the state treasurer shall distribute the available funds in each party account, as certified by the commissioner of revenue on September 15, to the candidates and congressional candidates of that party

who have signed ~~the an~~ agreement, as provided in section ~~10A.32, sub-
division 3~~ 33, and whose names are to appear on the ballot in the general election, according to the allocations ~~and formulas set forth~~ in subdivision 5 and sections 23 and 24.

Sec. 27. Minnesota Statutes 1988, section 10A.31, subdivision 7, is amended to read:

Subd. 7. [DISTRIBUTION OF FUNDS AFTER GENERAL ELECTION.] Within two weeks after certification by the state canvassing board of the results of the general election, the state treasurer shall distribute the available funds in the *state general account and the congressional general account*, as certified by the commissioner of revenue on November 15 and according to allocations set forth in subdivision 5, in equal amounts to all candidates for each ~~statewide state constitutional office and to all congressional candidates for the office of the United States senator who have signed agreements under section 33 and~~ received at least five percent of the votes cast in the general election for that office, and to all candidates for *state legislative office and for the office of representative in Congress who have signed agreements under section 33 and* received at least ten percent of the votes cast in the general election for the specific office for which they were candidates *or congressional candidates*. The board shall not use the information contained in the report of the principal campaign committee of any candidate due ten days before the general election for the purpose of reducing the amount due that candidate from the general account.

Sec. 28. Minnesota Statutes 1988, section 10A.31, subdivision 8, is amended to read:

Subd. 8. [CERTIFICATION OF AMOUNTS AFTER PRIMARY.] Within one week after certification by the state canvassing board of the results of the primary, the board shall certify to the state treasurer the name of each candidate *and congressional candidate* who has signed ~~the an~~ agreement, as provided in section ~~10A.32, subdivision 3~~ 33, and the amount the candidate is to receive from the available funds in the candidate's party account. *general election for the purpose of reducing the amount due that candidate from the general account.*

Sec. 29. Minnesota Statutes 1988, section 10A.31, subdivision 9, is amended to read:

Subd. 9. [CERTIFICATION OF AMOUNTS AFTER GENERAL ELECTION.] Within one week after certification by the state canvassing board of the results of the general election, the board shall certify to the state treasurer the name of each candidate *and congressional candidate* who is qualified to receive funds from the *state general account and the congressional general account*, together with the amount the candidate is to receive from the available funds in the ~~general account accounts~~.

Sec. 30. Minnesota Statutes 1988, section 10A.31, subdivision 10, is amended to read:

Subd. 10. [CERTIFICATION OF AMOUNTS ACCUMULATED SINCE PREVIOUS CERTIFICATION.] In the event that on the date of either certification by the commissioner of revenue as provided in subdivisions 6 and 7, less than 98 percent of the tax returns have been processed, the commissioner of revenue shall certify to the board on December 7 the amount accumulated in each account since the previous certification. Within

one week thereafter, the board shall certify to the state treasurer the amount to be distributed to each candidate *and congressional candidate* according to the allocations ~~as provided~~ *and formulas* in subdivision 5 and sections 23 and 24. As soon as practicable thereafter, the state treasurer shall distribute the amounts to the candidates *and congressional candidates*. Any money accumulated after the final certification shall be maintained in the respective accounts for distribution in the next general election year.

Sec. 31. Minnesota Statutes 1988, section 10A.31, subdivision 11, is amended to read:

Subd. 11. [WRITE-IN CANDIDATES.] For the purposes of this section, a write-in candidate *or congressional candidate* is a candidate *or congressional candidate* only upon complying with the provisions of section ~~10A.32, subdivision 3~~ 33.

Sec. 32. [10A.321] [ESTIMATES OF MINIMUM AMOUNTS TO BE RECEIVED.]

Subdivision 1. [CALCULATION AND CERTIFICATION OF ESTIMATES.] The commissioner of revenue shall calculate and certify to the board before the first day of July in an election year an estimate of (1) the total amount in the state general account of the state elections campaign fund, (2) the total amount in the congressional general account of the state elections campaign fund, and (3) the amount of money each candidate and congressional candidate who qualifies, as provided in section 10A.31, subdivisions 6 and 7, may receive from the candidate's party account in the state elections campaign fund. This estimate must be based upon the allocations and formulas in section 10A.31, subdivision 5, and sections 23 and 24, any necessary vote totals provided by the secretary of state to apply the formulas in section 10A.31, subdivision 5, and section 24, and the amount of money expected to be available after 100 percent of the tax returns have been processed.

Subd. 2. [PUBLICATION, CERTIFICATION, AND NOTIFICATION PROCEDURES.] Before the first day of filing for office, the board shall publish and forward to all filing officers the estimates calculated and certified under subdivision 1. Within seven days after the last day for filing for office, the secretary of state shall certify to the board the name, address, office sought, and party affiliation of each candidate and congressional candidate who has filed with that office an affidavit of candidacy or petition to appear on the ballot. The auditor of each county shall certify to the board the same information for each candidate and congressional candidate who has filed with that county an affidavit of candidacy or petition to appear on the ballot. Within seven days afterward, the board shall estimate the minimum amount to be received by each candidate and congressional candidate who qualifies, as provided in section 10A.31, subdivisions 6 and 7, and notify on or before August 15 all candidates and congressional candidates of the applicable amount. The board shall include with the notice a form for the agreement provided in section 33.

Sec. 33. [10A.322] [SIGNED AGREEMENT AS CONDITION OF RECEIVING PUBLIC SUBSIDY; PRIVATE CONTRIBUTION MATCHING REQUIREMENT.]

Subdivision 1. [SIGNED AGREEMENT BY CANDIDATE.] As a condition of receiving money from the state elections campaign fund, a candidate shall sign a written agreement with the board in which the candidate

agrees that the aggregate of (i) expenditures made by the principal campaign committee of the candidate and (ii) approved expenditures made on behalf of the candidate will not exceed the expenditure limits in section 10A.25, as adjusted by section 10A.255.

Subd. 2. [SIGNED AGREEMENT BY CONGRESSIONAL CANDIDATES.] As a condition of receiving money from the state elections campaign fund, a congressional candidate shall sign a written agreement with the board in which the candidate agrees that the aggregate of expenditures made by the authorized committees of the congressional candidate may not exceed the expenditure limits in section 10A.25, as adjusted by section 10A.255.

Subd. 3. [SUBMISSION OF AGREEMENT.] Before the first day of filing for office, the board shall forward agreement forms to all filing officers. The candidate or congressional candidate may sign an agreement and submit it to the filing officer on the day of filing an affidavit of candidacy or petition to appear on the ballot, in which case the filing officer shall without delay forward signed agreements to the board. Alternatively, the candidate or congressional candidate may submit the agreement directly to the board no later than September 1. An agreement may not be rescinded after September 1.

Subd. 4. [HOW LONG AGREEMENT IS EFFECTIVE.] (a) Candidates. The agreement, insofar as it relates to the expenditure limits in section 10A.25, as adjusted by section 10A.255, remains effective until the dissolution of the principal campaign committee of the candidate or the opening of filing for the next succeeding election to the office held or sought at the time of agreement, whichever occurs first.

(b) Congressional candidates. The agreement, insofar as it relates to the expenditure limits in section 10A.25, as adjusted by section 10A.255, remains effective until the termination of the authorized committees of the congressional candidate, as provided under United States Code, title 2, section 433(d), as amended through December 31, 1988, or the opening of filing for the next succeeding election to the office held or sought at the time of agreement, whichever occurs first.

Subd. 5. [MATCHING REQUIREMENT.] In order to be eligible to receive the public subsidy, the congressional candidate must provide evidence to the board of nonpublic contributions in an amount equal to the amount of the public subsidy.

Sec. 34. [10A.323] [RETURN OF PUBLIC SUBSIDY.]

Subdivision 1. [WHEN RETURN REQUIRED; CANDIDATES.] A candidate shall return all or a portion of the public subsidy received from the state elections campaign fund under the following circumstances:

(1) to the extent that the amount of public subsidy received by the candidate exceeds the expenditure limits for the office held or sought, as provided in section 10A.25 and as adjusted by section 10A.255, the treasurer of the candidate's principal campaign committee shall return the excess to the board; and

(2) to the extent that the amount of public subsidy received exceeds the aggregate of (i) actual expenditures made by the principal campaign committee of the candidate and (ii) approved expenditures made on behalf of

the candidate, the treasurer of the candidate's principal campaign committee shall return an amount equal to the difference to the board.

Subd. 2. [WHEN RETURN REQUIRED; CONGRESSIONAL CANDIDATES.] *A congressional candidate shall return all or a portion of the public subsidy received from the state elections campaign fund under the following circumstances:*

(1) to the extent that the amount of public subsidy received by the congressional candidate exceeds the expenditure limits for the office held or sought, as provided in section 10A.25 and as adjusted by section 10A.255, the treasurer of the congressional candidate's principal campaign committee shall return the excess to the board; and

(2) to the extent that the amount of public subsidy received exceeds the aggregate of actual expenditures made by the authorized committees of the congressional candidate, the treasurer of the congressional candidate's principal campaign committee shall return an amount equal to the difference to the board.

Subd. 3. [HOW RETURN DETERMINED.] *Whether or not a candidate or congressional candidate is required under subdivisions 1 and 2 to return all or a portion of the public subsidy received from the state elections campaign fund must be determined from the report required to be filed with the board by that candidate or congressional candidate on or before January 31 of the year following an election. Any amount required to be returned must be submitted in the form of a check or money order and must accompany the report filed with the board. The board shall forward the check or money order to the state treasurer for deposit into the general fund. In no case may the amount returned exceed the amount of public subsidy received by the candidate or congressional candidate from the state elections campaign fund.*

Sec. 35. [10A.324] [POLITICAL PARTY NOT HAVING CERTAIN CANDIDATES OR CONGRESSIONAL CANDIDATES.]

If a political party for whose candidates or congressional candidates funds have been accumulated in the state elections campaign fund does not have a candidate at a general election for the office of state senator or state representative or a congressional candidate for the office of representative in Congress, the party account money allocated for that office must be returned to the general fund of the state. If that party does not have a candidate at a general election for any state constitutional office or a congressional candidate for the office of United States senator, the party account money allocated for that office must be transferred to either the state general account in the case of a state constitutional office, or the congressional general account in the case of a congressional office, of the state elections campaign fund for reallocation to all of the candidate offices and congressional candidate offices as provided in section 10A.31, subdivision 5, and for distribution in that election year to candidates and congressional candidates as provided under section 10A.31, subdivision 7.

Sec. 36. Minnesota Statutes 1988, section 10A.33, is amended to read:

10A.33 [APPLICATION.]

The provisions of sections 10A.30 to 10A.32 ~~shall~~ and sections 31 to 34 apply only in general elections and primaries preceding general elections

and shall not apply to special elections or special primaries.

Sec. 37. Minnesota Statutes 1988, section 10A.335, is amended to read:

10A.335 [LEGISLATIVE MONITORING OF TAX CHECKOFF]

For the purpose of determining whether the distribution ~~formula~~ *formulas* provided in ~~section 10A.31, subdivision 5~~ *sections 23 and 24*, (a) ~~assures~~ *ensure* that money will be returned to the counties from which they were collected, and (b) ~~continues~~ *continue* to have a rational relation to the support for particular parties or particular candidates within legislative districts ~~or congressional candidates within congressional districts~~, it is the intention of this section that future legislatures monitor, using statistical data provided by the department of revenue, income tax returns and renter and homeowner property tax refund returns on which \$2 \$10, or in the case of a joint return, \$4 \$20, is designated for a political party.

Sec. 38. [REPEALER.]

Minnesota Statutes 1988, sections 10A.27, subdivision 5; and 10A.32, are repealed.

Sec. 39. [EFFECTIVE DATE.]

Sections 1 to 38 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to elections; changing provisions relating to candidate reporting requirements and disbursements; modifying lobbyist reporting requirements; providing for the payment of election campaign bills; prohibiting certain types of campaign contributions; authorizing the termination of political committees and funds under certain conditions; authorizing the transfer of committee funds and debts; increasing the maximum amount of contributions to legislative candidates; clarifying and modifying certain exceptions to multicandidate political party expenditure limits; providing a public subsidy for legislative candidates in special elections; clarifying when public money must be returned; making technical corrections to chapter 10A; discontinuing the state ethical practices board responsibility for developing and furnishing certain forms; limiting campaign expenditures by congressional candidates who choose to receive a public subsidy for their campaigns; making related changes in the ethics in government act; imposing penalties; amending Minnesota Statutes 1988, sections 10A.01, subdivisions 7, 10, 10b, 10c, 15, and by adding subdivisions; 10A.04, subdivisions 2 and 4a; 10A.18; 10A.19, by adding subdivisions; 10A.20, subdivision 5; 10A.22, subdivision 7, and by adding a subdivision; 10A.24; 10A.241; 10A.25, subdivisions 2, 3, 5, 10, and by adding subdivisions; 10A.255; 10A.27, subdivision 1, and by adding a subdivision; 10A.275; 10A.28; 10A.30, subdivision 2; 10A.31, subdivisions 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, and by adding subdivisions; 10A.32, subdivision 3; 10A.33; 10A.335; 211A.07; 211B.15, subdivision 2; 383B.055, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapter 10A; repealing Minnesota Statutes 1988, sections 10A.27, subdivision 5; and 10A.32."

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

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

S.F. No. 4: A bill for an act relating to elections; limiting campaign expenditures by congressional candidates who choose to receive a public subsidy for their campaigns; making related changes in the ethics in government act; imposing penalties; amending Minnesota Statutes 1988, sections 10A.01, subdivisions 7, 10, 10b, 15, and by adding subdivisions; 10A.25, subdivision 10, and by adding a subdivision; 10A.255; 10A.27, by adding a subdivision; 10A.275; 10A.28; 10A.30, subdivision 2; 10A.31, subdivisions 1 to 3, 5 to 11, and by adding subdivisions; 10A.33; and 10A.335; proposing coding for new law in Minnesota Statutes, chapter 10A; repealing Minnesota Statutes 1988, sections 10A.27, subdivision 5; and 10A.32.

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

Page 7, line 27, delete the second "1992" and insert "1994"

Page 19, delete lines 11 and 12

Page 21, line 19, after "that" insert "(a)"

Page 21, line 23, after "10A.255" insert "*and that (b) except for an amount equal to 25 percent of the expenditure limits set forth in section 10A.25, but not exceeding \$15,000, the candidate shall not accept contributions or allow approved expenditures to be made on the candidate's behalf for the period beginning with January 1 of the election year or with the registration of the candidate's principal campaign committee, whichever occurs later, and ending December 31 of the election year, which aggregate contributions and approved expenditures exceed the difference between the amount which may legally be expended by or for the candidate, and the amount which the candidate receives from the state elections campaign fund. Money in the account of the principal campaign committee of a candidate on January 1 of the election year for the office held or sought shall be considered contributions accepted by that candidate in that year for the purposes of this subdivision. That amount of all contributions accepted by a candidate in an election year which equals the amount of noncampaign disbursements and contributions and expenditures to promote or defeat a ballot question which are made by that candidate in that year shall not count toward the aggregate contributions and approved expenditure limit imposed by this subdivision. Except for an amount equal to 25 percent of the expenditure limits set forth in section 10A.25, but not exceeding \$15,000, any amount by which the aggregate contributions and approved expenditures agreed to exceed the difference shall be returned to the state treasurer. In no case shall the amount returned exceed the amount received from the state elections campaign fund*"

Page 25, line 11, after "to" insert "18 and 22 to"

Page 25, line 12, after the period, insert "*Sections 19 to 21 are effective for taxable years beginning after December 31, 1988.*"

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

REPORT OF VOTE IN COMMITTEE

Pursuant to Rule 60, upon the request of three members, a roll call was taken on S.F. No. 4.

There were yeas 13 and nays 7, as follows:

Those who voted in the affirmative were:

Mr. Johnson, D.J.; Ms. Berglin, Messrs. Bertram, Brandl, Cohen, Diessner, Novak, Pehler, Ms. Peterson, D.C.; Mr. Pogemiller, Ms. Reichgott, Messrs. Schmitz and Stumpf.

Those who voted in the negative were:

Messrs. Belanger, Benson, Bernhagen, Gustafson, Knaak, Laidig and Larson.

The bill was recommended to pass.

MOTIONS AND RESOLUTIONS

Mr. Frederick introduced—

Senate Resolution No. 115: A Senate resolution congratulating the Owatonna High School French Team on their championship trophies earned at the statewide oral French competition.

Referred to the Committee on Rules and Administration.

Mr. Bertram introduced—

Senate Resolution No. 116: A Senate resolution congratulating the Pierz Lions Club, Pierz, Minnesota, on its 25th Anniversary.

Referred to the Committee on Rules and Administration.

Messrs. Bertram and Langseth introduced—

Senate Resolution No. 117: A Senate resolution commending Frances Rickers, of Moorhead, Minnesota, for her commitment and service to the Ladies Auxiliary to the Veterans of Foreign Wars.

Referred to the Committee on Rules and Administration.

SUSPENSION OF RULES

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the Calendar and that the rules of the Senate be so far suspended as to waive the lie-over requirement. The motion prevailed.

CALENDAR

H.F. No. 949: A bill for an act relating to traffic safety; increasing penalties for persons convicted of DWI after a previous conviction for criminal vehicular operation or for another impaired driving crime; amending Minnesota Statutes 1988, section 169.121, subdivision 3.

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

So the bill passed and its title was agreed to.

H.F. No. 1492: A bill for an act relating to state parks; special permits for handicapped users; amending Minnesota Statutes 1988, section 85.053, subdivision 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 64 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

H.F. No. 472: A bill for an act relating to transportation; motor carriers; increasing maximum length of certain semitrailers; defining mobile cranes and providing for their maximum length; requiring a highway cost allocation study; amending Minnesota Statutes 1988, sections 169.01, by adding a subdivision; 169.81, subdivision 2; and 169.86, subdivision 5.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 60 and nays 5, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Berglin	Knaak	Merriam	Peterson, D.C.	Spear
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So the bill passed and its title was agreed to.

H.F. No. 1440: A bill for an act relating to local government; requiring political subdivisions to request proposals for group insurance coverage; amending Minnesota Statutes 1988, section 43A.316, subdivision 10; proposing coding for new law in Minnesota Statutes, chapter 471; repealing Minnesota Statutes 1988, section 471.616.

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

So the bill passed and its title was agreed to.

S.F. No. 1498: A bill for an act relating to local government; planning and zoning; permitting interim use permits; making explicit the scope of certain statutes; amending Minnesota Statutes 1988, section 462.358, subdivision 2a; proposing coding for new law in Minnesota Statutes, chapter 462.

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

So the bill passed and its title was agreed to.

S.F. No. 1394: A bill for an act relating to the county of Olmsted; providing for approval of certain conveyancing instruments by county zoning administrator.

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 65 and nays 2, as follows:

Those who voted in the affirmative were:

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

Messrs. Kroening and Waldorf voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 426: A bill for an act relating to the city of Mankato; authorizing location of certain polling places more than 3,000 feet outside precinct boundaries.

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

So the bill passed and its title was agreed to.

H.F. No. 832: A bill for an act relating to Ramsey county; authorizing the use of certain property for public purposes.

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

So the bill passed and its title was agreed to.

H.F. No. 943: A bill for an act relating to health; requiring post-secondary students to submit a statement of immunization; providing exemptions; amending Minnesota Statutes 1988, section 123.70, subdivisions 1, 2, 4, 8, 9, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 135A.

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

So the bill passed and its title was agreed to.

H.F. No. 931: A bill for an act relating to motor vehicles; requiring owner to retain certificate of title, rather than secured party; requiring buyer to deliver certificate of title to department of public safety; allowing commissioner of public safety to suspend or revoke certificate of title if owner does not surrender it and vehicle is involuntarily transferred; amending Minnesota Statutes 1988, sections 168A.02, subdivision 1; 168A.04, subdivision 2; 168A.05, subdivision 5; 168A.06; 168A.09; 168A.10; 168A.11,

subdivision 1; 168A.12, subdivision 2; 168A.14; 168A.18; 168A.20, subdivision 1, and by adding subdivisions; 168A.23, subdivision 1; repealing Minnesota Statutes 1988, sections 168A.26; 168A.27; and 168A.28.

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

So the bill passed and its title was agreed to.

H.F. No. 529: A bill for an act relating to local government; permitting counties, cities, and towns to contribute to certain hospitals; amending Minnesota Statutes 1988, section 376.09; proposing coding for new law in Minnesota Statutes, chapter 465.

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

So the bill passed and its title was agreed to.

H.F. No. 1115: A bill for an act relating to Dakota county; permitting the county to pay costs of a morgue; proposing coding for new law in Minnesota Statutes, chapter 383D.

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 65 and nays 2, as follows:

Those who voted in the affirmative were:

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

Messrs. Merriam and Metzen voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 942: A bill for an act relating to metropolitan government; extending the responsibility of the mosquito control district to disease vectoring ticks; amending Minnesota Statutes 1988, sections 473.702; 473.704; and 473.711, subdivision 2.

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

So the bill passed and its title was agreed to.

H.F. No. 827: A bill for an act relating to game and fish; authorizing the taking of certain muskrats that are causing damage; providing that license applications need not be notarized; regulating the purchase of raw furs; amending Minnesota Statutes 1988, sections 97A.481; 97B.655, subdivision 1; and 97B.905, 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 53 and nays 11, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Laidig	Morse	Samuelson
Anderson	Decker	Langseth	Olson	Schmitz
Beckman	Diessner	Lantry	Pariseau	Solon
Belanger	Frank	Larson	Pehler	Spear
Benson	Frederickson, D.J.	Luther	Peterson, D.C.	Storm
Berg	Frederickson, D.R.	Marty	Peterson, R.W.	Stumpf
Bernhagen	Freeman	McGowan	Piper	Taylor
Bertram	Gustafson	Merriam	Pogemiller	Vickerman
Brandl	Hughes	Metzen	Purfeerst	Waldorf
Chmielewski	Johnson, D.E.	Moe, D.M.	Reichgott	
Cohen	Kroening	Moe, R.D.	Renneke	

Those who voted in the negative were:

Berglin	DeCramer	Frederick	Knaak	Mehrkens
Brataas	Dicklich	Johnson, D.J.	McQuaid	Ramstad
Davis				

So the bill passed and its title was agreed to.

S.F. No. 1378: A bill for an act relating to animals; regulating use of certain prescription veterinary drugs; changing certain procedures for licensing veterinarians; amending Minnesota Statutes 1988, sections 151.19, subdivision 3; and 156.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 156.

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

So the bill passed and its title was agreed to.

H.F. No. 371: A bill for an act relating to corrections; authorizing the commissioner of corrections to take photographs of juveniles committed to the commissioner for management and law enforcement purposes; amending Minnesota Statutes 1988, section 260.161, subdivision 3.

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

So the bill passed and its title was agreed to.

H.F. No. 1107: A bill for an act relating to landlord and tenant; authorizing emergency proceeding for loss of essential services; proposing coding for new law in Minnesota Statutes, chapter 566.

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

So the bill passed and its title was agreed to.

H.F. No. 1411: A bill for an act relating to cooperatives; recodifying and clarifying certain provisions on cooperative businesses; amending certain provisions of cooperative business law; requiring a registered officer or agent for cooperatives; authorizing cooperatives to provide greater approval proportions than provided in statute for certain cooperative actions; providing corporate existence of cooperative begins with filing of articles; authorizing loans to and fiduciary powers with members; specifying how vacancies in unexpired directors' terms may be filled; authorizing the board to rescind membership for member violations; eliminating certain filings with county recorders; eliminating attorney general approval of articles of merger or consolidation; prescribing a fee for filing articles of consolidation; prescribing a procedure for dissolution of cooperatives; deeming certain organized cooperatives to be organized under and subject to this act; amending Minnesota Statutes 1988, sections 47.20, subdivision 2; 117.232, subdivision 1; 216B.027, subdivision 5; 237.075, subdivision 9; 273.124, subdivisions 3 and 6; 273.132, subdivision 5; 363.01, subdivision 32; and 500.20, subdivision 2a; proposing coding for new law as Minnesota Statutes, chapter 308A; repealing Minnesota Statutes 1988, sections 308.01 to 308.92.

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

So the bill passed and its title was agreed to.

H.F. No. 438: A bill for an act relating to courts; specifying the income standard for proceeding in forma pauperis; amending Minnesota Statutes 1988, section 563.01, subdivision 3.

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

So the bill passed and its title was agreed to.

H.F. No. 300: A bill for an act relating to occupational safety and health; increasing certain penalties; proposing changes to the employee right-to-know act of 1984; amending Minnesota Statutes 1988, sections 182.651, subdivisions 7, 14, 15, and by adding a subdivision; and 182.653, subdivisions 4b, 4c, and 4f; repealing Minnesota Statutes 1988, section 182.651, subdivision 16.

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

So the bill passed and its title was agreed to.

H.F. No. 22: A bill for an act relating to crimes; prohibiting unauthorized access to computers; imposing penalties; amending Minnesota Statutes 1988, sections 609.531, subdivision 1; and 609.87, subdivision 1, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 609.

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

So the bill passed and its title was agreed to.

H.F. No. 218: A bill for an act relating to motor vehicles; defining terms; including station wagon and certain passenger-carrying vans as passenger automobiles for all purposes; providing for registration of certain vehicles; amending Minnesota Statutes 1988, sections 65B.001, subdivision 3; 65B.43, subdivision 12; 116.60, subdivision 7; 168.011, subdivisions 7, and 28; 168.012, subdivision 1; 168.017, subdivision 1; 168.12, subdivisions 2b and 2c; 168.124, subdivision 5; 168.125, subdivision 1; and 168.126, subdivision 2; repealing Minnesota Statutes 1988, sections 168.011, subdivision 23; and 168.101, subdivision 5.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 67 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

H.F. No. 1311: A bill for an act relating to public employees; providing a policy prohibiting harassment based on race or disability; requiring discipline for employees who engage in harassment; proposing coding for new law in Minnesota Statutes, chapter 15.

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

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the General Orders Calendar. The motion prevailed.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. Hughes in the chair.

After some time spent therein, the committee arose, and Mr. Hughes reported that the committee had considered the following:

S.F. Nos. 1418, 1271, 808, 997, 1332, 698, 661, 933, 253, 1174, 339, 1020, 1074, 1417, H.F. Nos. 1048, 169, 1459, 1416, 765, 1357, 243, 1498, 1069, 770, 655, 1389, 1339, 719, 1506, 1131, 101, 930, 1405 and 1352, which the committee recommends to pass.

H.F. No. 831, which the committee recommends to pass with the following amendment offered by Mr. Berg:

Amend H.F. No. 831, the unofficial engrossment, as follows:

Page 1, delete section 1

Renumber the sections in sequence

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

H.F. No. 242, which the committee recommends to pass with the following amendment offered by Mr. Frank:

Page 1, lines 13 and 14, delete "*or reconstructed*"

The motion prevailed. So the amendment was adopted.

S.F. No. 680, which the committee reports progress, after the following motion:

Mr. Gustafson moved to amend S.F. No. 680 as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

Section 1. Minnesota Statutes 1988, section 183.42, is amended to read:

183.42 [INSPECTION EACH YEAR.]

Every owner, lessee, or other person having charge of boilers, pressure vessels, or any boat subject to inspection under this chapter shall cause ~~the same~~ *them* to be inspected by the division of boiler inspection. Boilers and boats subject to inspection under this chapter ~~shall~~ *must* be inspected at least annually and pressure vessels inspected at least every two years *except as provided under section 183.45*. A person who fails to have the inspection required by this section shall pay to the commissioner a penalty in the amount of the cost of inspection up to a maximum of \$1,000.

Sec. 2. Minnesota Statutes 1988, section 183.45, is amended to read:

183.45 [INSPECTION.]

Subdivision 1. [WHEN REQUIRED.] All boilers and steam generators ~~shall~~ *must* be inspected by the division of boiler inspection before ~~same~~ *they are* used and all boilers ~~shall~~ *must* be inspected at least once each year thereafter *except as provided under subdivision 2*. Inspectors may subject all boilers to hydrostatic pressure or hammer test, and shall ascertain by a thorough internal and external examination that they are well made and of good and suitable material; that the openings for the passage of water and steam, respectively, and all pipes and tubes exposed to heat, are of proper dimensions and free from obstructions; that the flues are circular in form; that the arrangements for delivering the feed water are such that the boilers cannot be injured thereby; and that such boilers and their connections may be safely used without danger to life or property. Inspectors shall ascertain that the safety valves are of suitable dimensions, sufficient in number, and properly arranged, and that the safety valves are so adjusted as to allow no greater pressure in the boilers than the amount prescribed by the inspector's certificate; that there is a sufficient number of gauge cocks, properly inserted, to indicate the amount of water, and suitable gauges that will correctly record the pressure; and that the fusible metals

are properly inserted where required so as to fuse by the heat of the furnace whenever the water in the boiler falls below its prescribed limit; and that provisions are made for an ample supply of water to feed the boilers at all times; and that means for blowing out are provided, so as to thoroughly remove the mud and sediment from all parts when under pressure.

Subd. 2. [QUALIFYING BOILER.] (a) "Qualifying boiler" means a boiler of 200,000 pounds per hour or more capacity which has an internal continuous water treatment program approved by the department and which the chief boiler inspector has determined to be in compliance with paragraph (c).

(b) A qualifying boiler must be inspected at least once every 24 months internally and externally while not under pressure, and at least once every 18 months externally while under pressure. If the inspector considers it necessary to conduct a hydrostatic test to determine the safety of a boiler, the test must be conducted by the owner or user of the equipment under the supervision of an inspector.

(c) The owner of a qualifying boiler must keep accurate records showing the date and actual time the boiler is out of service, the reason or reasons therefor, and the chemical physical laboratory analysis of samples of the boiler water taken at regular intervals of not more than 48 hours of operation which adequately show the condition of the water, and any elements or characteristics thereof, capable of producing corrosion or other deterioration of the boiler or its parts.

(d) If an inspector determines there are substantial deficiencies in equipment or in operating procedures, inspections of a qualifying boiler may be required once every 12 months until such time as the chief boiler inspector finds that the substantial deficiencies have been corrected.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment.

ARTICLE 2

Section 1. Minnesota Statutes 1988, section 176.155, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYER'S PHYSICIAN.] The injured employee must submit to examination by the employer's physician, if requested by the employer, and at reasonable times thereafter upon the employer's request. *The examination must be scheduled at a location within 150 miles of the employee's residence unless the employer can show cause to the department or a compensation judge to order an examination at a location further from the petitioner's residence.* The employee is entitled upon request to have a personal physician present at any such examination. Each party shall defray the cost of that party's physician. Any report or written statement made by the employer's physician as a result of an examination of the employee, regardless of whether the examination preceded the injury or was made subsequent to the injury, shall be made available, upon request and without charge, to the injured employee or representative of the employee. The employer shall pay reasonable travel expenses, *in advance if requested*, incurred by the employee in attending the examination including mileage, parking, and, if necessary, lodging and meals. The employer shall also pay the employee for any lost wages resulting from attendance at the examination. A self-insured employer or insurer who is served with a claim

petition pursuant to section 176.271, subdivision 1, or 176.291, shall schedule any necessary examinations of the employee, if an examination by the employer's physician or health care provider is necessary to evaluate benefits claimed. The examination shall be completed and the report of the examination shall be served on the employee and filed with the commissioner within 120 days of service of the claim petition.

No evidence relating to the examination or report shall be received or considered by the commissioner, a compensation judge, or the court of appeals in determining any issues unless the report has been served and filed as required by this section, unless a written extension has been granted by the commissioner or compensation judge. The commissioner or a compensation judge shall extend the time for completing the adverse examination and filing the report upon good cause shown. The extension must not be for the purpose of delay and the insurer must make a good faith effort to comply with this subdivision. Good cause shall include but is not limited to:

(1) that the extension is necessary because of the limited number of physicians or health care providers available with expertise in the particular injury or disease, or that the extension is necessary due to the complexity of the medical issues, or

(2) that the extension is necessary to gather addition information which was not included on the petition as required by section 176.291.

ARTICLE 3

WORKERS' COMPENSATION SYSTEM CHANGES

Section 1. Minnesota Statutes 1988, section 176.011, subdivision 11a, is amended to read:

Subd. 11a. [FAMILY FARM.] "Family farm" means any farm operation which (1) pays or is obligated to pay less than ~~\$8,000~~ \$20,000 in cash wages, exclusive of machine hire, to farm laborers for services rendered during the preceding calendar year, and (2) *has total liability and medical payment coverage equal to \$250,000 and \$5,000, respectively, under a farm liability insurance policy.* For purposes of this subdivision, farm laborer does not include any spouse, parent or child, regardless of age, of a farmer employed by the farmer, or any executive officer of a family farm corporation as defined in section 500.24, subdivision 2, or any spouse, parent or child, regardless of age, of such an officer employed by that family farm corporation, or other farmers in the same community or members of their families exchanging work with the employer. Notwithstanding any law to the contrary, a farm laborer shall not be considered as an independent contractor for the purposes of this chapter; provided that a commercial baler or commercial thresher shall be considered an independent contractor.

Sec. 2. Minnesota Statutes 1988, section 176.011, subdivision 18, is amended to read:

Subd. 18. [WEEKLY WAGE.] "Weekly wage" is arrived at by multiplying the daily wage by the number of days and fractional days normally worked in the business of the employer for the employment involved. If the employee normally works less than five days per week or works an irregular number of days per week, the number of days normally worked shall be computed

by dividing the total number of days in which the employee actually performed any of the duties of employment in the last 26 weeks by the number of weeks in which the employee actually performed such duties, provided that the weekly wage for part time employment during a period of seasonal or temporary layoff shall be computed on the number of days and fractional days normally worked in the business of the employer for the employment involved. If, at the time of the injury, the employee was regularly employed by two or more employers, the employee's days of work for all such employments shall be included in the computation of weekly wage. Occasional overtime is not to be considered in computing the weekly wage, but if overtime is regular or frequent throughout the year it shall be taken into consideration. The maximum weekly compensation payable to an employee, or to the employee's dependents in the event of death, shall not exceed ~~66 2/3~~ 80 percent of the ~~product of the daily wage times the number of days normally worked~~ employee's after-tax weekly wage, provided that the compensation payable for permanent partial disability under section 176.101, subdivision 3, and for permanent total disability under section 176.101, subdivision 4, or death under section 176.111, shall not be computed on less than the number of hours normally worked in the employment or industry in which the injury was sustained, subject also to such maximums as are specifically otherwise provided.

Sec. 3. Minnesota Statutes 1988, section 176.011, is amended by adding a subdivision to read:

Subd. 18a. [AFTER-TAX WEEKLY WAGE.] "After-tax weekly wage" means the weekly wage reduced by the amounts required to be withheld by the Federal Insurance Contributions Act, United States Code, title 16, sections 3101 to 3126, but without regard to the yearly maximum, and by state and federal income tax laws using as the number of allowances the number of exemptions that the employee is entitled to under federal law for the employee and the employee's dependents.

Sec. 4. Minnesota Statutes 1988, section 176.021, subdivision 3, is amended to read:

Subd. 3. [COMPENSATION, COMMENCEMENT OF PAYMENT.] All employers shall commence payment of compensation at the time and in the manner prescribed by this chapter without the necessity of any agreement or any order of the division. Except for medical, burial, and other nonperiodic benefits, payments shall be made as nearly as possible at the intervals when the wage was payable, provided, however, that payments for permanent partial disability shall be governed by section ~~176.101~~ 13. If doubt exists as to the eventual permanent partial disability, payment ~~for the economic recovery compensation or impairment compensation, which ever is due, pursuant to section 176.101,~~ shall be then made when due for the minimum permanent partial disability ascertainable, and further payment shall be made upon any later ascertainment of greater permanent partial disability. Prior to or at the time of commencement of the payment of ~~economic recovery compensation or lump sum or periodic payment of impairment compensation~~ permanent partial disability compensation, the employee and employer shall be furnished with a copy of the medical report upon which the payment is based and all other medical reports which the insurer has that indicate a permanent partial disability rating, together with a statement by the insurer as to whether the tendered payment is for minimum permanent partial disability or final and eventual disability. After receipt of all reports available to the insurer that indicate a permanent

partial disability rating, the employee shall make available or permit the insurer to obtain any medical report that the employee has or has knowledge of that contains a permanent partial disability rating which the insurer does not already have. ~~Economic recovery compensation or impairment compensation pursuant to section 176.101 is payable in addition to but not concurrently with compensation for temporary total disability but is payable pursuant to section 176.101. Impairment compensation is payable concurrently and in addition to compensation for permanent total disability pursuant to section 176.101. Economic recovery compensation or impairment compensation pursuant to section 176.101 shall be withheld pending completion of payment for temporary total disability, and no credit shall be taken for payment of economic recovery compensation or impairment compensation against liability for temporary total or future permanent total disability. Liability on the part of an employer or the insurer for disability of a temporary total, temporary partial, and permanent total nature shall be considered as a continuing product and part of the employee's inability to earn or reduction in earning capacity due to injury or occupational disease and compensation is payable accordingly, subject to section 176.101. Economic recovery compensation or impairment compensation is payable for functional loss of use or impairment of function, permanent in nature, and payment therefore shall be separate, distinct, and in addition to payment for any other compensation, subject to section 176.101. The right to receive temporary total, temporary partial, or permanent total disability payments vests in the injured employee or the employee's dependents under this chapter or, if none, in the employee's legal heirs at the time the disability can be ascertained and the right is not abrogated by the employee's death prior to the making of the payment.~~

~~The right to receive economic recovery compensation or impairment permanent partial compensation vests in an injured employee or in the employee's dependents under this chapter or, if none, in the employee's legal heirs at the time the disability can be ascertained, provided that the employee lives for at least 30 days beyond the date of the injury. Upon the death of an employee who is receiving economic recovery compensation or impairment compensation, further compensation is payable pursuant to section 176.101. Impairment compensation is payable under this paragraph if vesting has occurred; the employee dies prior to reaching maximum medical improvement; and the requirements and conditions under section 176.101, subdivision 3e, are not met. The right is not abrogated by the employee's death prior to the making of the payment.~~

~~Disability ratings for permanent partial disability shall be based on objective medical evidence.~~

Sec. 5. Minnesota Statutes 1988, section 176.041, subdivision 4, is amended to read:

Subd. 4. [OUT-OF-STATE EMPLOYMENTS.] (a) *Except as provided in paragraph (b), if an employee who regularly performs the primary duties of employment outside of this state or is hired to perform the primary duties of employment outside of this state, receives an injury within this state in the employ of the same employer, such injury shall be covered within the provisions of this chapter if the employee chooses to forego any workers' compensation claim resulting from the injury that the employee may have a right to pursue in some other state, provided that the special compensation fund is not liable for payment of benefits pursuant to section 176.183 if the employer is not insured against workers' compensation liability pursuant*

to this chapter and the employee is a nonresident of Minnesota on the date of the personal injury.

(b) An employee who has been hired outside of this state, or regularly performs the primary duties of employment outside of this state, and the employee's employer, are exempt from the provisions of this chapter while the employee is temporarily within this state performing work for the employer provided the employer has furnished workers' compensation insurance coverage under the workers' compensation law or other similar law of another state which covers the employee's employment while in this state. The benefits under the workers' compensation law or similar law of the other state, or other remedies under that state's law, are the exclusive remedy against the employer for any injury, whether resulting in death or not, received by the employee while working for that employer within this state. A certificate from the commissioner of labor and industry or other similar official of another state certifying that the employer is insured in that state and has provided extraterritorial coverage insuring its employees while working within this state is prima facie evidence that the employer carries workers' compensation insurance on those employees.

Sec. 6. Minnesota Statutes 1988, section 176.061, subdivision 10, is amended to read:

Subd. 10. [INDEMNITY.] Notwithstanding the provisions of chapter 65B or any other law to the contrary, an employer has a right of indemnity for any compensation paid or payable pursuant to this chapter, including temporary total compensation, temporary partial compensation, permanent partial disability, ~~economic recovery compensation, impairment compensation,~~ medical compensation, rehabilitation, death, and permanent total compensation.

Sec. 7. Minnesota Statutes 1988, section 176.081, subdivision 1, is amended to read:

Subdivision 1. (a) A fee for legal services of 25 percent of the first \$4,000 of compensation awarded to the employee and 20 percent of the next \$27,500 of compensation awarded to the employee is permissible and does not require approval by the commissioner, compensation judge, or any other party except as provided in ~~clause paragraph~~ (b). If the employer or the insurer or the defendant is given written notice of claims for legal services or disbursements, the claim shall be a lien against the amount paid or payable as compensation. In no case shall fees be calculated on the basis of any undisputed portion of compensation awards. Allowable fees under this chapter shall be based solely upon genuinely disputed portions of claims, including disputes related to the payment of rehabilitation benefits or to other aspects of a rehabilitation plan. Fees for administrative conferences under ~~section 176.242, 176.2421, 176.243, or 176.244~~ sections 176.106 and 176.239 shall be determined on an hourly basis, according to the criteria in subdivision 5.

(b) An attorney who is claiming legal fees ~~under this section~~ for representing an employee in a workers' compensation matter shall file a statement of ~~attorney's~~ attorney fees with the commissioner, compensation judge before whom the matter was heard, or workers' compensation court of appeals on cases before the court. A copy of the signed retainer agreement shall also be filed. The employee and insurer shall receive a copy of the statement. The statement shall be on a form prescribed by the commissioner and shall clearly and conspicuously state that the employee or insurer has

ten calendar days to object to the attorney fees requested. If no objection is timely made by the employee or insurer, the amount requested shall be conclusively presumed reasonable providing the amount does not exceed the limitation in subdivision 1. The commissioner, compensation judge, or court of appeals shall issue an order granting the fees and the amount requested shall be awarded to the party requesting the fee.

If a timely objection is filed, or the fee is determined on an hourly basis, the commissioner, compensation judge, or court of appeals shall review the matter and make a determination based on the criteria in subdivision 5.

If no timely objection is made by an employer or insurer, reimbursement under subdivision 7 shall be made if the statement of fees requested this reimbursement.

(c) An attorney representing employers or insurers shall file a statement of attorney fees or wages with the commissioner, compensation judge before whom the matter was heard, or workers' compensation court of appeals on cases before the court. The statement of attorney fees or wages must contain the following information: the average hourly wage or the value of hours worked on that case if the attorney is an employee of the employer or insurer, the number of hours worked on that case, and the average hourly rate or amount charged an employer or insurer for that case if the attorney is not an employee of the employer or insurer.

(d) Employers and insurers may not pay attorney fees or wages for legal services of more than \$6,500 per case unless the additional fees or wages are approved under subdivision 2.

Sec. 8. Minnesota Statutes 1988, section 176.081, subdivision 2, is amended to read:

Subd. 2. An application for attorney fees in excess of the amount authorized in subdivision 1 shall be made to the commissioner, compensation judge, or district judge, before whom the matter was heard. An appeal of a decision by the commissioner, a compensation judge, or district court judge on additional fees may be made to the workers' compensation court of appeals. The application shall set forth the fee requested ~~and, the number of hours spent on the case,~~ the basis for the request, and whether or not a hearing is requested. The application, with affidavit of service upon the ~~employee attorney's client,~~ shall be filed by the attorney requesting the fee. If a hearing is requested by an interested party, a hearing shall be set with notice of the hearing served upon known interested parties. In all cases the employee shall be served with notice of hearing.

Sec. 9. Minnesota Statutes 1988, section 176.081, subdivision 3, is amended to read:

Subd. 3. ~~An employee who~~ A party that is dissatisfied with its attorney fees, may file an application for review by the workers' compensation court of appeals. Such application shall state the basis for the need of review and whether or not a hearing is requested. A copy of such application shall be served upon the party's attorney ~~for the employee~~ by the court administrator and if a hearing is requested by either party, the matter shall be set for hearing. The notice of hearing shall be served upon known interested parties. ~~The attorney for the employee shall be served with a notice of the hearing.~~ The workers' compensation court of appeals shall have the authority to raise the question of the issue of the attorney fees at any time upon

its own motion and shall have continuing jurisdiction over attorney fees.

Sec. 10. Minnesota Statutes 1988, section 176.101, subdivision 1, is amended to read:

Subdivision 1. [TEMPORARY TOTAL DISABILITY.] (a) For an injury producing temporary total disability, the compensation is ~~66-2/3~~ 80 percent of the *after-tax* weekly wage at the time of injury.

~~(1) provided that during the year commencing on October 1, 1979, and each year thereafter, commencing on October 1;~~ (b) The maximum weekly compensation payable is 105 percent of the statewide average weekly wage for the period ending December 31, of the preceding year.

(2) (c) The minimum weekly compensation benefits for temporary total disability shall be not less than ~~50~~ 20 percent of the statewide average weekly wage or the injured employee's ~~actual~~ *after-tax* weekly wage, whichever is less. ~~In no case shall a weekly benefit be less than 20 percent of the statewide average weekly wage.~~

~~Subject to subdivisions 3a to 3u~~ (d) This compensation shall be paid during the period of disability, payment to be made at the intervals when the wage was payable, as nearly as may be-, ~~and shall cease whenever any one of the following occurs:~~

(1) the disability ends;

(2) the employee returns to work;

(3) the employee retires by withdrawing from the labor market;

(4) the employee refuses an offer of work that is consistent with a plan of rehabilitation filed with the commissioner, which meets the requirements of section 176.102, subdivision 1, or, if no plan has been filed, that the employee can do in the employee's physical condition; or

(5) 90 days have passed after the employee has reached maximum medical improvement, except as provided in section 176.102, subdivision 11, paragraph (b).

(e) For purposes of paragraph (d), clause (5), the 90-day period after maximum medical improvement commences on the earlier of:

(1) the date that the employee receives a written medical report indicating that the employee has reached maximum medical improvement; or

(2) the date that the employer or insurer serves the report on the employee and the employee's legal representative and files a copy with the division.

(f) Once compensation has ceased under paragraph (d), clauses (1), (2), and (3), it may be recommenced at a later date if: the employee returns to work, the employee is laid off due to economic conditions or is medically unable to continue at the job, and the layoff or inability to continue occurs prior to 90 days after the employee reaches maximum medical improvement. Compensation recommenced under this paragraph is subject to cessation under paragraph (d). Recommenced compensation may not be paid beyond 90 days after the employee reaches maximum medical improvement, except as provided under section 176.102, subdivision 11, paragraph (b).

(g) Once compensation has ceased under paragraph (d), clauses (4) and (5), it may not be recommenced at a later date except as provided under section 176.102, subdivision 11, paragraph (b).

Sec. 11. Minnesota Statutes 1988, section 176.101, is amended by adding a subdivision to read:

Subd. 1a. [EXTENDED DISABILITY COMPENSATION.] (a) If an employee, who has a permanent partial disability, is not working because of the personal injury after payment of permanent partial disability benefits is complete, the employee shall be eligible for extended disability compensation. If an employee received any permanent partial compensation in a lump sum, payment will be considered complete after expiration of the period that the employee would have received permanent partial compensation had it been paid periodically.

(b) Extended disability compensation is paid at the rate for temporary total compensation, escalated under section 176.645, for the number of weeks equal to 246 multiplied by the employee's percentage rating of permanent partial disability, determined according to the rules adopted by the commissioner pursuant to section 176.105, subdivision 4. The total extended compensation for any injury may not exceed this product.

(c) Extended disability compensation shall cease if the employee is no longer disabled, returns to work, refuses a job offer described in subdivision 1, paragraph (d), clause (4), or retires from the labor market.

(d) An employee is not eligible for extended disability compensation if, at any time before the employee would have become eligible:

(1) the employee refuses a job offer, as described in subdivision 1, paragraph (d), clause (4); or

(2) the employee returns to work and terminates employment, unless the employee was medically unable to continue work or was terminated without just cause.

(e) An employee is eligible for extended compensation at any time after payment of permanent partial benefits is complete so long as the employee meets the qualifications of this section and has not been paid the maximum number of weeks under paragraph (b) for that injury; provided that, extended compensation may not be paid beyond 350 weeks after the date of injury.

Sec. 12. Minnesota Statutes 1988, section 176.101, subdivision 2, is amended to read:

Subd. 2. [TEMPORARY PARTIAL DISABILITY.] (a) In all cases of temporary partial disability the compensation shall be ~~66-2/3 percent of the difference between the weekly wage of the employee at the time of injury and the wage the employee is able to earn in the employee's partially disabled condition~~ paid as follows:

(1) for the first 26 weeks that the employee returns to work, the compensation shall be 80 percent of the difference between the after-tax weekly wage of the employee at the time of injury and the after-tax weekly wage the employee is earning in the employee's partially disabled condition;

(2) for the second 26 weeks that the employee returns to work, the compensation shall be 60 percent of the difference between the after-tax weekly wage of the employee at the time of injury and the after-tax weekly wage the employee is earning in the employee's partially disabled condition; and

(3) for the third 26 weeks that the employee returns to work, the compensation shall be 40 percent of the difference between the after-tax weekly

wage of the employee at the time of injury and the after-tax weekly wage the employee is earning in the employee's partially disabled condition.

(b) This compensation shall be paid during the period of disability except as provided in this section, payment to be made at the intervals when the wage was payable, as nearly as may be, and subject to a maximum compensation equal to 105 percent of the statewide average weekly wage.

(c) Temporary partial compensation may be paid only while the employee is working and earning less than the employee's weekly wage at the time of the injury. Except as provided in section 176.102, subdivision 11, paragraph (b), temporary partial compensation may not be paid after the employee has returned to work for 78 weeks or after 350 weeks after the date of injury, whichever occurs first.

Sec. 13. Minnesota Statutes 1988, section 176.101, is amended by adding a subdivision to read:

Subd. 3. [PERMANENT PARTIAL DISABILITY.] (a) Compensation for permanent partial disability is as provided in this subdivision. For permanent partial disability up to the percent of the whole body shown in the following schedule, the amount of compensation is equal to the proportion that the loss of function of the disabled part bears to the whole body multiplied by the amount aligned with that percent in the following schedule:

<i>Percent of Disability</i>	<i>Amount</i>
0-25	\$ 75,000
26-30	80,000
31-35	85,000
36-40	90,000
41-45	95,000
46-50	100,000
51-55	120,000
56-60	140,000
61-65	160,000
66-70	180,000
71-75	200,000
76-80	240,000
81-85	280,000
86-90	320,000
91-95	360,000
96-100	400,000

An employee may not receive compensation for more than a 100 percent disability of the whole body, even if the employee sustains disability to two or more body parts.

(b) Permanent partial disability is payable upon cessation of temporary total disability under subdivision 1. If the employee is not working, the compensation is payable in installments at the same intervals and in the same amount as the initial temporary total disability rate. If the employee returns to work, the remaining compensation is payable in a lump sum 30 days after the employee returned to work provided the employment has not been substantially interrupted by the injury for any part of the 30 days and the employee is still employed at the job at the end of the period.

Sec. 14. Minnesota Statutes 1988, section 176.101, subdivision 4, is

amended to read:

Subd. 4. [PERMANENT TOTAL DISABILITY.] For permanent total disability, as defined in subdivision 5, the compensation shall be ~~66-2/3~~ 80 percent of the ~~daily~~ after-tax weekly wage at the time of the injury, subject to a maximum weekly compensation equal to the maximum weekly compensation for a temporary total disability and a minimum weekly compensation equal to the minimum weekly compensation for a temporary total disability. This compensation shall be paid during the permanent total disability of the injured employee but after a total of \$25,000 of weekly compensation has been paid, the amount of the weekly compensation benefits being paid by the employer shall be reduced by the amount of any disability benefits being paid by any government disability benefit program if the disability benefits are occasioned by the same injury or injuries which give rise to payments under this subdivision. This reduction shall also apply to any old age and survivor insurance benefits. Payments shall be made at the intervals when the wage was payable, as nearly as may be. In case an employee who is permanently and totally disabled becomes an inmate of a public institution, no compensation shall be payable during the period of confinement in the institution, unless there is wholly dependent on the employee for support some person named in section 176.111, subdivision 1, 2 or 3, in which case the compensation provided for in section 176.111, during the period of confinement, shall be paid for the benefit of the dependent person during dependency. The dependency of this person shall be determined as though the employee were deceased.

Sec. 15. Minnesota Statutes 1988, section 176.101, subdivision 5, is amended to read:

Subd. 5. [~~TOTAL DISABILITY DEFINITION.~~] (a) *For purposes of subdivision 4, permanent total disability means only:*

(1) the total and permanent loss of the sight of both eyes, the loss of both arms at the shoulder, the loss of both legs so close to the hips that no effective artificial members can be used, complete and permanent paralysis, total and permanent loss of mental faculties; or

(2) any other injury which totally and permanently incapacitates the employee from working at an occupation which brings the employee an income ~~constitutes total disability~~.

(b) *For purposes of paragraph (a), clause (2), totally and permanently incapacitated means that the employee's physical disability, in combination with the employee's age, education and training, and experience, causes the employee to be unable to secure anything more than sporadic employment resulting in an insubstantial income. Local labor market conditions may not be considered in making the total and permanent incapacitation determination.*

Sec. 16. Minnesota Statutes 1988, section 176.102, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] (a) *This section only applies to vocational rehabilitation of injured employees and their spouses as provided under subdivision 1a. Physical rehabilitation of injured employees is considered treatment subject to section 176.135.*

(b) *Rehabilitation is intended to restore the injured employee; through physical and vocational rehabilitation; so the employee may return to a job*

related to the employee's former employment or to a job in another work area which produces an economic status as close as possible to that the employee would have enjoyed without disability. Rehabilitation to a job with a higher economic status than would have occurred without disability is permitted if it can be demonstrated that this rehabilitation is necessary to increase the likelihood of reemployment. Economic status is to be measured not only by opportunity for immediate income but also by opportunity for future income.

Sec. 17. Minnesota Statutes 1988, section 176.102, subdivision 2, is amended to read:

Subd. 2. [ADMINISTRATORS.] The commissioner shall hire a director of rehabilitation services in the classified service. The commissioner shall monitor and supervise rehabilitation services, including, but not limited to, making determinations regarding the selection and delivery of rehabilitation services and the criteria used to approve qualified rehabilitation consultants and rehabilitation vendors. The commissioner may also make determinations regarding fees for rehabilitation services *and shall by rule, subject to chapter 14, establish a fee schedule or otherwise limit fees charged by qualified rehabilitation consultants and vendors.* The commissioner may hire qualified personnel to assist in the commissioner's duties under this section and may delegate the duties and performance.

Sec. 18. Minnesota Statutes 1988, section 176.102, subdivision 3, is amended to read:

Subd. 3. [REVIEW PANEL.] There is created a rehabilitation review panel composed of the commissioner or a designee, who shall serve as an ex officio member and ~~two members~~ *one member each from representing employers, insurers, rehabilitation, and medicine, one member representing chiropractors, and four* ~~two members each representing labor and rehabilitation vendors, and six members who are qualified rehabilitation consultants.~~ The members shall be appointed by the commissioner and shall serve four-year terms which may be renewed. Compensation for members shall be governed by section 15.0575. The panel shall select a chair. The panel shall review and make a determination with respect to appeals from orders of the commissioner regarding certification approval of qualified rehabilitation consultants and vendors. The hearings are de novo and initiated by the panel under the contested case procedures of chapter 14, and are appealable to the workers' compensation court of appeals in the manner provided by section 176.421.

Sec. 19. Minnesota Statutes 1988, section 176.102, subdivision 3a, is amended to read:

Subd. 3a. [DISCIPLINARY ACTIONS.] The panel has authority to discipline qualified rehabilitation consultants and vendors and may impose a penalty of up to \$1,000 per violation, and may suspend or revoke certification. Complaints against registered qualified rehabilitation consultants and vendors shall be made to the commissioner who shall investigate all complaints. If the investigation indicates a violation of this chapter or rules adopted under this chapter, the commissioner may initiate a contested case proceeding under the provisions of chapter 14. In these cases, the rehabilitation review panel shall make the final decision following receipt of the report of an administrative law judge. The decision of the panel is appealable to the workers' compensation court of appeals in the manner

provided by section 176.421. The panel shall continuously study rehabilitation services and delivery, develop and recommend rehabilitation rules to the commissioner, and assist the commissioner in accomplishing public education.

The commissioner may appoint alternates for one-year terms to serve as a member when a member is unavailable. The number of alternates shall not exceed one labor member, one employer or insurer member, ~~and one member representing medicine, chiropractic, or rehabilitation vendors, and one member representing qualified rehabilitation consultants.~~

Sec. 20. Minnesota Statutes 1988, section 176.102, subdivision 4, is amended to read:

Subd. 4. [REHABILITATION PLAN; DEVELOPMENT.] (a) ~~An employer or insurer shall provide rehabilitation consultation by a qualified rehabilitation consultant or by another person permitted by rule to provide consultation to an injured employee within five days after the employee has 60 days of lost work time due to the personal injury, except as otherwise provided in this subdivision. Where an employee has incurred an injury to the back, the consultation shall be made within five days after the employee has 30 days of lost work time due to the injury. The lost work time in either case may be intermittent lost work time. If an employer or insurer has medical information at any time prior to the time specified in this subdivision that the employee will be unable to return to the job the employee held at the time of the injury rehabilitation consultation shall be provided immediately after receipt of this information.~~

For purposes of this section "lost work time" means only those days during which the employee would actually be working but for the injury. In the case of the construction industry, mining industry, or other industry where the hours and days of work are affected by seasonal conditions, "lost work time" shall be computed by using the normal schedule worked when employees are working full time. A rehabilitation consultation must be provided by the employer to an injured employee upon request of the employee, the employer, or the commissioner. If a rehabilitation consultation is requested, the employer shall provide a qualified rehabilitation consultant; except that, if the injured employee objects to the employer's selection, the employee may select a qualified rehabilitation consultant of the employee's own choosing within 30 days following the first in-person contact between the employee and the original qualified rehabilitation consultant. If the consultation indicates that rehabilitation services are appropriate pursuant to subdivision 1, the employer shall provide such services. If the consultation indicates that rehabilitation services are not appropriate pursuant to subdivision 1, the employer shall notify the employee of this determination within seven days after the consultation.

(b) In order to assist the commissioner in determining whether or not to request rehabilitation consultation for an injured employee, an employer must notify the commissioner whenever the employee's temporary total disability will likely exceed 13 weeks. The notification must be made within 90 days from the date of the injury or when the likelihood of at least a 13-week disability can be determined, whichever is earlier, and must include a current physician's report.

(c) The qualified rehabilitation consultant ~~appointed by the employer or insurer~~ shall disclose in writing at the first meeting or written communication with the employee any ownership interest or affiliation between the

firm which employs the qualified rehabilitation consultant and the employer, insurer, adjusting or servicing company, including the nature and extent of the affiliation or interest.

The consultant shall also disclose to all parties any affiliation, business referral or other arrangement between the consultant or the firm employing the consultant and any other party to the case, ~~including or to~~ any attorneys, doctors, or chiropractors.

~~If the employee objects to the employer's selection of a qualified rehabilitation consultant, the employee shall notify the employer and the commissioner in writing of the objection. The notification shall include the name, address, and telephone number of the qualified rehabilitation consultant chosen by the employee to provide rehabilitation consultation.~~

(d) After the initial provision or selection of a qualified rehabilitation consultant as provided under paragraph (a), the employee may choose request a different qualified rehabilitation consultant as follows:

~~(1) once during the first 60 days following the first in-person contact between the employee and the original consultant;~~

~~(2) once after the 60-day period referred to in clause (1); and~~

~~(3) subsequent requests which shall be determined granted or denied by the commissioner or compensation judge according to the best interests of the parties.~~

~~(e) The employee and employer shall enter into a program if one is prescribed in develop a rehabilitation plan within 30 days of the rehabilitation consultation if the qualified rehabilitation consultant determines that rehabilitation is appropriate. A copy of the plan, including a target date for return to work, shall be submitted to the commissioner within 15 days after the plan has been developed.~~

~~(b) (f) If the employer does not provide rehabilitation consultation, or the employee does not select a qualified rehabilitation consultant, as required by this section provided under paragraph (a), the commissioner or compensation judge shall notify the employer that if the employer fails to appoint provide, or the employee fails to select, whichever is applicable, a qualified rehabilitation consultant or other persons as permitted by clause (a) within 15 days to conduct a rehabilitation consultation, the commissioner or compensation judge shall appoint a qualified rehabilitation consultant to provide the consultation at the expense of the employer unless the commissioner or compensation judge determines the consultation is not required.~~

~~(e) (g) In developing a rehabilitation plan consideration shall be given to the employee's qualifications, including but not limited to age, education, previous work history, interest, transferable skills, and present and future labor market conditions.~~

~~(d) (h) The commissioner or compensation judge may waive rehabilitation services under this section if the commissioner or compensation judge is satisfied that the employee will return to work in the near future or that rehabilitation services will not be useful in returning an employee to work.~~

Sec. 21. Minnesota Statutes 1988, section 176.102, subdivision 6, is amended to read:

Subd. 6. [PLAN, ELIGIBILITY FOR REHABILITATION, APPROVAL AND APPEAL.] The commissioner or a compensation judge shall determine eligibility for rehabilitation services and shall review, approve, modify, or reject rehabilitation plans developed under subdivision 4. The commissioner or a compensation judge shall also make determinations regarding rehabilitation issues not necessarily part of a plan including, but not limited to, determinations regarding whether an employee is eligible for further rehabilitation and the benefits under subdivisions 9 and 11 to which an employee is entitled. *A plan that is not completed within six months or that will cost more than \$3,000 must be specifically approved by the commissioner. This approval may not be waived by the parties.*

Sec. 22. Minnesota Statutes 1988, section 176.102, subdivision 7, is amended to read:

Subd. 7. [PLAN IMPLEMENTATION; REPORTS.] (a) Upon request by the commissioner, insurer, employer, or employee, medical and rehabilitation reports shall be made by the provider of the medical and rehabilitation service to the commissioner, insurer, employer, or employee.

(b) If a rehabilitation plan has not already been filed pursuant to subdivision 4, an employer shall report to the commissioner after 90 days from the date of the injury, but before 120 days therefrom, as to what rehabilitation consultation and services, if any, have been provided to the injured employee or why rehabilitation consultation and services have not been provided.

Sec. 23. Minnesota Statutes 1988, section 176.102, subdivision 11, is amended to read:

Subd. 11. [RETRAINING.] (a) Retraining is limited to 156 weeks. An employee who has been approved for retraining may petition ~~the commissioner~~ for additional compensation not to exceed 25 percent of the compensation otherwise payable. If the commissioner or compensation judge determines that this additional compensation is warranted due to unusual or unique circumstances of the employee's retraining plan, the commissioner or compensation judge may award additional compensation in an amount ~~the commissioner determines is appropriate~~, not to exceed the employee's request. This additional compensation shall cease at any time the commissioner or compensation judge determines the special circumstances are no longer present.

(b) Pursuant to section 176.101, subdivisions 1 and 2, temporary total disability or temporary partial disability shall be paid during a retraining plan that has been specifically approved under this section and for up to 90 days after the end of the plan; except that, payment during the 90-day period is subject to cessation in accordance with section 176.101, subdivision 1, paragraph (d), clauses (1) to (4). Compensation paid under this paragraph must cease if the employee terminates participation in the approved retraining plan without good cause.

Sec. 24. Minnesota Statutes 1988, section 176.105, subdivision 1, is amended to read:

Subdivision 1. (a) The commissioner of labor and industry shall by rule establish a schedule of degrees of disability resulting from different kinds of injuries. *The commissioner, in consultation with the medical services review board, shall annually review these rules to determine whether any injuries omitted from the schedule should be compensable and, if so, amend*

the rules accordingly.

(b) Disability ratings for permanent partial disability must be based on objective medical evidence.

Sec. 25. Minnesota Statutes 1988, section 176.111, subdivision 6, is amended to read:

Subd. 6. [SPOUSE, NO DEPENDENT CHILD.] If the deceased employee leaves a dependent surviving spouse and no dependent child, there shall be paid to the spouse weekly workers' compensation benefits at ~~50~~ 80 percent of the *after-tax* weekly wage at the time of the injury for a period of ten years, including adjustments as provided in section 176.645.

Sec. 26. Minnesota Statutes 1988, section 176.111, subdivision 7, is amended to read:

Subd. 7. [SPOUSE, ONE DEPENDENT CHILD.] If the deceased employee leaves a surviving spouse and one dependent child, there shall be paid to the surviving spouse for the benefit of the spouse and child ~~60~~ 80 percent of the ~~daily~~ *after-tax* weekly wage at the time of the injury of the deceased until the child is no longer a dependent as defined in subdivision 1. ~~At that time there shall be paid to the dependent surviving spouse weekly benefits at a rate which is 16-2/3 percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent, for a period of ten years, including adjustments as provided in section 176.645.~~

Sec. 27. Minnesota Statutes 1988, section 176.111, subdivision 8, is amended to read:

Subd. 8. [SPOUSE, TWO DEPENDENT CHILDREN.] If the deceased employee leaves a surviving spouse and two dependent children, there shall be paid to the surviving spouse for the benefit of the spouse and children ~~66-2/3~~ 80 percent of the ~~daily~~ *after-tax* weekly wage at the time of the injury of the deceased until the last dependent child is no longer dependent. ~~At that time the dependent surviving spouse shall be paid weekly benefits at a rate which is 25 percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent, for a period of ten years, adjusted according to section 176.645.~~

Sec. 28. Minnesota Statutes 1988, section 176.111, subdivision 12, is amended to read:

Subd. 12. [ORPHANS.] If the deceased employee leaves a dependent orphan, there shall be paid ~~55~~ 80 percent of the *after-tax* weekly wage at the time of the injury of the deceased, for two or more orphans there shall be paid ~~66-2/3~~ 80 percent of the ~~wages~~ *after-tax* weekly wage.

Sec. 29. Minnesota Statutes 1988, section 176.111, subdivision 14, is amended to read:

Subd. 14. [PARENTS.] If the deceased employee leave no surviving spouse or child entitled to any payment under this chapter, but leaves both parents wholly dependent on deceased, there shall be paid to such parents jointly ~~45~~ 80 percent of the *after-tax* weekly wage at the time of the injury of the deceased. In case of the death of either of the wholly dependent parents the survivor shall receive ~~35~~ 80 percent of the *after-tax* weekly

wage thereafter. If the deceased employee leave one parent wholly dependent on the deceased, there shall be paid to such parent ~~35~~ 80 percent of the *after-tax* weekly wage at the time of the injury of the deceased employee. The compensation payments under this section shall not exceed the actual contributions made by the deceased employee to the support of the employee's parents for a reasonable time immediately prior to the injury which caused the death of the deceased employee.

Sec. 30. Minnesota Statutes 1988, section 176.111, subdivision 15, is amended to read:

Subd. 15. [REMOTE DEPENDENTS.] If the deceased employee leaves no surviving spouse or child or parent entitled to any payment under this chapter, but leaves a grandparent, grandchild, brother, sister, mother-in-law, or father-in-law wholly dependent on the employee for support, there shall be paid to such dependent, if but one, ~~30~~ 40 percent of the *after-tax* weekly wage at the time of injury of the deceased, or if more than one, ~~35~~ 45 percent of the *after-tax* weekly wage at the time of the injury of the deceased, divided among them share and share alike.

Sec. 31. Minnesota Statutes 1988, section 176.111, subdivision 20, is amended to read:

Subd. 20. [ACTUAL DEPENDENTS, COMPENSATION.] Actual dependents are entitled to take compensation in the order named in subdivision 3 during dependency until ~~66-2/3~~ 80 percent of the *after-tax* weekly wage of the deceased at the time of injury is exhausted. The total weekly compensation to be paid to full actual dependents of a deceased employee shall not exceed in the aggregate an amount equal to the maximum weekly compensation for a temporary total disability.

Sec. 32. Minnesota Statutes 1988, section 176.111, subdivision 21, is amended to read:

Subd. 21. [DEATH, BENEFITS; COORDINATION WITH GOVERNMENTAL SURVIVOR BENEFITS.] The following provision shall apply to any dependent entitled to receive weekly compensation benefits under this section as the result of the death of an employee, and who is also receiving or entitled to receive benefits under any government survivor program:

The combined total of weekly government survivor benefits and workers' compensation death benefits provided under this section shall not exceed 100 percent of the *after-tax* weekly wage being earned by the deceased employee at the time of the injury causing death; provided, however, that no state workers' compensation death benefit shall be paid for any week in which the survivor benefits paid under the federal program, by themselves, exceed 100 percent of such weekly wage provided, however, the workers' compensation benefits payable to a dependent surviving spouse shall not be reduced on account of any governmental survivor benefits payable to decedent's children if the support of the children is not the responsibility of the dependent surviving spouse.

For the purposes of this subdivision "dependent" means dependent surviving spouse together with all dependent children and any other dependents. For the purposes of this subdivision, mother's or father's insurance benefits received pursuant to United States Code, title 42, section 402(g), are benefits under a government survivor program.

Sec. 33. Minnesota Statutes 1988, section 176.131, subdivision 1, is

amended to read:

Subdivision 1. If an employee incurs personal injury and suffers disability from that injury alone that is substantially greater, because of a preexisting physical impairment, than what would have resulted from the personal injury alone, the employer or insurer shall pay all compensation provided by this chapter, but the employer shall be reimbursed from the special compensation fund for ~~all~~ compensation paid in excess of 52 weeks of monetary benefits and ~~\$2,000~~ \$3,500 in medical expenses, subject to the exceptions in paragraphs (a), (b), and (c):

(a) If the disability caused by the subsequent injury is made substantially greater by the employee's registered preexisting physical impairment, there shall be apportionment of liability among all injuries. The special compensation fund shall only reimburse for that portion of the compensation, medical expenses, and rehabilitation expenses attributed to the subsequent injury after the applicable deductible has been met.

(b) If the subsequent personal injury alone results in permanent partial disability to a scheduled member under the schedule adopted by the commissioner pursuant to section 176.105, the special compensation fund shall not reimburse permanent partial disability, medical expenses, or rehabilitation expenses.

(c) *Reimbursement for compensation paid shall be at the rate of 75 percent.*

Sec. 34. Minnesota Statutes 1988, section 176.131, subdivision 1a, is amended to read:

Subd. 1a. If an employee is employed in an on-the-job training program pursuant to an approved rehabilitation plan under section 176.102 and the employee incurs a personal injury that aggravates the personal injury for which the employee has been certified to enter the on-the-job training program, the on-the-job training employer shall pay the medical expenses and compensation required by this chapter, and shall be reimbursed from the special compensation fund for the compensation and medical expense that is attributable to the aggravated injury; *except that, reimbursement for compensation paid shall be at the rate of 75 percent.* The employer, at the time of the personal injury for which the employee has been approved for on-the-job training, is liable for the portion of the disability that is attributable to that injury.

Sec. 35. Minnesota Statutes 1988, section 176.131, subdivision 2, is amended to read:

Subd. 2. If the employee's personal injury results in disability or death, and if the injury, death, or disability would not have occurred except for the preexisting physical impairment registered with the special compensation fund, the employer shall pay all compensation provided by this chapter, and shall be ~~fully~~ reimbursed from the special compensation fund for the compensation, except that:

(1) this ~~full~~ reimbursement shall not be made for cardiac disease or a condition registered pursuant to subdivision 8, clause (t) or (u), unless the commissioner by rule provides otherwise; and

(2) *reimbursement for compensation paid shall be at the rate of 75 percent.*

Sec. 36. Minnesota Statutes 1988, section 176.131, subdivision 8, is amended to read:

Subd. 8. As used in this section the following terms have the meanings given them:

"Physical impairment" means any physical or mental condition that is permanent in nature, whether congenital or due to injury, disease or surgery and which is or is likely to be a hindrance or obstacle to obtaining employment except that physical impairment is limited to the following:

- (a) Epilepsy,
- (b) Diabetes,
- (c) Hemophilia,
- (d) Cardiac disease, provided that objective medical evidence substantiates at least the minimum permanent partial disability listed in the workers' compensation permanent partial disability schedule,
- (e) Partial or entire absence of thumb, finger, hand, foot, arm or leg,
- (f) Lack of sight in one or both eyes or vision in either eye not correctable to 20/40,
- (g) Residual disability from poliomyelitis,
- (h) Cerebral Palsy,
- (i) Multiple Sclerosis,
- (j) Parkinson's disease,
- (k) Cerebral vascular accident,
- (l) Chronic Osteomyelitis,
- (m) Muscular Dystrophy,
- (n) Thrombophlebitis,
- (o) Brain tumors,
- (p) Pott's disease,
- (q) Seizures,
- (r) Cancer of the bone,
- (s) Leukemia,
- (t) Any other physical impairment resulting in a disability rating of at least ~~ten~~ 25 percent of the whole body if the physical impairment were evaluated according to standards used in workers' compensation proceedings, and
- (u) Any other physical impairments of a permanent nature which the commissioner may by rule prescribe;

"Compensation" has the meaning defined in section 176.011;

"Employer" includes insurer;

"Disability" means, unless otherwise indicated, any condition causing either temporary total, temporary partial, permanent total, permanent partial, death, medical expense, or rehabilitation.

Sec. 37. Minnesota Statutes 1988, section 176.131, is amended by adding a subdivision to read:

Subd. 13. [APPLICABLE LAW.] The right to reimbursement under this section is governed by the law in effect on the date of the subsequent injury.

Sec. 38. Minnesota Statutes 1988, section 176.132, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBLE RECIPIENTS.] (a) ~~An employee who has suffered personal injury prior to October 1, 1983 for which benefits are payable under section 176.101 and who has been totally disabled for more than 104 weeks shall be eligible for supplementary benefits as prescribed in this section after 104 weeks have elapsed and for the remainder of the total disablement. Regardless of the number of weeks of total disability, no totally disabled person is ineligible for supplementary benefits after four years have elapsed since the first date of the total disability, except as provided by clause (b); provided that all periods of disability are caused by the same injury.~~

(b) An employee who has suffered personal injury after October 1, 1983, and before August 1, 1989, is eligible to receive supplementary benefits after the employee has been receiving temporary total or permanent total benefits for 208 weeks. Regardless of the number of weeks of total disability, no person who is receiving temporary total compensation shall be ineligible for supplementary benefits after four years have elapsed since the first date of the total disability, provided that all periods of disability are caused by the same injury.

(b) An employee who has suffered personal injury after August 1, 1989, that caused a permanent total disability, as defined in section 176.101, subdivision 5, is eligible to receive supplementary benefits after four years have elapsed since the first date of the total disability, provided that the employee continues to have a permanent total disability.

Sec. 39. Minnesota Statutes 1988, section 176.132, subdivision 2, is amended to read:

Subd. 2. [AMOUNT.] (a) ~~The supplementary benefit payable under this section shall be the difference between the amount the employee receives on or after January 1, 1976, under section 176.101, subdivision 1 or 4, and 65 percent of the statewide average weekly wage as computed annually. The supplementary benefit payable under this section is:~~

(1) the sum of the amount the employee receives under section 176.101, subdivision 4, plus the amount of any disability benefits being paid by any government disability benefit program if those benefits are occasioned by the same injury or injuries giving rise to payments under section 176.101, subdivision 4, plus any old age and survivors insurance benefits, subtracted from

(2) 50 percent of the statewide average weekly wage, as computed annually.

(b) In the event an eligible recipient is currently receiving no compensation or is receiving a reduced level of compensation because of a credit being applied as the result of a third party liability or damages, the employer or insurer shall compute the offset credit as if the individual were entitled to the actual benefit or ~~65~~ 50 percent of the statewide average weekly wage as computed annually, whichever is greater. If this results in the use of a higher credit than otherwise would have been applied and the employer or

insurer becomes liable for compensation benefits which would otherwise not have been paid, the additional benefits resulting shall be handled according to this section.

(c) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of a valid agreement in settlement of a claim, no supplementary benefit shall be payable under this section. Attorney's fees shall be allowed in settlements of claims for supplementary benefits in accordance with this chapter.

~~(d) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of prior limitations in the maximum amount payable for permanent total disability or because of reductions resulting from the simultaneous receipt of old age or disability benefits, the supplementary benefit shall be payable for the difference between the actual amount of compensation currently being paid and 65 percent of the statewide average weekly wage as computed annually.~~

~~(e) (d)~~ In the event that an eligible recipient is receiving simultaneous benefits from any government disability program, the amount of supplementary benefits payable under this section shall be reduced by five percent. If the individual does not receive the maximum benefits for which the individual is eligible under other governmental disability programs due to the provisions of United States Code, title 42, section 424a(d), this reduction shall not apply.

Sec. 40. Minnesota Statutes 1988, section 176.132, subdivision 3, is amended to read:

Subd. 3. [PAYMENT.] The payment of supplementary benefits shall be the responsibility of the employer or insurer ~~currently paying total disability benefits, or any other payer of such benefits. When the eligible individual is not currently receiving benefits because the total paid has reached the maximum prescribed by law the employer and insurer shall, nevertheless, pay the supplementary benefits that are prescribed by law.~~ The employer or insurer paying the supplementary benefit shall have the right of full reimbursement from the special compensation fund for the amount of such benefits paid.

Sec. 41. Minnesota Statutes 1988, section 176.136, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE.] (a) The commissioner shall by rule establish procedures for determining whether or not the charge for a health service is excessive. In order to accomplish this purpose, the commissioner shall consult with insurers, associations and organizations representing the medical and other providers of treatment services and other appropriate groups. The procedures established by the commissioner ~~shall~~ *must* limit the charges allowable for medical, chiropractic, podiatric, surgical, hospital and other health care provider treatment or services, as defined and compensable under section 176.135, to the 75th percentile of usual and customary fees or charges based upon billings for each class of health care provider during all of the calendar year preceding the year in which the determination is made of the amount to be paid the health care provider for the billing.

(b) The medical fee rules for providers other than hospitals, which are promulgated on October 1, 1988, and based upon 1987 medical cost data, must remain in effect until September 30, 1990; and the medical fee rules

for providers other than hospitals, which are promulgated on October 1, 1990, must be based on the 1988 medical cost data and must remain in effect until September 30, 1991.

(c) The procedures established by the commissioner for determining whether or not the charge for a health service is excessive ~~shall must~~ be structured to encourage providers to develop and deliver services for rehabilitation of injured workers. The procedures ~~shall must~~ incorporate the provisions of sections 144.701, 144.702, and 144.703 to the extent that the commissioner finds that these provisions effectively accomplish the intent of this section or are otherwise necessary to insure that quality hospital care is available to injured employees.

Sec. 42. Minnesota Statutes 1988, section 176.136, is amended by adding a subdivision to read:

Subd. 1a. [CHARGES FOR INDEPENDENT MEDICAL EXAMINATIONS.] The commissioner shall adopt rules that reasonably limit amounts which may be charged for, or in connection with, independent or adverse medical examinations requested by any party, including the amount that may be charged for depositions, witness fees, or other expenses. The scheduled amount for the examination itself may not exceed the scheduled amount for complex consultations by treating physicians, although additional reasonable charges may be permitted to reflect additional duties or activities. An insurer or employer may not pay fees above the amount in the schedule.

Sec. 43. Minnesota Statutes 1988, section 176.221, subdivision 1, is amended to read:

Subdivision 1. [COMMENCEMENT OF PAYMENT.] Within 14 days of notice to or knowledge by the employer of an injury compensable under this chapter the payment of temporary total compensation shall commence. Within 14 days of notice to or knowledge by an employer of a new period of temporary total disability which is caused by an old injury compensable under this chapter, the payment of temporary total compensation shall commence; provided that the employer or insurer may file for an extension with the commissioner within this 14-day period, in which case the compensation need not commence within the 14-day period but shall commence no later than 30 days from the date of the notice to or knowledge by the employer of the new period of disability. Commencement of payment by an employer or insurer does not waive any rights to any defense the employer has on any claim or incident either with respect to the compensability of the claim under this chapter or the amount of the compensation due. Where there are multiple employers, the first employer shall pay, unless it is shown that the injury has arisen out of employment with the second or subsequent employer. Liability for compensation under this chapter may be denied by the employer or insurer by giving the employee written notice of the denial of liability. If liability is denied for an injury which is required to be reported to the commissioner under section 176.231, subdivision 1, the denial of liability must be filed with the commissioner within 14 days after notice to or knowledge by the employer of an injury which is alleged to be compensable under this chapter. If the employer or insurer has commenced payment of compensation under this subdivision but determines within 30 60 days of notice to or knowledge by the employer of the injury that the disability is not a result of a personal injury, payment of compensation may be terminated upon the filing of a notice of denial of liability within 30 60 days of notice or knowledge. After the 30-day 60-day period, payment

may be terminated only by the filing of a notice as provided under section 176.239. Upon the termination, payments made may be recovered by the employer if the commissioner or compensation judge finds that the employee's claim of work related disability was not made in good faith. A notice of denial of liability must state in detail specific reasons explaining why the claimed injury or occupational disease was determined not to be within the scope and course of employment and shall include the name and telephone number of the person making this determination.

Sec. 44. Minnesota Statutes 1988, section 176.645, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT.] For injuries occurring after October 1, 1975 for which benefits are payable under section 176.101, subdivisions 1, 2 and 4, and section 176.111, subdivision 5, the total benefits due the employee or any dependents shall be adjusted in accordance with this section. On October 1, 1981, and thereafter on the anniversary of the date of the employee's injury the total benefits due shall be adjusted by multiplying the total benefits due prior to each adjustment by a fraction, the denominator of which is the statewide average weekly wage for December 31, of the year two years previous to the adjustment and the numerator of which is the statewide average weekly wage for December 31, of the year previous to the adjustment. For injuries occurring after October 1, 1975, all adjustments provided for in this section shall be included in computing any benefit due under this section. Any limitations of amounts due for daily or weekly compensation under this chapter shall not apply to adjustments made under this section. No adjustment increase made on October 1, 1977 or thereafter under this section shall exceed ~~six~~ four percent a year. In those instances where the adjustment under the formula of this section would exceed this maximum the increase shall be deemed to be ~~six~~ four percent.

Sec. 45. Minnesota Statutes 1988, section 176.645, subdivision 2, is amended to read:

Subd. 2. [TIME OF FIRST ADJUSTMENT.] For injuries occurring on or after October 1, 1981, the initial adjustment made pursuant to subdivision 1 ~~shall be~~ is deferred until the first anniversary of the date of the injury. *For injuries occurring on or after August 1, 1989, the initial adjustment under subdivision 1 is deferred until the third anniversary of the date of injury.*

Sec. 46. Minnesota Statutes 1988, section 176.66, subdivision 11, is amended to read:

Subd. 11. [AMOUNT OF COMPENSATION.] The compensation for an occupational disease is ~~66-2/3~~ 80 percent of the employee's *after-tax* weekly wage on the date of injury subject to a maximum compensation equal to the maximum compensation in effect on the date of last exposure. The employee shall be eligible for supplementary benefits notwithstanding the provisions of section 176.132, after four years have elapsed since the date of last significant exposure to the hazard of the occupational disease if that employee's weekly compensation rate is less than the current supplementary benefit rate.

Sec. 47. [176.90] [AFTER-TAX CALCULATION.]

For purposes of sections 176.011, subdivision 18; 176.101, subdivisions 1, 2, 3, and 4; 176.111, subdivisions 6, 7, 8, 12, 14, 15, 20, and 21; and 176.66, the commissioner shall publish by September 1 of each year tables

or formulas for determining the after-tax weekly wage to take effect the following October 1. The tables or formulas must be based on the applicable federal income tax and social security laws and state income tax laws in effect on the preceding April 1. These tables or formulas are conclusive for the purposes of converting weekly wage into after-tax weekly wage. The commissioner may contract with the department of revenue or any other person or organization in order to adopt the tables or formulas. The adoption of the tables or formulas is exempt from the administrative rulemaking provisions of chapter 14.

Sec. 48. [176.95] [ADMINISTRATIVE COSTS.]

The annual cost to the commissioner of labor and industry of administering the workers' compensation system under this chapter must be charged to the state general fund. Administrative costs include the cost of administering the workers' compensation division of the department of labor and industry and the workers' compensation division of the office of administrative hearings.

Sec. 49. [ADMINISTRATIVE COSTS CHANGE-OVER.]

For the biennium beginning July 1, 1991, 50 percent of the costs of administering the workers' compensation system must be charged to the state general fund and 50 percent to the special compensation fund.

Sec. 50. [EXISTING DISABILITY RATINGS.]

Existing disability ratings adopted under Minnesota Statutes, section 176.105, subdivision 1, may not be changed before June 30, 1992.

Sec. 51. [AFTER-TAX CALCULATION.]

Notwithstanding section 47, the commissioner of labor and industry shall publish by July 15, 1989, a table or formula for determining the after-tax weekly wage effective August 1, 1989, until October 1, 1989, as otherwise required under that section.

Sec. 52. [APPROPRIATION.]

\$124,800 is appropriated from the workers' compensation special compensation fund to the commissioner of labor and industry to administer the workers' compensation system in accordance with this article and is available until June 30, 1989. The approved complement of the department of labor and industry is increased by ten positions.

Sec. 53. [REPEALER.]

Minnesota Statutes 1988, sections 176.011, subdivision 26; and 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, 3u, and 6, are repealed.

Sec. 54. [EFFECTIVE DATE.]

Sections 5, 17, 18, 19, 24, 43, 47, 50, and 51 are effective the day following final enactment. Section 48 is effective July 1, 1993. Notwithstanding Minnesota Statutes, section 176.1321, sections 1 to 4, 6 to 16, 20 to 23, 25 to 41, 44 to 46, 49, and 53 are effective August 1, 1989. Section 42 is effective January 1, 1990.

ARTICLE 4

WORKER'S COMPENSATION INSURANCE

Section 1. Minnesota Statutes 1988, section 79.095, is amended to read:
79.095 [APPOINTMENT OF ACTUARY.]

The commissioner ~~shall~~ *may* employ the services of a casualty ~~actuary~~ *actuaries* experienced in ~~worker's~~ *workers'* compensation whose duties shall include but not be limited to investigation of complaints by insured parties relative to rates, rate classifications, or discriminatory practices of an insurer. The salary of ~~the an~~ *an* actuary employed pursuant to this section is not subject to the provisions of section 43A.17, subdivision 1.

Sec. 2. Minnesota Statutes 1988, section 79.55, subdivision 2, is amended to read:

Subd. 2. [EXCESSIVENESS.] ~~No premium is excessive in a competitive market. In the absence of a competitive market,~~ Premiums are excessive if the expected underwriting profit, together with expected income from invested reserves for the market in question, that would accrue to an insurer would be unreasonably high in relation to the risk undertaken by the insurer in transacting the business.

Sec. 3. Minnesota Statutes 1988, section 79.56, is amended by adding a subdivision to read:

Subd. 5. [RATE REGULATION.] *(a) Whenever an insurer files a change in its existing rate level or rating plan, the commissioner may hold a hearing to determine if the rate level or rating plan is excessive, inadequate, or unfairly discriminatory. The hearing must be conducted pursuant to chapter 14. The commissioner shall give notice of intent to hold a hearing within 90 days of the filing of the change. It is the responsibility of the insurer to show that the rate level or rating plan is not excessive, inadequate, or unfairly discriminatory. The rate level or rating plan is effective unless it is determined as a result of the hearing that the rate level or rating plan is excessive, inadequate, or unfairly discriminatory. Upon such a finding, the rate level or rating plan is retroactively rescinded and any premiums collected thereunder must be refunded. This subdivision does not apply to any changes resulting from assessments for the assigned risk plan, reinsurance association, guarantee fund, special compensation fund, or statutory benefit level changes to sections 176.101, subdivisions 1, 2, and 4; 176.111; 176.132; and 176.645 as a result of annual adjustments in the statewide average weekly wage. The disapproval of a rate level or rating plan under this subdivision must be done in the same manner as under section 70A.11, except that the standards of section 79.55 apply.*

(b) Notwithstanding paragraph (a), if the commissioner of labor and industry petitions the commissioner for a hearing pursuant to this subdivision, the commissioner must hold a hearing if the commissioner of labor and industry certifies that the hearing is necessary because a decision of the supreme court or enactment of a statute has effected a substantial change in the basis upon which the existing rate levels or rating plan was filed. The commissioner of labor and industry must make a prima facie showing that law change has effected a substantial change in the basis upon which the existing rate levels or rating plan was filed.

(c) Notwithstanding paragraph (a), the commissioner may hold a hearing if the commissioner determines that the hearing is necessary because of

circumstances which result in a substantial change in the basis upon which the existing rate levels or rating plan was filed. The commissioner must make a prima facie showing that the circumstances resulted in a substantial change in the basis upon which the existing rate levels or rating plan was filed.

Sec. 4. [79.561] [PARTICIPATION.]

An employer, or person representing a group of employers, which will be directly affected by a change in an insurer's existing rate level or rating plan filed under section 3, and the commissioner of labor and industry, must be allowed to participate in any hearing under that subdivision challenging the change in rate level or rating plan as being excessive, inadequate, or unfairly discriminatory.

Sec. 5. Minnesota Statutes 1988, section 79.58, subdivision 2, is amended to read:

Subd. 2. [RATING PLANS.] The commissioner may disapprove a rating plan of a data service organization if, after a hearing conducted pursuant to chapter 14, the commissioner finds that it is *excessive, inadequate, or unfairly discriminatory*. *The rating plan is effective until disapproved. It is the responsibility of the data service organization to show that the rating plan is not excessive, inadequate, or unfairly discriminatory.* Any order of disapproval shall require the data service organization to use an alternative rating plan until approval of a rating plan by the commissioner. The commissioner shall not approve any rating plan based upon any data other than Minnesota data, except that other data may be utilized as a supplement to Minnesota data when the commissioner determines that an exceptional case requires such data to establish the statistical credibility of an occupational classification.

Sec. 6. Minnesota Statutes 1988, section 79.61, subdivision 1, is amended to read:

Subdivision 1. [REQUIRED ACTIVITY.] Any data service organization shall perform the following activities:

(a) File statistical plans, including classification definitions, amendments to the plans, and definitions, with the commissioner for approval, and assign each compensation risk written by its members to its approved classification for reporting purposes;

(b) Establish requirements for data reporting and monitoring methods to maintain a high quality data base;

(c) Prepare and distribute a periodic report, in a form prescribed by the commissioner, on ratemaking including, but not limited to the following elements:

(i) development factors and alternative derivations;

(ii) trend factors and alternative derivations and applications;

(iii) pure premium relativities for the approved classification system for which data are reported, provided that the relativities for insureds engaged in similar occupations and presenting substantially similar risks shall, if different, differ by at least ten percent; and

(iv) an evaluation of the effects of changes in law on loss data.

The report shall also include explicit discussion and explanation of methodology, alternatives examined, assumptions adopted, and areas of judgment and reasoning supporting judgments entered into, and the effect of various combinations of these elements on indications for modification of an overall pure premium rate level change. The pure premium relativities and rate level indications shall not include a loading for expenses or profit and no expense or profit data or recommendations relating to expense or profit shall be included in the report or collected by a data service organization;

(d) Collect, compile, summarize, and distribute data from members or other sources pursuant to a statistical plan approved by the commissioner;

(e) Prepare merit rating plan and calculate any variable factors necessary for utilization of the plan. Such a plan may be used by any of its members, at the option of the member provided that the application of a plan shall not result in rates that are unfairly discriminatory;

(f) Provide loss data specific to an insured to the insured at a reasonable cost;

(g) Distribute information to an insured or interested party that is filed with the commissioner and is open to public inspection; ~~and~~

(h) Assess its members for operating expenses on a fair and equitable basis-;

(i) Separate the incurred but not reported losses of its members;

(j) Separate paid and outstanding losses of its members;

(k) Provide information indicating cases in which its members have established a reserve in excess of \$50,000;

(l) Provide information on the income on invested reserves of its members;

(m) Provide information as to policies written at other than the filed rates;

(n) File information based solely on Minnesota premium income of its members concerning investment income, legal expenses, subrogation recoveries, administrative expenses, and commission expenses;

(o) File information based solely on Minnesota data concerning its members' reserving practices, premium income, indemnity, and medical benefits paid; and

(p) Provide any records of the data service organizations that are requested by the commissioner or otherwise required by statute.

Sec. 7. [79.65] [CHAPTER APPLICABILITY TO DATA SERVICE ORGANIZATIONS.]

Subdivision 1. [EXAMINATION BY COMMISSIONER.] Data service organizations are subject to all the provisions of this chapter. The commissioner or an authorized representative of the commissioner may visit the rating association at any reasonable time and examine, audit, or evaluate the rating association's operations, records, and practices. For purposes of this section, "authorized representative of the commissioner" includes employees of the department of commerce or labor and industry or other parties retained by the commissioner. Examination under this section may be done of any member of data service organizations for purposes of workers' compensation insurance regulation.

Subd. 2. [COSTS AND EXPENSES.] The commissioner may order and the data service organization shall pay the costs and expenses of any examination, audit, or evaluation conducted pursuant to subdivision 1. A sum sufficient to pay these costs and expenses is appropriated from the special compensation fund to the commissioner of commerce.

Sec. 8. [79.651] [INVESTIGATIONS AND SUBPOENAS.]

Subdivision 1. [GENERAL POWERS.] In connection with the administration of chapter 79, the commissioner of commerce may:

(1) make public or private investigations within or without this state as the commissioner considers necessary to determine whether any person has violated or is about to violate chapter 79 or any rule or order under chapter 79, or to aid in the enforcement of chapter 79, or in the prescribing of rules or forms under chapter 79;

(2) require or permit any person to file a statement in writing, under oath or otherwise as the commissioner determines, as to all the facts and circumstances concerning the matter being investigated;

(3) hold hearings, upon reasonable notice, in respect to any matter arising out of the administration of chapter 79;

(4) conduct investigations and hold hearings for the purpose of compiling information with a view to recommending changes in chapter 79 to the legislature;

(5) examine the books, accounts, records, and files of every licensee under chapter 79 and of every person who is engaged in any activity regulated under chapter 79; the commissioner or a designated representative shall have free access during normal business hours to the offices and places of business of the person, and to all books, accounts, papers, records, files, safes, and vaults maintained in the place of business;

(6) publish information which is contained in any order issued by the commissioner; and

(7) require any person subject to chapter 79 to report all sales or transactions that are regulated under chapter 79. The reports must be made within ten days after the commissioner has ordered the report. The report is accessible only to the respondent and other governmental agencies unless otherwise ordered by a court of competent jurisdiction.

Subd. 2. [POWER TO COMPEL PRODUCTION OF EVIDENCE.] For the purpose of any investigation, hearing, or proceeding under chapter 79, the commissioner or a designated representative may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of books, papers, correspondence, memoranda, agreements, or other documents or records that the commissioner considers relevant or material to the inquiry.

Subd. 3. [COURT ORDERS.] In case of a refusal to appear or a refusal to obey a subpoena issued to any person, the district court, upon application by the commissioner, may issue to any person an order directing that person to appear before the commissioner, or the officer designated by the commissioner, there to produce documentary evidence if so ordered or to give evidence relating to the matter under investigation or in question. Failure to obey the order of the court may be punished by the court as a contempt of court.

Subd. 4. [SCOPE OF PRIVILEGE.] No person is excused from attending and testifying or from producing any document or record before the commissioner, or from obedience to the subpoena of the commissioner or any officer designated by the commissioner or in a proceeding instituted by the commissioner, on the ground that the testimony or evidence required may tend to incriminate that person or subject that person to a penalty of forfeiture. No person may be prosecuted or subjected to a penalty or forfeiture for or on account of a transaction, matter, or thing concerning which the person is compelled, after claiming the privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that the individual is not exempt from prosecution and punishment for perjury or contempt committed in testifying.

Subd. 5. [LEGAL ACTIONS; INJUNCTIONS; CEASE AND DESIST ORDERS.] Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of chapter 79, or any rule or order adopted under chapter 79, the commissioner has the following powers: (1) the commissioner may bring an action in the name of the state in the district court of the appropriate county to enjoin the acts or practices and to enforce compliance with chapter 79, or any rule or order adopted or issued under chapter 79, or the commissioner may refer the matter to the attorney general or the county attorney of the appropriate county. Upon a proper showing, a permanent or temporary injunction, restraining order, or other appropriate relief must be granted; (2) the commissioner may issue and cause to be served upon the person an order requiring the person to cease and desist from violations of chapter 79, or any rule or order adopted or issued under chapter 79. The order must be calculated to give reasonable notice of the rights of the person to request a hearing and must state the reasons for the entry of the order. A hearing must be held not later than seven days after the request for the hearing is received by the commissioner, after which and within 20 days after receiving the administrative law judge's report, the commissioner shall issue a further order vacating the cease and desist order or making it permanent as the facts require. If no hearing is requested within 30 days of service of the order, the order will become final and will remain in effect until it is modified or vacated by the commissioner. Unless otherwise provided, all hearings must be conducted in accordance with chapter 14. If the person to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, the person is in default, and the proceeding may be determined against that person upon consideration of the cease and desist order, the allegations of which may be considered to be true. The commissioner may adopt rules of procedure concerning all proceedings conducted under this subdivision.

Subd. 6. [VIOLATIONS AND PENALTIES.] The commissioner may impose a civil penalty not to exceed \$2,000 per violation upon a person who violates chapter 79, unless a different penalty is specified.

Subd. 7. [ACTIONS AGAINST LICENSEES.] In addition to any other actions authorized by this section, the commissioner may, by order, deny, suspend, or revoke the authority or license of a person subject to chapter 79, or censure that person if the commissioner finds that:

- (1) the order is in the public interest; or*
- (2) the person has violated chapter 79.*

Subd. 8. [STOP ORDER.] In addition to any other actions authorized

by this section, the commissioner may issue a stop order denying effectiveness to or suspending or revoking any registration subject to chapter 79.

Subd. 9. [POWERS ADDITIONAL.] The powers contained in subdivisions 1 to 8 are in addition to all other powers of the commissioner.

Sec. 9. [79.652] [ACCESS TO INSURER.]

The commissioner, or the designated person, shall have free access during normal business hours to all books, records, securities, documents, and any or all papers relating to the property, assets, business, and affairs of any company, applicant, association, or person which may be examined pursuant to this act for the purpose of ascertaining, appraising, and evaluating the assets, conditions, affairs, operations, ability to fulfill obligations, and compliance with all the provisions of law of the company or person insofar as any of the above pertain to the business of insurance of a person, organization, or corporation transacting, having transacted, or being organized to transact business in this state. Every company or person being examined, its officers, directors, and agents, shall provide to the commissioner or the designated person convenient and free access at all reasonable hours at its office to all its books, records, securities, documents, any or all papers relating to the property, assets, business, and affairs of the company or person. The officers, directors, and agents of the company or person shall facilitate the examination and aid in the examination so far as it is in their power to do so.

Sec. 10. Minnesota Statutes 1988, section 176A.03, is amended by adding a subdivision to read:

Subd. 3. [COVERAGE OUTSIDE STATE.] Policies issued by the fund pursuant to this chapter may also provide workers' compensation coverage required under the laws of states other than Minnesota, including coverages commonly known as "all states coverage." The fund may apply for and obtain any licensure required in any other state in order to issue such coverage.

Sec. 11. [MANDATED REDUCTIONS.]

(a) As a result of the workers' compensation law changes in article 3 and the resulting savings to the costs of Minnesota's workers' compensation system, an insurer's approved schedule of rates in effect on August 1, 1989, must be reduced by 16 percent and applied by the insurer to all policies issued, renewed, or outstanding on or after that date. An insurer may not adjust its filed rating plan to recoup the 16 percent mandated rate reduction under this section. The reduction must be computed on the basis of a 16 percent premium reduction prorated to the expiration of that policy. An insurer shall provide written notice by September 1, 1989, to all employers having an outstanding policy with the insurer as of August 1, 1989, to read as follows: "As a result of the changes in the workers' compensation insurance system enacted by the 1989 legislature, you are entitled to a credit or refund to your current premium in an amount of \$ which reflects a 16 percent mandated premium reduction prorated to the expiration of your policy."

(b) No rate increases may be filed between April 10, 1989, and January 1, 1990.

Sec. 12. [NOTICE OF INTENT TO CHALLENGE RATE LEVEL

CHANGE.]

Notwithstanding section 3, the commissioner shall have an additional 90 days to give notice of intent to hold a hearing pursuant to that section. This section applies only to challenges to an insurer's change in existing rate levels or rating plan filed between the date the 1990 rate-making report is approved by the commissioner of commerce and six months thereafter.

Sec. 13. [RECORDS DEPOSITED WITH THE COMMISSIONER.]

All records of data services organizations authorized by Minnesota Statutes, section 79.61, or its predecessors, pertaining to proceedings before the department of commerce or its predecessors regarding rates or classifications must be deposited with the commissioner no later than August 1, 1989.

Sec. 14. [CONTINGENT APPROPRIATION.]

(a) \$250,000 is appropriated from the special compensation fund to a workers' compensation contingent account for the purposes of this article. The appropriation in this section may only be spent with the approval of the governor after consultation with the legislative advisory commission under Minnesota Statutes, section 3.30.

(b) \$100,000 from the general contingent account for workers' compensation appropriated under Laws 1987, chapter 404, section 44, is available for the purposes of article 3.

Sec. 15. [REPEALER.]

Minnesota Statutes 1988, sections 79.54, 79.57, and 79.58, subdivision 1, are repealed.

Sec. 16. [EFFECTIVE DATE.]

Section 11, paragraph (b), is effective the day following final enactment.

ARTICLE 5

WORKERS' COMPENSATION COURT OF APPEALS ABOLISHED.

Section 1. Minnesota Statutes 1988, section 176.421, subdivision 1, is amended to read:

Subdivision 1. [TIME FOR TAKING; GROUNDS.] When a petition has been heard before a compensation judge, within 30 days after a party in interest has been served with notice of an award or disallowance of compensation, or other order affecting the merits of the case, the party may appeal to the workers' compensation court of appeals on any of the following grounds:

- (1) the order does not conform with this chapter; or
- (2) the compensation judge committed an error of law; or
- (3) the findings of fact and order were *clearly erroneous and* unsupported by substantial evidence in view of the entire record as submitted; or
- (4) the findings of fact and order were procured by fraud, or coercion, or other improper conduct of a party in interest.

Sec. 2. Minnesota Statutes 1988, section 176.421, subdivision 6, is amended to read:

Subd. 6. [POWERS OF WORKERS' COMPENSATION COURT OF

APPEALS ON APPEAL.] On an appeal taken under this section, the workers' compensation court of appeals' review is limited to the issues raised by the parties in the notice of appeal or by a cross-appeal. *On review, the court may not substitute its judgment for that of the compensation judge as to the weight or credibility of the evidence on any finding of fact.* In these cases, on those issues raised by the appeal, the workers' compensation court of appeals may:

(1) grant an oral argument based on the record before the compensation judge;

(2) examine the record;

(3) ~~substitute for the findings of fact made by the compensation judge findings based on the total evidence;~~

(4) sustain, reverse, make, or modify an award or disallowance of compensation or other order based on the facts, findings, and law; and,

(5) (4) remand or make other appropriate order.

Sec. 3. Minnesota Statutes 1988, section 480A.06, subdivision 3, is amended to read:

Subd. 3. [CERTIORARI REVIEW.] The court of appeals shall have jurisdiction to issue writs of certiorari to all agencies, public corporations and public officials, except the tax court ~~and the workers' compensation court of appeals.~~ The court of appeals shall have jurisdiction to review decisions of the commissioner of jobs and training, pursuant to section 268.10.

Sec. 4. Minnesota Statutes 1988, section 480A.06, subdivision 4, is amended to read:

Subd. 4. [ADMINISTRATIVE REVIEW.] The court of appeals shall have jurisdiction to review on the record: the validity of administrative rules, as provided in ~~sections section 14.44 and 14.45; and;~~ the decisions of administrative agencies in contested cases, as provided in sections 14.63 to 14.69; ~~and workers' compensation cases and peace officer death benefits cases, as provided under chapters 176 and 176A.~~

Sec. 5. [TRANSFER OF JURISDICTION AND PERSONNEL.]

The jurisdiction of the workers' compensation court of appeals, as provided under Minnesota Statutes, section 175A.01, subdivision 2, is transferred to the court of appeals. All contracts, books, plans, papers, records, and property of every description of the workers' compensation court of appeals relating to its transferred responsibilities and within its jurisdiction or control are transferred to the court of appeals; except that, all case files are transferred to the clerk of the appellate courts. All classified employees and staff attorneys of the workers' compensation court of appeals must be given preference in the employment of personnel required to staff the increased caseload of the court of appeals as a result of transfer of jurisdiction under this section.

Sec. 6. [INCREASED JUDGES.]

The number of judges on the court of appeals as of April 1, 1990, shall be increased by three. The three additional judges are subject to senate confirmation.

Sec. 7. [INSTRUCTION TO REVISOR.]

In every instance in Minnesota Statutes in which the term "workers' compensation court of appeals" appears, the revisor of statutes shall change that reference to the "court of appeals."

Sec. 8. [REAPPROPRIATION.]

\$190,000 is reappropriated from the special compensation fund, as a result of the savings to that fund in fiscal year 1990 due to the abolishment of the workers' compensation court of appeals, to the court of appeals for the purposes of this article.

Sec. 9. [REPEALER.]

Minnesota Statutes 1988, sections 175A.01; 175A.02; 175A.03; 175A.04; 175A.05; 175A.06; 175A.07; 175A.08; 175A.09; and 175A.10, are repealed.

Sec. 10. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment. Sections 3 to 9 are effective April 1, 1990.

ARTICLE 6

REPORTS TO THE LEGISLATURE

Section 1. [REPORT TO THE LEGISLATURE ON MEDICAL ISSUES.]

The commissioner of labor and industry shall present a report to the legislature concerning medical issues in the workers' compensation system. Specifically, the report must include findings and recommendations designed to contain or reduce the cost of workers' compensation related medical services, including methods of controlling the cost of ongoing therapy treatments. The report must be presented by January 1, 1991.

The state fund mutual insurance company shall be consulted, as part of the medical services study, in order to assist the department in developing a proposal to collect and analyze all medical bills. The ultimate goal of this consultation will be the development of a flagging and monitoring system to identify cases which significantly deviate from normal utilization patterns, costs, and outcomes. The department shall make a preliminary report on the progress of the proposal to the legislature on January 1, 1990. The department shall make a final recommendation on implementation of the proposal at the time it makes its report to the legislature concerning medical issues in the workers' compensation system on January 1, 1991.

Sec. 2. [REPORT TO THE LEGISLATURE ON USE OF NEUTRAL PHYSICIANS.]

The commissioner of labor and industry shall present a report to the legislature concerning workers' compensation before January 1, 1990, which develops and evaluates a detailed proposal for establishing a system of neutral doctors for use in such areas as determining maximum medical improvement and rating permanent partial disabilities. The report must contain a bill proposal to implement the commissioner's recommendations.

Sec. 3. [REPORT TO THE LEGISLATURE ON USE OF NEUTRAL QUALIFIED REHABILITATION CONSULTANTS.]

To reduce cost and contention in the rehabilitation system, the commissioner of labor and industry shall develop and evaluate a detailed proposal to establish a system to ensure that qualified rehabilitation consultants

will not be aligned with either insurers or claimants. The commissioner shall consider alternative methods of selection and payment to ensure neutrality. The commissioner shall present a report and proposal to the legislature by January 1, 1990.

Sec. 4. [REPORT TO THE LEGISLATURE ON IMPLEMENTATION OF MANDATED RATE REDUCTIONS.]

The commissioner of labor and industry shall survey Minnesota employers to determine if the mandated workers' compensation insurance rate reductions required under article 4, section 11, have been implemented by insurers, both as to amount and in a manner that is uniform and non-discriminatory between employers having similar risks with respect to a particular occupational classification. The commissioner must present a report detailing findings and conclusions to the legislature by February 1, 1990.

Sec. 5. [REPORT TO THE LEGISLATURE ON RECODIFICATION OF WORKERS' COMPENSATION LAW.]

The revisor of statutes shall recodify the workers' compensation law, including Minnesota Statutes, chapter 176.

The recodification must not make any substantive changes but shall provide a comprehensive, accurate, and complete restatement.

Each state department agency and legislative staff, including senate counsel and house of representatives research, shall provide assistance in the recodification as requested by the revisor of statutes.

The revisor shall report to the legislature by January 1, 1990, on the progress of the recodification. The revisor shall prepare a bill to implement its recommendations for recodification by January 1, 1991.

Sec. 6. [HEARINGS AT THE OFFICE OF ADMINISTRATIVE HEARINGS; REPORT OF THE CHIEF ADMINISTRATIVE LAW JUDGE.]

The chief administrative law judge shall consider methods to reduce the formality and length of hearings in workers' compensation cases at the office of administrative hearings, with a goal of completing 50 percent of the hearings in less than two hours, 75 percent in less than four hours, and nearly all of the cases in less than one day. Before January 1, 1990, the chief judge shall report to the legislature on the efforts to meet these goals, including any recommendations for legislation needed to achieve these goals.

Sec. 7. [REPORT TO THE LEGISLATURE ON STATE REGULATION OF WORKERS' COMPENSATION INSURANCE.]

Legislative staff shall prepare and present a report to the legislature surveying the different processes for regulation of workers' compensation insurance rating plans under other states' workers' compensation insurance laws. The report must be presented to the legislature by January 1, 1990.

Sec. 8. [APPROPRIATION.]

\$100,000 is appropriated from the special compensation fund to the commissioner of labor and industry for the purposes of sections 2, 3, and 4.

Sec. 9. [EFFECTIVE DATE.]

Sections 1 to 8 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to labor and industry; regulating boiler operation and inspections; regulating workers' compensation benefits and administration; regulating workers' compensation insurance; providing for the appointment of actuaries; abolishing the workers' compensation court of appeals and transferring its jurisdiction to the court of appeals; requiring certain reports relating to workers' compensation; appropriating money; amending Minnesota Statutes 1988, sections 79.095; 79.55, subdivision 2; 79.56, by adding a subdivision; 79.58, subdivision 2; 79.61, subdivision 1; 176.011, subdivisions 11a, 18, and by adding a subdivision; 176.021, subdivision 3; 176.041, subdivision 4; 176.061, subdivision 10; 176.081, subdivisions 1, 2, and 3; 176.101, subdivisions 1, 2, 4, 5, and by adding subdivisions; 176.102, subdivisions 1, 2, 3, 3a, 4, 6, 7, and 11; 176.105, subdivision 1; 176.111, subdivisions 6, 7, 8, 12, 14, 15, 20, and 21; 176.131, subdivisions 1, 1a, 2, 8, and by adding a subdivision; 176.132, subdivisions 1, 2, and 3; 176.136, subdivision 1, and by adding a subdivision; 176.155, subdivision 1; 176.221, subdivision 1; 176.421, subdivisions 1 and 6; 176.645, subdivisions 1 and 2; 176.66, subdivision 11; 176A.03, by adding a subdivision; 183.42; 183.45; and 480A.06, subdivisions 3 and 4; proposing coding for new law in Minnesota Statutes, chapters 79 and 176; repealing Minnesota Statutes 1988, sections 79.54; 79.57; 79.58, subdivision 1; 175A.01; 175A.02; 175A.03; 175A.04; 175A.05; 175A.06; 175A.07; 175A.08; 175A.09; 175A.10; 176.011, subdivision 26; and 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, 3u, and 6."

Mr. Merriam questioned whether the amendment was germane.

The Chair ruled that the amendment was not germane.

Mr. Knaak appealed the decision of the Chair.

The question was taken on "Shall the decision of the Chair be the judgment of the Senate?"

The roll was called, and there were yeas 40 and nays 24, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Kroening	Moe, R.D.	Purfeerst
Beckman	Dicklich	Langseth	Morse	Reichgott
Berglin	Diessner	Lantry	Novak	Samuelson
Bertram	Frank	Luther	Pehler	Schmitz
Brandl	Frederickson, D.J.	Marty	Peterson, D.C.	Solon
Chmielewski	Freeman	Merriam	Peterson, R.W.	Spear
Dahl	Hughes	Metzen	Piper	Stumpf
Davis	Johnson, D.J.	Moe, D.M.	Pogemiller	Waldorf

Those who voted in the negative were:

Anderson	Decker	Knaak	McQuaid	Renneke
Belanger	Frederick	Knutson	Mehrkens	Storm
Benson	Frederickson, D.R.	Laidig	Olson	Taylor
Bernhagen	Gustafson	Larson	Pariseau	Vickerman
Brataas	Johnson, D.E.	McGowan	Ramstad	

The decision of the Chair was sustained.

S.F. No. 680 was then progressed.

S.F. No. 468, which the committee recommends to pass with the following

amendment offered by Mr. Chmielewski:

Pages 3 and 4, delete section 5 and insert:

"Sec. 5. Minnesota Statutes 1988, section 246.51, is amended by adding a subdivision to read:

Subd. 3. [APPLICABILITY.] The commissioner may recover, under sections 246.50 to 246.55, the cost of any care provided in a state facility, including care provided prior to the effective date of this section regardless of the terminology used to designate the status or condition of the person receiving the care or the terminology used to identify the facility. For purposes of recovering the cost of care provided prior to the effective date of this section, the term "state facility" as used in sections 246.50 to 246.55 includes "state hospital," "regional treatment center," or "regional center"; and the term "client" includes, but is not limited to, persons designated as "mentally deficient," "inebriate," "chemically dependent," or "intoxicated.""

Amend the title as follows:

Page 1, line 9, delete everything after the semicolon

Page 1, delete lines 10 and 11

Page 1, line 12, delete "dependency at state facilities;"

Page 1, line 14, after the first semicolon, insert "246.51, by adding a subdivision;"

The motion prevailed. So the amendment was adopted.

H.F. No. 1267, which the committee recommends to pass with the following amendment offered by Mr. Merriam:

Page 2, line 4, delete "1986" and insert "1990"

Page 2, delete lines 25 to 28 and insert:

"This act takes effect January 1, 1991, if the Anoka county board has complied with Minnesota Statutes, section 645.021, subdivision 3."

The motion prevailed. So the amendment was adopted.

H.F. No. 647, which the committee recommends to pass with the following amendment offered by Mr. Dahl:

Amend H.F. No. 647, as amended pursuant to Rule 49, adopted by the Senate May 1, 1989, as follows:

(The text of the amended House File is identical to S.F. No. 155.)

Page 2, delete lines 10 and 11 and insert:

"(c) Distributes a destructive computer program, without authorization and with intent to damage or destroy any computer, computer system, computer network, computer software, or any other property specifically defined in section 609.87, subdivision 6."

The motion prevailed. So the amendment was adopted.

H.F. No. 1027, which the committee recommends to pass with the following amendment offered by Mr. Dicklich:

Page 1, line 18, after "amount" insert ", less deductions for applicable taxes and retirement contributions,"

Page 2, lines 4 and 18, delete "5" and insert "4"

Page 2, delete lines 14 to 17

The motion prevailed. So the amendment was adopted.

H.F. No. 1151, which the committee recommends to pass with the following amendment offered by Mr. Laidig:

Amend H.F. No. 1151, as amended pursuant to Rule 49, adopted by the Senate April 20, 1989, as follows:

(The text of the amended House File is identical to S.F. No. 1034.)

Page 4, line 29, strike "or"

Page 4, line 33, strike the period and insert a semicolon

Page 4, line 34, before "the" insert "*the presentment and payment at any time within one year after the decedent's death of any claim arising before the death of the decedent that is referred to in section 524.3-715, clause (18), although the same may be otherwise barred under this section; or*"

(4)"

Page 5, line 5, after "claim" insert "*, including claims subject to clause (3),*"

Page 5, line 6, after "hereunder" insert a comma

The motion prevailed. So the amendment was adopted.

H.F. No. 1282, which the committee recommends to pass with the following amendment offered by Mr. Davis:

Page 2, line 30, before "Every" insert "(a)"

Page 3, line 20, before "We" insert "*To the best of our knowledge,*"

Page 3, after line 36, insert:

"(b) A person entitled to a lien does not lose the right to the lien for failure to strictly comply with this subdivision if a good faith effort is made to comply, unless the owner or another lien claimant proves damage as a direct result of the failure to comply."

Page 4, after line 7, insert:

"Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 3 are effective August 1, 1989, and apply to notices given on or after that date."

Amend the title as follows:

Page 1, line 4, after the semicolon, insert "providing that failure to strictly comply with subcontractor notice requirements does not result in loss of lien under certain circumstances;"

The motion prevailed. So the amendment was adopted.

H.F. No. 1540, which the committee recommends to pass with the following amendment offered by Mr. Ramstad:

Page 2, line 11, strike "A tax"

Page 2, strike lines 12 to 14

Page 2, line 15, strike the period

The motion prevailed. So the amendment was adopted.

H.F. No. 1323, which the committee recommends to pass with the following amendments offered by Messrs. Solon and Belanger:

Mr. Solon moved to amend H.F. No. 1323, as amended pursuant to Rule 49, adopted by the Senate April 28, 1989, as follows:

(The text of the amended House File is identical to S.F. No. 1133.)

Page 12, line 29, delete "*individual*" and insert "*undivided*"

The motion prevailed. So the amendment was adopted.

Mr. Belanger moved to amend H.F. No. 1323, as amended pursuant to Rule 49, adopted by the Senate April 28, 1989, as follows:

(The text of the amended House File is identical to S.F. No. 1133.)

Page 24, after line 28, insert:

"Sec. 28. Minnesota Statutes 1988, section 118.01, subdivision 1, is amended to read:

Subdivision 1. Any bank, trust company or thrift institution authorized to do business in this state may, in lieu of the corporate or personal surety bond required to be furnished to secure deposited funds, deposit with the custodian of the funds as collateral security: (1) *certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation*; (2) notes secured by first mortgages of future maturity, upon which interest is not past due, on improved real estate free from delinquent taxes, within the county wherein the depository is located, or within counties immediately adjoining the county in the state of Minnesota; ~~the~~; (3) obligations which are legally authorized investments for debt service funds under section 475.66, subdivision 3; and (4) qualified state or local government obligations acceptable to the treasurer or chief financial officer. Qualified obligations must be general obligations rated "A" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation."

Amend the title as follows:

Page 1, line 16, delete "and" and after "2" insert "; and 118.01, subdivision 1"

The motion prevailed. So the amendment was adopted.

S.F. No. 929, which the committee recommends to pass with the following amendment offered by Mr. Dahl:

Page 1, line 13, delete "(a)"

Page 2, delete lines 30 and 31

The motion prevailed. So the amendment was adopted.

H.F. No. 1104, which the committee recommends to pass with the following amendment offered by Mr. Marty:

Amend H.F. No. 1104, as amended pursuant to Rule 49, adopted by the Senate April 20, 1989, as follows:

(The text of the amended House File is identical to S.F. No. 1079.)

Page 2, delete lines 2 to 4 and insert:

"Subd. 6. [PRODUCTION OF DOCUMENTS.] The personnel director may make a written request to an employee to produce relevant documents or to a person to appear for the purpose of giving relevant oral statements or testimony relating to a disciplinary action of an employee. An employee who is the subject of a disciplinary action may make a written request to the personnel director for the production of relevant documents or for the appearance of a person to give relevant oral statements or testimony relating to the disciplinary action. The request for the appearance of a person may be to appear and testify at a hearing of the personnel review board or to appear at a specified place to give an oral statement prior to a hearing of the personnel review board. The personnel director, or the employee upon receipt of a request for production of relevant documents, shall furnish the requesting party the documents within ten days of receipt of the written request. A person to whom a request for an appearance has been made shall appear at the time and place designated in the request. If a party to whom a request for relevant documents has been made fails to furnish the documents to the requesting party within ten days of receipt of the request, the requesting party may make an application to the district court for a determination that the refusal to produce the documents was unreasonable. If a person to whom a request for appearance has been made fails to appear at the time and place designated in the request, the party making the request for appearance may make an application to the district court for a determination that the failure to appear was unreasonable. If the district court determines that a failure to produce requested documents or to appear was unreasonable, it may assess costs not exceeding \$100 to the requesting party against the refusing party or person."

The motion prevailed. So the amendment was adopted.

S.F. No. 956, which the committee recommends to pass, after the following motion:

Mr. Knaak moved to amend S.F. No. 956 as follows:

Page 2, after line 12, insert:

"Sec. 2. [115A.73] [BINDING REFERENDUM.]

(a) A county or solid waste management district shall submit to a vote of the eligible voters of the county or solid waste management district the question of whether to proceed before:

(1) designating a resource recovery facility under sections 115A.80 to 115A.893 that will include a waste incinerator;

(2) entering into a contract for facilities and services from a solid waste disposal facility; or

(3) entering into a contract to construct a solid waste disposal facility.

(b) The election shall be held in the manner provided for a state general election under Minnesota election law as far as practicable. The question on the ballot shall be substantially in the following form: "Shall the county (or solid waste management district) proceed with the designation of a resource recovery facility (or with the contract for a solid waste disposal facility)?" The question is approved if a majority of those voting on the question vote "Yes." The result of the election shall be certified to the county board of commissioners or the solid waste management district and

is binding upon the county and solid waste management district."

Amend the title as follows:

Page 1, line 6, after the semicolon, insert "requiring a county or waste management district to hold a binding referendum before contracting for or with a solid waste disposal facility or designating a resource recovery facility;"

Page 1, line 8, after "subdivision" insert "; proposing coding for new law in Minnesota Statutes, chapter 115A"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 19 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Bernhagen	Frederickson, D.R.	Knutson	Olson
Belanger	Bertram	Gustafson	Larson	Pariseau
Benson	Frederick	Johnson, D.E.	McGowan	Renneke
Berglin	Frederickson, D.J.	Knaak	McQuaid	

Those who voted in the negative were:

Adkins	Davis	Langseth	Metzen	Samuelson
Beckman	Decker	Lantry	Moe, R.D.	Schmitz
Berg	DeCramer	Lessard	Pehler	Solon
Brandl	Diessner	Luther	Peterson, D.C.	Spear
Brataas	Frank	Marty	Peterson, R.W.	Stumpf
Chmielewski	Hughes	Mehrkens	Piper	Vickerman
Cohen	Kroening	Merriam	Reichgott	Waldorf

The motion did not prevail. So the amendment was not adopted.

On motion of Mr. Moe, R.D., the report of the Committee of the Whole, as kept by the Secretary, was adopted.

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate revert to the Orders of Business of Messages From the House, Reports of Committees, Second Reading of Senate Bills and Second Reading of House Bills. The motion prevailed.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 227, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 227: A bill for an act relating to health; enacting the uniform determination of death act; proposing coding for new law in Minnesota Statutes, chapter 145.

Senate File No. 227 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 2, 1989

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Mr. Merriam from the Committee on Finance, to which was re-referred

S.F. No. 139: A bill for an act relating to liquor; increasing age for provisional driver's license to 21 years; providing for fees; providing for license suspension for minors misrepresenting their age for purposes of purchasing alcoholic beverages; providing penalty for misuse of Minnesota identification card; increasing the period for suspension of a drivers license for use of a license to illegally purchase alcohol; including other forms of identification and persons who lend identification; increasing the penalty for counterfeiting a drivers license or Minnesota identification card; prohibiting lending any form of identification for use by an underage person to purchase alcohol; clarifying the application of the carding defense for illegal sales; providing for transfer of confiscated identification; amending Minnesota Statutes 1988, sections 171.02, subdivision 3; 171.06, subdivision 2; 171.07, subdivision 1; 171.171; 171.22; 171.27; 260.195, subdivision 3; 340A.503, subdivisions 2 and 6; and 340A.801, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 340A.

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

Page 6, line 7, delete "\$5" and insert "\$7.50"

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

Mr. Merriam from the Committee on Finance, to which was referred

S.F. No. 736: A bill for an act relating to claims against the state; providing for payment of various claims; appropriating money.

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

Page 1, after line 15, insert:

"Subd. 3. Jay Dorman, Minnesota correctional facility - Stillwater, Box 55, Stillwater, Minnesota 55082, for loss of the tip of his left index finger, a disability of 2-1/2 percent of his whole body, while performing assigned duties at the Minnesota correctional facility - Stillwater \$1,875.00."

Renumber the subdivisions in sequence

Page 5, after line 1, insert:

"Sec. 3. [DEPARTMENT OF TRANSPORTATION.]

Subdivision 1. The sum set forth in this section is appropriated from the trunk highway fund to the commissioner of transportation for payment to the person named in full and final payment of a claim against the state. The appropriation is available until June 30, 1990.

Subd. 2. Slayton Township, c/o Gail Johanson, Clerk, Rural Route 1, Slayton, Minnesota 56172, for gravel and grading of township roads that were used as an alternative to a state-established detour route

\$2,491.60.”

Page 5, line 2, delete “3” and insert “4”

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

Mr. Merriam from the Committee on Finance, to which was re-referred

S.F. No. 232: A bill for an act relating to corporations; providing for the simplification of certain filings made with the office of the secretary of state; changing the recipients of certain notices; modifying the definition of address to include zip codes; appropriating money; amending Minnesota Statutes 1988, sections 302A.011, subdivision 3; 302A.123, subdivision 1; 302A.821, subdivision 1; 303.02, subdivision 5; 303.10, subdivision 2; 303.13, subdivision 2; 303.14, subdivision 1; and 303.17, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 5.

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

Page 1, line 20, delete “[5.18]”

Page 6, line 7, before the second period, insert “, and is repealed July 1, 1991”

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

Mr. Merriam from the Committee on Finance, to which was re-referred

S.F. No. 852: A bill for an act relating to transportation; changing distribution of highway user taxes; authorizing use of state park road account to improve and maintain town roads that provide immediate access to state parks and campgrounds; increasing motor vehicle license tax on older vehicles; providing for annual adjustment of gasoline tax rate; transferring an additional ten percent of motor vehicle excise tax receipts for highways and transit; authorizing sale of state transportation bonds; appropriating money; amending Minnesota Statutes 1988, sections 161.081; 161.082, subdivision 2a; 162.06, subdivision 5; 162.081, subdivision 1; 168.013, subdivision 1a; 296.02, subdivision 1b, and by adding a subdivision; and 297B.09, subdivision 1; Laws 1979, chapter 280, sections 1 and 2, as amended.

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

Pages 6 to 10, delete sections 6 to 10 and insert:

“Sec. 6. [APPROPRIATIONS.]

Subdivision 1. [HIGHWAY DEVELOPMENT.] \$52,300,000 is appropriated from the funds indicated to the commissioner of transportation for highway development, to be available for the fiscal year ending June 30 in the years indicated, as follows:

	1990	1991
(a) Trunk highways	\$6,400,000	\$18,000,000

This appropriation is from the trunk highway fund.

(b) County state aids	8,900,000	14,300,000
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This appropriation is from the county state-aid highway fund and is available until spent.

(c) Municipal state aids	1,500,000	3,200,000
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This appropriation is from the municipal state-aid street fund and is available until spent.

Subd. 2. [KEY BRIDGES.]

\$16,000,000 is appropriated from the general fund to the commissioner of transportation to make grants for construction and reconstruction of key bridges on highways, streets, and roads within the jurisdiction of the following political subdivisions, to be available until spent. \$8,000,000 is for fiscal year 1990 and \$8,000,000 is for fiscal year 1991, to be allocated as follows:

	1990	1991
(a) Counties	\$4,720,000	\$4,720,000
(b) Home rule charter and statutory cities	1,120,000	1,120,000
(c) Towns	2,160,000	2,160,000

These appropriations may also be used for the following purposes:

(1) the costs of abandoning an existing bridge that is deficient and is in need of replacement, but where no replacement will be made;

(2) the costs of constructing a road or street that would facilitate the abandonment of an existing bridge determined to be deficient; the construction of the road or street must be judged to be more economical than the reconstruction or replacement of the existing bridge.

The distributions under Minnesota Statutes, section 297B.09, subdivision 1, to the highway user tax distribution fund must be reduced by the amount necessary to fund the appropriations in this section."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 7, delete from "providing" through page 1, line 11, to the first semicolon

Page 1, line 14, after the first semicolon, insert "and" and delete "; 296.02," and insert a period

Page 1, delete lines 15 to 17

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. 473: A bill for an act relating to the financing of government in this state; changing the rate and computation of charitable gambling

taxes; changing the allocation of money to the budget and cash flow reserve account; amending Minnesota Statutes 1988, sections 16A.1541; 349.12, subdivisions 11, 13, and by adding a subdivision; 349.15; and 349.212, subdivisions 1 and 4.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

INDIVIDUAL INCOME TAX

Section 1. Minnesota Statutes 1988, section 10A.31, subdivision 5, is amended to read:

Subd. 5. In each calendar year the money in the general account shall be allocated to candidates as follows:

- (1) 21 percent for the offices of governor and lieutenant governor together;
- (2) 3.6 percent for the office of attorney general;
- (3) 1.8 percent each for the offices of secretary of state, state auditor, and state treasurer;
- (4) In each calendar year during the period in which state senators serve a four-year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;
- (5) In each calendar year during the period in which state senators serve a two-year term, 35 percent each for the offices of state senator and state representative.

In each calendar year the money in each party account shall be allocated as follows:

- (1) 14 percent for the offices of governor and lieutenant governor together;
- (2) 2.4 percent for the office of attorney general;
- (3) 1.2 percent each for the offices of secretary of state, state auditor, and state treasurer;
- (4) In each calendar year during the period in which state senators serve a four-year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;
- (5) In each calendar year during the period in which state senators serve a two-year term, 35 percent each for the offices of state senator and state representative;
- (6) ten percent for the state committee of a political party; money allocated to each state committee under this clause must be deposited in a separate account and must be spent for legitimate political party operations, including voter education; the sample ballot; operations of precinct caucuses, county unit conventions, and state conventions; and the maintenance and programming of computers used to provide lists of voters, party workers, party officers, patterns of voting, and other data for use in political party activities; money allocated to a state committee under this clause must be paid to the committee by the state treasurer as notified by the state ethical practices board as it is received in the account; on a monthly

~~or other basis agreed to between the committee and the board., with payment on the 15th day of the calendar month following the month in which the tax returns were received, provided that these distributions would be equal to the amount of money indicated in the department of revenue's weekly unedited reports of income tax returns for that month, subject to final annual adjustment and settlement as indicated according to the certification by the commissioner of revenue under subdivision 6. If the amount of total payments received before September 15 is greater than the amount certified by the commissioner of revenue on September 15, the total amount of payments distributed between September 1 and December 31 must be reduced by the amount of the overpayment.~~

To assure that moneys will be returned to the counties from which they were collected, and to assure that the distribution of those moneys rationally relates to the support for particular parties or for particular candidates within legislative districts, money from the party accounts for legislative candidates shall be distributed as follows:

Each candidate for the state senate and state house of representatives whose name is to appear on the ballot in the general election shall receive money from the candidate's party account set aside for candidates of the state senate or state house of representatives, whichever applies, according to the following formula;

For each county within the candidate's district the candidate's share of the dollars allocated in that county to the candidate's party account and set aside for that office shall be:

(a) The sum of the votes cast in the last general election in that part of the county in the candidate's district for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct of the state and (ii) for the state senate and state house of representatives, divided by

(b) The sum of the votes cast in that county in the last general election for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct in the state and (ii) for the state senate and state house of representatives, multiplied by

(c) The amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

The sum of all the county shares calculated in the formula above is the candidate's share of the candidate's party account.

In a year in which an election for the state senate occurs, with respect to votes for candidates for the state senate only, "last general election" means the last general election in which an election for the state senate occurred.

For any party under whose name no candidate's name appeared on the ballot in each voting precinct in the state in the last general election, amounts in the party's account shall be allocated based on (a) the number of people voting in the last general election in that part of the county in the candidate's district, divided by (b) the number of the people voting in that county in the last general election, multiplied by (c) the amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

In a year in which the first election after a legislative reapportionment is held, "the candidate's district" means the newly drawn district, and voting data from the last general election will be applied to the area encompassing the newly drawn district notwithstanding that the area was in a different district in the last general election.

If in a district there was no candidate of a party for the state senate or state house of representatives in the last general election, or if a candidate for the state senate or state house of representatives was unopposed, the vote for that office for that party shall be the average vote of all the remaining candidates of that party in each county of that district whose votes are included in the sums in clauses (a) and (b). The average vote shall be added to the sums in clauses (a) and (b) before the calculation is made for all districts in the county.

Money from a party account not distributed to candidates for state senator and representative in any election year shall be returned to the general fund of the state. Money from a party account not distributed to candidates for other offices in an election year shall be returned to the party account for reallocation to candidates as provided in clauses (1) to (6) in the following year. Money from the general account refused by any candidate shall be distributed to all other qualifying candidates in proportion to their shares as provided in this subdivision.

Sec. 2. Minnesota Statutes 1988, section 290.067, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The maximum total credit shall be reduced according to the amount of the income of the claimant and a spouse, if any, as follows:

income up to ~~\$12,200~~ \$13,350, \$720 maximum for one dependent, \$1,440 for all dependents;

income over ~~\$12,200~~ \$13,350, the maximum credit for one dependent shall be reduced by ~~\$12~~ \$18 for every ~~\$200~~ \$350 of additional income, ~~\$24~~ \$36 for all dependents;

~~for income of \$24,001 and over, no credit shall be received.~~

The commissioner shall construct and make available to taxpayers tables showing the amount of the credit at various levels of income and expenses. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transitions between expenses and income brackets.

Sec. 3. Minnesota Statutes 1988, section 290.067, is amended by adding a subdivision to read:

Subd. 2b. [INFLATION ADJUSTMENT.] *The dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 must be adjusted for inflation. The commissioner shall adjust the threshold amount by the percentage determined under section 290.06, subdivision 2d, for the taxable year.*

Sec. 4. Minnesota Statutes 1988, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this

section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding the portion of the charitable contribution deduction that constitutes an item of tax preference under section 57(a)(6) of the Internal Revenue Code;

(3) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); less the sum of

(i) interest income as defined in section 290.01, subdivision 19b, clause (1);

(ii) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2); and

(iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1987.

(c) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(d) "*Tentative minimum tax*" equals six percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(e) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(f) "*Tentative add-on minimum tax*" means the taxpayer's tentative minimum tax, less the taxpayer's regular tax.

Sec. 5. Minnesota Statutes 1988, section 290.091, is amended by adding a subdivision to read:

Subd. 6. [CREDIT FOR PRIOR YEARS' LIABILITY.] (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess, if any, for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of (1) the tentative add-on minimum tax or (2) the excess, if any, of

(i) the tentative minimum tax, over

(ii) six percent of the sum of (A) adjusted gross income as defined in section 62 of the Internal Revenue Code, (B) interest income as defined in section 290.01, subdivision 19a, clause (1), (C) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (B), (D) depletion as defined in section 57(a)(1) of the Internal Revenue Code, less (E) the deductions provided in clauses (3)(i), (3)(ii), and (3)(iii) of subdivision 2, paragraph (a), and (F) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

Sec. 6. Minnesota Statutes 1988, section 290.38, is amended to read:

290.38 [RETURNS OF MARRIED PERSONS.]

A husband and wife must file a joint Minnesota income tax return if they filed a joint federal income tax return. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several; provided that a spouse who is relieved of a liability attributable to a substantial underpayment under section 6013(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, shall also be relieved of the state tax liability on the substantial underpayment. *In the case of a husband or wife, or individuals who were a husband and wife prior to the dissolution of their marriage, for tax liabilities reported on a joint return, the liability of the husband or wife will be limited to the tax due on his or her income including 50 percent of the joint income. This provision is effective only when the commissioner receives written notice of the marriage dissolution from the husband or wife.* If the husband and wife have elected to file separate federal income tax returns they must file separate Minnesota income tax returns. This election to file a joint or separate returns must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by rule.

The determination of whether an individual is married shall be made under provisions of section 7703 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 7. Minnesota Statutes 1988, section 290.92, subdivision 21, is amended to read:

Subd. 21. [EXTENSION OF WITHHOLDING TO UNEMPLOYMENT COMPENSATION BENEFITS.] (a) At the time an individual makes a claim for unemployment compensation benefits, the commissioner of jobs and training must notify the individual that the individual's unemployment compensation may be subject to state income taxes depending on the individual's other income and that the individual may elect to have the payments subject

to withholding under this section. If the individual ~~so requests~~ *does not notify the commissioner of jobs and training that the individual elects to have the payments not be subject to withholding within five working days of receipt of the notice from the commissioner*, unemployment compensation benefits paid to the individual shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

(b) For purposes of this section, any supplemental unemployment compensation benefit paid to an individual to the extent includable in such individual's Minnesota gross income, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

Sec. 8. Laws 1988, chapter 719, article 1, section 22, is amended to read:

Sec. 22. [EFFECTIVE DATES.]

Except as otherwise provided, sections 1 to 3 and 16 are effective for taxable years beginning after December 31, 1986. Sections 5, 7 to 12, 14, 15, 17, and 21 are effective for taxable years beginning after December 31, 1987. The deduction allowed under section 4, clause (4) and the ability of surviving spouses to use the married filing joint rates in section 7 are effective for taxable years beginning after December 31, 1986. The rest of sections 4 and 7 are effective for taxable years beginning after December 31, 1987. Section 13 is effective for taxable years beginning after December 31, ~~1984~~ 1973. Section 18 is effective the day following final enactment.

Sec. 9. [PENSION EXCLUSION; FEDERAL LAW ENFORCEMENT AND CORRECTIONS EMPLOYEES.]

Notwithstanding Minnesota Statutes 1986, section 290.08, subdivision 26, paragraph (a), clause (4), for purposes of the pension income exclusion contained in Minnesota Statutes 1986, section 290.08, subdivision 26, for taxable years beginning after December 31, 1984, and before January 1, 1987, an individual who received pension income for service as a law enforcement or corrections officer employed by the federal government is a qualified recipient without regard to age.

Sec. 10. [AMENDING RETURNS.]

Individuals qualifying for the pension exclusion under section 1 for taxable years beginning after December 31, 1984, and before January 1, 1987, may file amended returns under Minnesota Statutes, section 290.391.

The amended returns must be filed by October 15, 1990.

Sec. 11. [EFFECTIVE DATE.]

Section 2 is effective for taxable years beginning after December 31, 1988. Section 3 is effective for taxable years beginning after December 31, 1990. Sections 4 and 5 are effective for taxable years beginning after December 31, 1989, relating to minimum tax liabilities incurred in taxable years beginning after December 31, 1988.

Sections 6 and 8 are effective the day after final enactment. Section 7 is effective for notices sent by the commissioner of jobs and training after July 31, 1989.

ARTICLE 2
BUSINESS TAXES

Section 1. Minnesota Statutes 1988, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 15, June 15, and December 15 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies and domestic mutual insurance companies, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. ~~For insurers other than town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) principally writing workers' compensation insurance, (ii) writing life insurance, or (iii) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000 Except as provided in paragraph (b),~~ installments must be based on a sum equal to two percent of the premiums described in paragraph ~~(b)~~ (c).

~~(b)~~ For town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) ~~principally writing workers' compensation insurance~~, (ii) writing life insurance, or ~~(iii)~~ (ii) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000, the installments must be based on an amount equal to the following percentages of the premiums described in paragraph ~~(b)~~ (c):

~~(1) for premiums paid after December 31, 1987, and before January 1, 1989, 1.5 percent;~~

~~(2)~~ for premiums paid after December 31, 1988, and before January 1, 1992, one percent; and

~~(3)~~ (2) for premiums paid after December 31, 1991, one-half of one percent.

~~(b)~~ (c) Installments under paragraph (a) ~~or (b)~~ are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year, excepting premiums written for marine insurance as specified in subdivision 6.

~~(e)~~ (d) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section.

Sec. 2. Minnesota Statutes 1988, section 290.015, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this chapter is precluded by Public Law Number 86-272, United States Code, title 15, sections 381 to 384 or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231.

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the property, or the

acquisition or liquidation of collateral relating to the property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

(1) an interest in a real estate mortgage investment conduit, a real estate investment trust, or a regulated investment company, as those terms are defined in the Internal Revenue Code of 1986, as amended through December 31, 1987;

(2) *an interest in money market instruments or securities as defined in section 290.191, subdivision 6, paragraphs (c) and (d);*

(3) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables; ~~and which are issued by a financial institution or by an entity substantially all of whose assets consist of promissory notes, mortgages, receivables, or interests in them;~~

~~(4) (4) an interest acquired from a person in any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner subject to the provisions of paragraph (c), clause (2)(A);~~

~~(5) (5) an interest acquired from a person in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner subject to the provisions of paragraph (c), clause (2)(A);~~

~~(6) (6) an interest acquired from a person in a funded or unfunded agreement to extend or guarantee credit whether conditional, mandatory, temporary, standby, secured, or otherwise, subject to the provisions of paragraph (c), clause (2)(A);~~

(7) an interest of a person other than an individual, estate, or trust, in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding provisions of this subdivision, provided the property is disposed of within a reasonable period of time; or

~~(8) (8) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision.~~

~~If the person is a member of the unitary group, paragraph (b) does not apply to an interest acquired from another member of the unitary group.~~

(c)(1) For purposes of paragraph (b), clauses (4) to (6), an interest in the type of assets or credit agreements described is deemed to exist at the time the owner becomes legally obligated, conditionally or unconditionally, to fund, acquire, renew, extend, amend, or otherwise enter into the credit arrangement.

(2)(A) An owner has acquired an interest from a person in paragraph (b), clauses (4) to (6), assets if:

(i) the owner at the time of the acquisition of the asset does not own, directly or indirectly, 15 percent or more of the outstanding stock or in the case of a partnership 15 percent or more of the capital or profit interests of the person from whom it acquired the asset;

(ii) the person from whom the owner acquired the asset regularly sells, assigns, or transfers interests in paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to three or more persons; and

(iii) the person from whom the owner acquired the asset does not sell, assign, or transfer 75 percent or more of its paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to the owner.

For purposes of determining indirect ownership under item (i), the owner is deemed to own all stock, capital, or profit interests owned by another person if the owner directly owns 15 percent or more of the stock, capital, or profit interests in the other person. The owner is also deemed to own through any intermediary parties all stock, capital, and profit interests directly owned by a person to the extent there exists a 15 percent or more chain of ownership of stock, capital, or profit interests between the owner, intermediary parties and the person.

(B) If the owner of the asset is a member of the unitary group, paragraph (b), clauses (4) to (8), do not apply to an interest acquired from another member of the unitary group. If the interest in the asset was originally acquired from a nonunitary member and at that time qualified as a section 290.015, subdivision 3, paragraph (b), asset, the foregoing limitation does not apply.

Sec. 3. Minnesota Statutes 1988, section 290.015, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS.] (a) This section does not subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business.

(b) The purchase of tangible personal property or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota, referred to as the "non-Minnesota person", from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made. This paragraph is subject to the limitations contained in subdivision 3, paragraph (b), clauses (4) to (6).

(c) No contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3, or with respect to deposits received from or by a Minnesota financial institution, shall be taken

into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. The fact of participation by a Minnesota financial institution in a transaction which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary group.

Sec. 4. Minnesota Statutes 1988, section 290.02, is amended to read:

290.02 [FRANCHISE TAX ON CORPORATIONS MEASURED BY NET INCOME.]

An annual franchise tax on the exercise of the corporate franchise to engage in contacts with this state that produce gross income attributable to sources within this state is imposed upon every corporation that so exercises its franchise during the taxable year.

Contacts within this state do not include transportation in interstate or foreign commerce, or both, by means of ships navigating within or through waters that are made international for navigation purposes by any treaty or agreement to which the United States is a party.

The tax so imposed ~~shall be~~ is measured by ~~such~~ the corporations' taxable income ~~and, Minnesota alternative minimum tax base, and Minnesota alternative minimum taxable income~~ for the taxable year for which the tax is imposed, and computed in the manner and at the rates provided in this chapter.

Sec. 5. Minnesota Statutes 1988, section 290.05, subdivision 3, is amended to read:

Subd. 3. (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

(i) section 527 (dealing with political organizations) ~~and~~;

(ii) section 528 (dealing with certain homeowners associations); *and*

(iii) *sections 511 to 515 (dealing with unrelated business income; but*

notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations *or the unrelated business taxable income, as defined in section 512 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue Code.* The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in ~~sections 290.09 and section 290.21~~ shall not be allowed in computing Minnesota taxable net income.

Sec. 6. Minnesota Statutes 1988, section 290.06, subdivision 1, is amended to read:

Subdivision 1. [COMPUTATION, CORPORATIONS.] (a) The franchise

tax imposed by this chapter upon corporations shall be computed by applying to their taxable income the rate of 9.5 percent adjusted as provided in paragraph (b).

(b) For taxable years beginning after December 31, 1989, the commissioner of revenue must adjust the rate provided in paragraph (a) as provided in this paragraph. By December 15, 1989, the commissioner shall prepare a forecast of revenues predicted to be raised for taxable years beginning in 1990 by the franchise tax on corporations under this chapter for taxable years beginning in 1990, including the tax under section 290.092, computed as if the tax were imposed under section 290.092, subdivisions 1 to 4, and the rate in effect in this subdivision were 9.5 percent. The commissioner shall adjust the rate provided in paragraph (a) so that the amount forecast to be raised by the franchise tax on corporations under this chapter, including the tax under section 290.092, subdivision 5, is equal to the amount of the forecast computed as if the tax under section 290.092, subdivisions 1 to 4, were in effect. The adjustment of the tax rate by the commissioner under this subdivision shall not be considered a "rule" and shall not be subject to the administrative procedure act contained in chapter 14.

Sec. 7. Minnesota Statutes 1988, section 290.06, subdivision 21, is amended to read:

Subd. 21. [ALTERNATIVE MINIMUM TAX; FACTORS TAX.] (a) A corporation is allowed a credit for alternative minimum tax previously paid for any taxable year in which the corporation has no tax liability under section 290.092, subdivision 1, and has an alternative minimum tax credit carryover from a previous year. The credit allowable in any taxable year shall be equal to equals the lesser of (1) the excess of the tax under this section for the taxable year over the amount computed under section 290.092, subdivision 1, clause (1), for the taxable year, or (2) the alternative minimum tax credit carryover to the taxable year.

(b) The tax imposed under section 290.092, subdivision 1, for any the taxable year is an alternative minimum tax credit carryover to each of the five taxable years succeeding the taxable year. The entire amount of the alternative minimum tax credit must be carried to the earliest taxable year to which such the amount may be carried. Any The unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year more than five years after the taxable year in which the alternative minimum tax under section 290.092, subdivision 1, was paid.

Sec. 8. Minnesota Statutes 1988, section 290.092, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION OF TAX.] For taxable years beginning after December 31, 1986, and before January 1, 1990 1989, in addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, of:

(1) ~~.001~~ .0005 multiplied by the alternative minimum tax base, over

(2) the amount of tax computed under this chapter without regard to this section.

A tax is payable under this section only if the tax computed under this section, if any, exceeds the tax computed under section 290.0921.

Sec. 9. [290.0921] [CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.]

Subdivision 1. [TAX IMPOSED.] In addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

- (a) 8.4 percent of Minnesota alternative minimum taxable income; over*
- (b) the tax imposed under section 290.06, subdivision 1, without regard to this section.*

A tax is payable under this section only if the tax computed under this section, if any, exceeds the tax computed under section 290.092.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1988.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; charitable contributions under subdivision 5; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income.

Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.] "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, and 58 of the Internal Revenue Code. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

(2) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(3) The special rule for 100 percent dividends under section 56(g)(4)(C)(ii)

of the Internal Revenue Code does not apply.

(4) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(6) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to the subtraction under section 290.01, subdivision 19d, clause (4).

(7) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(8) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(9) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

Subd. 4. [ALTERNATIVE TAX NET OPERATING LOSS.] (a) *An alternative tax net operating loss deduction is allowed from alternative minimum taxable net income equal to the net operating loss deduction allowable for the taxable year under section 290.095 with the following modifications:*

(1) The amount of the net operating loss deduction must not exceed 90 percent of alternative minimum taxable net income.

(2) In determining the amount of the net operating loss deduction (i) the net operating loss under section 290.095 must be adjusted as provided in paragraph (b), and (ii) for taxable years beginning after December 31, 1989, section 290.09, subdivision 3, must be applied by substituting "90 percent of alternative minimum taxable net income" for "taxable income" each place it appears.

(b) The following adjustments must be made to the alternative tax net operating loss deduction under paragraph (a):

(1) For a loss year beginning after December 31, 1989, the net operating loss for each year under section 290.095 must be (i) determined with the adjustments provided in sections 56 and 58 of the Internal Revenue Code, as modified by subdivision 3 and (ii) reduced by the items of tax preference for the year determined under section 57 of the Internal Revenue Code, as modified by subdivision 3.

(2) For a loss year beginning before January 1, 1990, the amount of the net operating loss that may be carried over to taxable years beginning after December 31, 1989, equals the amount which may be carried from the loss year to the first taxable year of the taxpayer beginning after December 31, 1989.

Subd. 5. [CHARITABLE CONTRIBUTIONS.] (a) *A deduction from alternative minimum taxable net income is allowed equal to the deduction for charitable contributions under section 290.21, subdivision 3. The deduction allowable for capital gain property is limited to the adjusted*

basis of the property as defined in section 290.01, subdivision 19f. The term capital gain property has the meaning given by section 170(b)(1)(C)(iv) of the Internal Revenue Code, but does not include property to which an election under section 170(b)(1)(C)(iii) of the Internal Revenue Code applies.

(b) The amount of the deduction may not exceed 15 percent of alternative minimum taxable net income less the deduction allowed under subdivision 6.

Subd. 6. [DIVIDENDS RECEIVED.] A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.

(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income.

Subd. 7. [FOREIGN OPERATING COMPANIES.] The income and deductions related to foreign operating companies, as defined in section 290.01, subdivision 6b, that are used to calculate Minnesota alternative minimum taxable income, are limited to the amounts included for purposes of calculating taxable income under section 290.01, subdivision 29.

Sec. 10. Minnesota Statutes 1988, section 290.17, is amended by adding a subdivision to read:

Subd. 7. [ALLOCATION AND APPORTIONMENT OF CERTAIN FARM INCOME BY C CORPORATIONS.] Notwithstanding any other subdivision, income to a taxpayer from the operation of a farm by a C corporation is assigned to this state and other states and countries under subdivision 3, the unitary business principle in subdivision 4, and the allocation provisions of sections 290.191 and 290.20, if:

(1) the farm operation provides material value added to an agricultural product by processing, packaging, grading, promotion, or distribution;

(2) the farm operation is classified by the United States Department of Commerce Standard Industrial Classification as industrial, manufacturing, or distribution;

(3) a material part of the income is attributable directly or indirectly to testing, research, genetic, or biological selection, genetic engineering, or creation or licensing of patents, copyrights, trademarks, or other intellectual property; or

(4) a material part of the income is derived from an activity that would not in itself be income from farming if performed by another person not otherwise engaged in farming.

Sec. 11. Minnesota Statutes 1988, section 290.191, subdivision 6, is amended to read:

Subd. 6. [DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.] (a) For purposes of this section, the rules in this subdivision and subdivisions 7 and 8 apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market instruments, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Tangible personal property that is characteristically moving property, such as motor vehicles, rolling stock, aircraft, vessels, mobile equipment, and the like, is considered to be located in a state if:

(1) the operation of the property is entirely within the state; or

(2) the operation of the property is in two or more states, but the principal base of operations from which the property is sent out is in the state.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations not secured by real or tangible personal property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which the office of the borrower from which the application would be made in the regular course of business is located. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) Interest income and other receipts from a participating financial institution's portion of participation loans must be attributed under paragraphs (e) to (h). A participation loan is ~~a loan in which more than one lender is a creditor to a common~~ *an arrangement in which a lender makes a loan to a borrower and then sells, assigns, or otherwise transfers all or a part of the loan to a purchasing financial institution. A syndication loan is a multibank loan transaction in which all the lenders are named as parties to the loan documentation, are known to the borrower, and have privity of contract with the borrower.*

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

(k) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Receipts from the performance of fiduciary and other services must be attributed to the state in which the benefits of the services are consumed. If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state. If the extent to which the benefits of services are consumed in this state is not readily determinable, the benefits of the services shall be deemed to be consumed at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the benefits of the services shall be deemed to be consumed at the office of the customer to which the services are billed.

(m) Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

(n) Receipts from investments of a financial institution in securities of this state, its political subdivisions, agencies, and instrumentalities must be attributed to this state.

(o) Receipts from a financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is not included in the numerator or the denominator of the receipts factor provided the financial institution's activities within this state with respect to any interest in the property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (n) and subdivision 7.

Sec. 12. Minnesota Statutes 1988, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom.

The remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31,

1988.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986 as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1986, as amended through December 31, 1987.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1986, as amended through December 31, 1987.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) ~~80 percent or 70 percent, the percentage allowed pursuant to paragraph (a) or (b);~~ and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

Sec. 13. Minnesota Statutes 1988, section 290.35, subdivision 1, is amended to read:

Subdivision 1. [COMPUTATION OF TAXABLE NET INCOME.] The

taxable net income of insurance companies taxable under this chapter shall be computed as follows:

Each such company shall report to the commissioner the net income returned by it for the taxable year to the United States under the provisions of the act of congress, known as the revenue act of 1936, or that it would be required to return as net income thereunder if it were in effect. *In determining net income, the amount allowed as a deduction for interest credited to policy reserves shall not exceed the larger of the amount allowed by law or the amount the insurance company has actually credited.* Notwithstanding the provisions of the Revenue Act of 1936, whether or not an insurance company is exempt from taxation must be determined under section 290.05.

Sec. 14. Minnesota Statutes 1988, section 290.37, subdivision 1, is amended to read:

Subdivision 1. [PERSONS MAKING RETURNS.] (a) A taxpayer shall file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1987, except that an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

The trustee or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount determined by the commissioner if such trust belongs to the class of taxable persons.

Every corporation shall file a return, if the corporation is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return. The return in the case of a corporation must be signed by a person designated by the corporation. The commissioner ~~may~~ shall adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report ~~if the affiliated group includes a bank subject to tax under this chapter.~~ Members of an affiliated group that elect to file one return on behalf of the members of the group under rules adopted by the commissioner may modify or rescind the election by filing the form required by the commissioner.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if a return is required.

(b) Such return shall (1) contain a written declaration that it is correct

and complete, and (2) shall contain language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

(c) An exempt organization that is subject to tax on unrelated business income under section 290.05, subdivision 3, must file a return for each taxable year in which the organization is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1988, because of the receipt of unrelated business income. If an organization is required to file a return under federal law but has no federal tax liability for the taxable year, the commissioner may provide that the filing requirement under this paragraph is satisfied by filing a copy of the taxpayer's federal return.

Sec. 15. Minnesota Statutes 1988, section 290.92, subdivision 4b, as added by Laws 1989, chapter 28, section 19, is amended to read:

Subd. 4b. [WITHHOLDING BY PARTNERSHIPS.] (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) when the partnership pays or credits amounts to any of its nonresident individual partners on account of their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined based on tables provided by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) A partnership required to deduct and withhold tax under this subdivision shall file a return with the commissioner. The tax required to be deducted and withheld during that year must be paid with the return. The return and payment is due on or before the due date specified for filing the partnership return under section 290.42.

(d) A partnership required to withhold and remit tax under this subdivision is liable for payment of the tax to the commissioner, and a person having control of or responsibility for the withholding of the tax or the filing of returns due under this subdivision is personally liable for the tax due. The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(e) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 290.39, subdivision 5;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; ~~or~~

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; *or*

(4) *the distributive shares of partnership income are attributable to:*

(i) *income required to be recognized because of discharge of indebtedness;*

(ii) *income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code of 1986, as amended through December 31, 1988; or*

(iii) *income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to sections 108, 734, 743, 754, or 1017 of the Internal Revenue Code of 1986, as amended through December 31, 1988,*

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property.

(f) For purposes of subdivisions 6, paragraph (1)(c), 6a, 7, 11, and 15, a partnership is considered an employer.

(g) *To the extent that income is exempt from withholding under paragraph (e), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (e), clause (4). The lien arises under section 270.69 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270.70, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.*

Sec. 16. Minnesota Statutes 1988, section 290.934, subdivision 3a, is amended to read:

Subd. 3a. [REQUIRED INSTALLMENTS.] (1) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

(2) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(a) 90 percent of the tax shown on the return for the taxable year, or if no return is filed 90 percent of the tax for such year; or

(b) 100 percent of the tax shown on the return of the corporation for the preceding taxable year providing such return was for a full 12-month period, did show a liability, and was filed by the corporation.

(3) Except for determining the first required installment for any taxable year, paragraph (2), clause (b), does not apply in the case of a large corporation. The term "large corporation" means a corporation or any predecessor corporation that had taxable net income of \$1,000,000 or more for any taxable year during the testing period. The term "testing period" means the three taxable years immediately preceding the taxable year involved. A reduction allowed to a large corporation for the first installment that is allowed by applying paragraph (2), clause (b), must be recaptured by increasing the next required installment by the amount of the reduction.

(4) In the case of a required installment, if the corporation establishes that the annualized income installment is less than the amount determined in paragraph (1), the amount of the required installment is the annualized income installment and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. ~~A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.~~

(5) The "annualized income installment" is the excess, if any, of:

(a) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the taxable income:

(i) for the first two months of the taxable year, in the case of the first required installment;

(ii) for the first two months or for the first five months of the taxable year, in the case of the second required installment;

(iii) for the first six months or for the first eight months of the taxable year, in the case of the third required installment; and

(iv) for the first nine months or for the first 11 months of the taxable year, in the case of the fourth required installment, over;

(b) the aggregate amount of any prior required installments for the taxable year.

(c) For the purpose of this paragraph, the annualized income shall be computed by placing on an annualized basis the taxable income for the year up to the end of the month preceding the due date for the quarterly payment multiplied by 12 and dividing the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as the case may be) referred to in clause (a).

(d) The "applicable percentage" used in clause (a) is:

In the case of the following required installments:	The applicable percentage is:
1st	22.5
2nd	45
3rd	67.5
4th	90

(6)(a) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

(i) take the taxable income for all months during the taxable year preceding the filing month;

(ii) divide that amount by the base period percentage for all months during the taxable year preceding the filing month;

(iii) determine the tax on the amount determined under item (ii); and

(iv) multiply the tax computed under item (iii) by the base period percentage for the filing month and all months during the taxable year preceding the filing month.

(b) For purposes of this paragraph:

(i) the "base period percentage" for any period of months is the average

percent which the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years;

(ii) the term "filing month" means the month in which the installment is required to be paid;

(iii) this paragraph shall only apply if the base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent; and

(iv) the commissioner may provide by rule for the determination of the base period percentage in the case of reorganizations, new corporations, and other similar circumstances.

(c) In the case of a required installment, determined under this paragraph, if the corporation determines that the installment is less than the amount determined in paragraph (1), the amount of the required installment is the amount determined under this paragraph and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. ~~A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.~~

Sec. 17. Minnesota Statutes 1988, section 295.34, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 2, every telephone company shall file a return with the commissioner of revenue on or before April 15 of each year, and submit payment therewith, of the following percentages of its gross earnings, including long distance access charges, of the preceding calendar year derived from business within this state:

(a) for gross earnings from service to rural subscribers and from exchange business of all cities of the fourth class and statutory cities having a population of 10,000 or less

for calendar years beginning before December 31, 1988, four percent,

for calendar year 1989, three percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of four percent,

for calendar year 1990, 1.5 percent,

for calendar year 1991, one percent, and

for calendar years beginning after December 31, 1991, exempt; and

(b) for gross earnings derived from all other business

for calendar years beginning before December 31, 1988, seven percent,

for calendar year 1989, 5.5 percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of seven percent,

for calendar year 1990, three percent,

for calendar year 1991, 2.5 percent, and

for calendar years beginning after December 31, 1991, exempt.

A tax shall not be imposed on the gross earnings of a telephone company

from business originating or terminating outside of Minnesota, except that the gross earnings tax is imposed on all long distance access charges allocated to interstate service received in payment from a telephone company before December 31, 1989.

The tax imposed is in lieu of all other taxes, except the taxes imposed by chapter 290, property taxes assessed beginning in 1989, payable in 1990, and sales and use taxes imposed as a result of chapter 297A. All money paid by a company for connecting fees and switching charges to any other company shall be reported as earnings by the company to which they are paid. For the purposes of this section, the population of any statutory city shall be considered as that stated in the latest federal census.

(c) For the period January 1, 1984 through December 31, 1986, all money paid by a company for connecting fees and switching charges, including carriers access charges except that portion paid for directory assistance and billing and collection services, to any other company must be reported as earnings by the company to which they are paid, but are not deemed to be earnings of the collecting and paying company.

(d) Gross earnings include customer access charges. Customer access charges are not gross earnings from business originating or terminating outside of Minnesota for purposes of the gross earnings tax. Customer access charges include the flat rate monthly charges received by a telephone company from its customers, that are authorized by the Federal Communications Commission and that compensate a telephone company for the cost of a local telephone plant to the extent attributable to interstate service.

Sec. 18. Minnesota Statutes 1988, section 298.01, is amended by adding a subdivision to read:

Subd. 3c. [ALTERNATIVE MINIMUM TAX.] For purposes of calculating the alternative minimum tax under section 290.0921, Minnesota alternative minimum taxable income must be computed under the provisions of subdivisions 3, 3a, and 3b, and the provisions of section 290.0921, except that:

(1) the adjustment for adjusted current earnings under section 56(g) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be determined using gross income as defined in subdivision 3a; and

(2) the tax preference for depletion under section 57(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be included in alternative minimum taxable income.

Sec. 19. Minnesota Statutes 1988, section 298.01, is amended by adding a subdivision to read:

Subd. 4d. [ALTERNATIVE MINIMUM TAX.] For purposes of calculating the alternative minimum tax under section 290.0921, Minnesota alternative minimum taxable income must be computed under the provisions of subdivisions 4, 4a, 4b and 4c, and the provisions of section 290.0921, except that:

(1) for purposes of the depreciation adjustments provided by section 56(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1988, the basis for depreciable property placed in service is the remaining depreciable basis as defined in subdivision 4c;

(2) the adjustment for adjusted current earnings under section 56(g) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be determined using gross income as defined in subdivision 4a;

(3) the tax preference for depletion under section 57(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be included in alternative minimum taxable income; and

(4) for purposes of calculating the tax preference for accelerated depreciation or amortization of certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code of 1986, as amended through December 31, 1988, the deduction allowable for the taxable year shall mean the deduction allowable under subdivision 4c, provided that this modification must not reduce the amount of tax preference to less than zero.

Sec. 20. [STATEMENT OF PURPOSE.]

The purpose of section 17 is to confirm and clarify the original intent of the legislature in enacting the exemption for gross earnings from business originating or terminating outside of Minnesota in Minnesota Statutes, section 295.34. Section 17 does not create a new category of earnings subject to the gross earnings tax. It ratifies existing state interpretation of the telephone gross earnings tax and Minnesota Statutes, section 295.34.

Sec. 21. [REFUND ON ACCESS CHARGES.]

All persons who purchased telecommunications services from a long distance carrier and who on January 1, 1988, utilized customer provided access for such long distance telecommunication services but who were directly or indirectly billed by the long distance carrier a surcharge, reflecting the tax on long distance access charges, are entitled to a refund of all such amounts. The refund claim shall be filed at the end of each calendar year with the commissioner of revenue and shall set forth the basis for the refund and the amount to be refunded. The money necessary to pay the refunds is hereby appropriated to the commissioner out of the general fund. This section is effective for all amounts paid in calendar year 1989.

Sec. 22. [REPEALER.]

Minnesota Statutes 1988, section 290.092, subdivision 5, is repealed.

Sec. 23. [EFFECTIVE DATE.]

Section 1 is effective for premiums paid after December 31, 1988. Sections 2, 3, 5, 11, 12, and 14, paragraph (c), are effective for taxable years beginning after December 31, 1988. Sections 4, 6 to 9, and 14, paragraph (a), are effective for taxable years beginning after December 31, 1989. Section 10 is effective for taxable years beginning after December 31, 1990. Section 15 is effective after December 31, 1989. Section 16 is effective for payments due after May 31, 1989. Section 17 is effective retroactive to January 1, 1986. Sections 18 and 19 are effective for ores mined after December 31, 1989. Section 22 is effective the day following final enactment. Section 13 is effective for taxable years beginning after December 31, 1988.

ARTICLE 3 PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1988, section 290A.03, subdivision 11, is amended to read:

Subd. 11. [RENT CONSTITUTING PROPERTY TAXES.] "Rent constituting property taxes" means ~~the amount 21 percent of the gross rent actually paid in cash, or its equivalent, or that portion of gross rent which is attributable (a) to the property tax paid on the unit or (b) to the amount paid in lieu of property taxes, in any calendar year by a claimant solely for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant. The amount of rent attributable to property taxes paid or payments in lieu made on the unit shall be determined by multiplying the net tax on the property where the unit is located by a fraction, the numerator of which is the gross rent paid by the claimant for the calendar year for the unit and the denominator of which is the gross rent paid for the calendar year for the property in which the unit is located. In no case may the rent constituting property taxes exceed 50 percent of the gross rent paid by the claimant during that calendar year. In the case of a claimant who resides in a unit for which (1) a rent subsidy is paid to, or for, the claimant based on the income of the claimant or the claimant's family, or (2) a subsidy is paid to a public housing authority that owns or operates the claimant's rental unit, pursuant to United States Code, title 42, section 1437e, 20 percent of gross rent actually paid in cash or its equivalent shall be the claimant's "rent constituting property taxes paid."~~ For purposes of this subdivision, "rent subsidy" does not include any housing assistance received under aid to families with dependent children, general assistance, Minnesota supplemental assistance, supplemental security income, or similar income maintenance programs.

Sec. 2. Minnesota Statutes 1988, section 290A.04, subdivision 1, is amended to read:

Subdivision 1. A refund shall be allowed each claimant in the amount that property taxes payable or rent constituting property taxes exceed the percentage of the household income of the claimant specified in subdivision 2 or 2a in the year for which the taxes were levied or in the year in which the rent was paid as specified in subdivision 2 or 2a. If the amount of property taxes payable or rent constituting property taxes is equal to or less than the percentage of the household income of the claimant specified in subdivision 2 or 2a in the year for which the taxes were levied or in the year in which the rent was paid, the claimant shall not be eligible for a state refund pursuant to this section. For purposes of claiming this refund, a claimant who owns a homestead part of the year and rents part of the year may add the rent constituting property taxes to the qualifying tax on the homestead.

Sec. 3. Minnesota Statutes 1988, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant who, on the federal tax return filed for the prior year, claimed a personal exemption for a dependent pursuant to section 151 of the Internal Revenue Code, and whose property taxes payable or rent constituting property taxes are in excess of the percentage of the

household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable or rent constituting property taxes. The state refund will be equal to the amount of property taxes payable or rent constituting property taxes that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 999	1.0 percent	10 percent	\$1,100
1,000 to 1,999	1.1 percent	11 percent	\$1,100
2,000 to 2,999	1.2 percent	12 percent	\$1,100
3,000 to 3,499	1.3 percent	13 percent	\$1,100
3,500 to 3,999	1.3 percent	13 percent	\$1,100
4,000 to 4,499	1.4 percent	14 percent	\$1,100
4,500 to 4,999	1.4 percent	14 percent	\$1,100
5,000 to 5,999	1.5 percent	15 percent	\$1,100
6,000 to 6,999	1.5 percent	16 percent	\$1,100
7,000 to 7,999	1.6 percent	17 percent	\$1,100
8,000 to 8,999	1.6 percent	18 percent	\$1,100
9,000 to 9,999	1.7 percent	19 percent	\$1,100
10,000 to 10,999	1.7 percent	20 percent	\$1,075
11,000 to 11,999	1.8 percent	22 percent	\$1,075
12,000 to 12,999	1.8 percent	24 percent	\$1,075
13,000 to 13,999	1.9 percent	26 percent	\$1,075
14,000 to 14,999	2.0 percent	28 percent	\$1,075
15,000 to 15,999	2.1 percent	30 percent	\$1,075
16,000 to 16,999	2.2 percent	32 percent	\$1,075
17,000 to 17,999	2.3 percent	34 percent	\$1,050
18,000 to 18,999	2.4 percent	36 percent	\$1,050
19,000 to 19,999	2.6 percent	38 percent	\$1,050
20,000 to 20,999	2.8 percent	40 percent	\$1,050
21,000 to 21,999	3.0 percent	42 percent	\$1,050
22,000 to 22,999	3.2 percent	44 percent	\$1,050
23,000 to 23,999	3.3 percent	46 percent	\$1,025
24,000 to 24,999	3.4 percent	48 percent	\$1,025
25,000 to 25,999	3.5 percent	50 percent	\$1,025
26,000 to 26,999	3.6 percent	52 percent	\$1,025
27,000 to 27,999	3.7 percent	54 percent	\$1,000
28,000 to 28,999	3.8 percent	56 percent	\$ 900
29,000 to 29,999	3.9 percent	58 percent	\$ 800
30,000 to 30,999	4.0 percent	60 percent	\$ 700
31,000 to 31,999	4.0 percent	60 percent	\$ 600
32,000 to 32,999	4.0 percent	60 percent	\$ 500
33,000 to 33,999	4.0 percent	60 percent	\$ 300
34,000 to 34,999	4.0 percent	60 percent	\$ 100

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision. For taxes payable in 1989, the amount of the refund must be reduced by the homestead credit. No payment is allowed if the claimant's household income is \$35,000 or more.

Sec. 4. Minnesota Statutes 1988, section 290A.04, is amended by adding a subdivision to read:

Subd. 2a. A claimant who is ineligible for a refund under subdivision 2 and whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable or rent constituting property taxes. The state refund will be equal to the amount of property taxes payable or rent constituting property taxes that remain, up to the state refund amount shown below.

<i>Household Income</i>	<i>Percent of Income</i>	<i>Percent Paid by Claimant</i>	<i>Maximum State Refund</i>
\$0 to 999	.9 percent	7 percent	\$1,100
1,000 to 1,999	1.0 percent	8 percent	\$1,100
2,000 to 2,999	1.1 percent	9 percent	\$1,100
3,000 to 3,999	1.2 percent	10 percent	\$1,100
4,000 to 4,999	1.3 percent	11 percent	\$1,100
5,000 to 5,999	1.4 percent	12 percent	\$1,100
6,000 to 6,999	1.4 percent	13 percent	\$1,100
7,000 to 7,999	1.5 percent	14 percent	\$1,100
8,000 to 8,999	1.5 percent	15 percent	\$1,100
9,000 to 9,999	1.6 percent	16 percent	\$1,100
10,000 to 10,999	1.6 percent	17 percent	\$1,075
11,000 to 11,999	1.7 percent	18 percent	\$1,075
12,000 to 12,999	1.7 percent	19 percent	\$1,075
13,000 to 13,999	1.8 percent	19 percent	\$1,075
14,000 to 14,999	1.9 percent	20 percent	\$1,075
15,000 to 15,999	2.0 percent	21 percent	\$1,075
16,000 to 16,999	2.1 percent	21 percent	\$1,075
17,000 to 17,999	2.2 percent	22 percent	\$1,050
18,000 to 18,999	2.3 percent	22 percent	\$1,050
19,000 to 19,999	2.4 percent	23 percent	\$1,050
20,000 to 20,999	2.5 percent	25 percent	\$1,050
21,000 to 21,999	2.6 percent	26 percent	\$1,050
22,000 to 22,999	2.7 percent	28 percent	\$1,050
23,000 to 23,999	2.8 percent	29 percent	\$1,025
24,000 to 24,999	2.9 percent	30 percent	\$1,025
25,000 to 25,999	3.0 percent	32 percent	\$1,025
26,000 to 26,999	3.1 percent	33 percent	\$1,025
27,000 to 27,999	3.3 percent	35 percent	\$1,000
28,000 to 28,999	3.4 percent	37 percent	\$ 900
29,000 to 29,999	3.5 percent	40 percent	\$ 800
30,000 to 30,999	3.6 percent	44 percent	\$ 700
31,000 to 31,999	3.7 percent	48 percent	\$ 600
32,000 to 32,999	3.8 percent	52 percent	\$ 500
33,000 to 33,999	3.9 percent	56 percent	\$ 300
34,000 to 34,999	4.0 percent	60 percent	\$ 100

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision. For taxes payable in 1989, the amount of the refund must be reduced by the homestead credit. No payment is allowed if the claimant's household income is \$35,000 or more.

Sec. 5. Minnesota Statutes 1988, section 290A.04, subdivision 2b, is amended to read:

Subd. 2b. The commissioner may reconstruct the tables in subdivision 2 or 2a for homeowners to reflect the elimination of the homestead credit beginning for claims based on taxes payable in 1990.

Sec. 6. Minnesota Statutes 1988, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. If the net property taxes payable in 1989 on a homestead increase more than ten percent over the net property taxes payable in 1988 on the same property, and the amount of that increase is \$40 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 75 percent of the amount by which the increase exceeds ten percent. This subdivision shall not apply to any increase in the net property taxes payable attributable to improvements made to the homestead.

~~A refund under this subdivision shall not exceed \$250.~~

For purposes of this subdivision, "net property taxes payable" means property taxes payable after reductions made pursuant to sections 273.13, subdivisions 22 and 23; 273.132; 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivision 2.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

Sec. 7. Minnesota Statutes 1988, section 290A.04, is amended by adding a subdivision to read:

Subd. 2i. If the net property taxes payable in 1990 on a homestead increase more than ten percent over the net property taxes payable in 1989 on the same property, and the amount of that increase is \$40 or more, a claimant who is a homeowner shall be allowed an additional refund equal to the amount by which the increase exceeds ten percent. This subdivision shall not apply to any increase in the net property taxes payable attributable to improvements made to the homestead.

For purposes of this subdivision, "net property taxes payable" means property taxes payable after reductions made pursuant to sections 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivision 2 or 2a.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

Sec. 8. Minnesota Statutes 1988, section 290A.04, subdivision 3, is amended to read:

Subd. 3. The commissioner of revenue shall construct and make available to taxpayers a comprehensive table showing the property taxes to be paid and refund allowed at various levels of income and assessment. The table shall follow the schedule of income percentages, maximums and other provisions specified in subdivision 2 or 2a, except that the commissioner may graduate the transition between income brackets. All refunds shall be

computed in accordance with tables prepared and issued by the commissioner of revenue.

Sec. 9. [EFFECTIVE DATE.]

Sections 1, 2, 3, 4, 5, and 8 are effective for claims based on property taxes payable in 1990, rent constituting property taxes paid in 1989, and thereafter. Section 6 is effective the day following final enactment.

ARTICLE 4

PROPERTY TAX AIDS AND LEVIES

Section 1. Minnesota Statutes 1988, section 270.12, is amended by adding a subdivision to read:

Subd. 4. For purposes of equalization, state-assessed public utility property shall be considered as a separate class of property notwithstanding the fact that its tax capacity rate may be assigned pursuant to another class of property.

Sec. 2. Minnesota Statutes 1988, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

- (1) all public burying grounds;
- (2) all public schoolhouses;
- (3) all public hospitals;
- (4) all academies, colleges, and universities, and all seminaries of learning;
- (5) all churches, church property, and houses of worship;
- (6) institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clause (1) or (2), or paragraph (d), clause (2);
- (7) all public property exclusively used for any public purpose;
- (8) except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

- (e) manufactured homes and sectional structures; and
- (f) flight property as defined in section 270.071.

(9) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, other than real property used primarily as a solid waste disposal site.

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause and section 273.116. Upon receipt of an application for the exemption and credit provided in this clause and section 273.116 for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydro-mechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8, and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by paragraph (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, non-profit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary

housing to parents and children who are receiving AFDC or parents of children who are temporarily in foster care. (ii) It has the purpose of reuniting families and enabling parents to *obtain self-sufficiency*, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least six months but no longer than ~~one year~~ *three years*, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is sponsored by an organization that has received a grant under *either* section 256.7365 for the biennium ending June 30, 1989, *or* section 462A.07, subdivision 15, for the biennium ending June 30, 1991, for the purposes of providing the services in items (i) to (iv). (vi) It is sponsored by an organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

Sec. 3. Minnesota Statutes 1988, section 272.02, is amended by adding a subdivision to read:

Subd. 6. [PROPERTY LEASED TO SCHOOL DISTRICTS.] Property that is leased or rented to a school district is exempt from taxation if it meets the following requirements:

(1) the lease must be for a period of at least 12 consecutive months;

(2) the terms of the lease must require the school district to pay a nominal consideration for use of the building;

(3) the school district must use the property to provide direct instruction in any grade from kindergarten through twelfth grade or special education for handicapped children or adult basic and continuing education as described in section 124.26, including provision of administrative services directly related to the educational program at that site; and

(4) the lease must provide that the school district has the exclusive use of the property during the lease period.

If the property that is leased to the school district is less than a complete parcel for assessment purposes, the value of that portion of the parcel that is leased is exempt under this subdivision.

Sec. 4. Minnesota Statutes 1988, section 273.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as provided in subdivisions 6, 8, ~~and 9, and 11,~~ or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated such that any amount under \$100 is rounded up

to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for a fair, voluntary sale, for cash. In valuing real property which is vacant, the fact that such property is platted shall not be taken into account. An individual lot of such platted property shall not be assessed in excess of the assessment of the land as if it were unplatted until the lot is improved with a permanent improvement all or a portion of which is located upon the lot, or for a period of three years after final approval of said plat whichever is shorter. When a lot is sold or construction begun, the gross tax capacity of that lot or any single contiguous lot fronting on the same street shall be eligible for reassessment. All property, or the use thereof, which is taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Sec. 5. Minnesota Statutes 1988, section 273.11, is amended by adding a subdivision to read:

Subd. 11. [HOMESTEADS; LIMITATION IN MARKET VALUE INCREASES.] (a) After determining the market value of property classified class 1 or 2a, the assessor shall compare the market value with the market value determined in the preceding assessment. Notwithstanding any law to the contrary, the percentage increase in value entered in the current assessment over the previous year's assessment must not exceed the greater of \$10,000 or ten percent.

(b) Any increase in value in excess of the amount determined in paragraph (a) must be entered equally in the three subsequent assessment years. An excess amount entered under this paragraph is not subject to the limitation in paragraph (a).

(c) This subdivision does not apply to increases in value attributable to improvements made to the property. It does not apply to property becoming subject to taxation since the last assessment.

(d) The limitation contained in this subdivision also applies to the local boards of review under section 274.01, the county boards of equalization under section 274.13, and the state board of equalization and the commissioner of revenue under sections 270.11, 270.12, and 270.16. Except for property subject to the provisions of paragraph (c), the cumulative increases made by the assessor, the boards, and the commissioner may not exceed the maximum increase allowed under paragraph (a). Excess increases must be entered in subsequent years under paragraph (b).

Sec. 6. Minnesota Statutes 1988, section 273.111, subdivision 3, is

amended to read:

Subd. 3. (a) Real estate consisting of ten acres or more *or a nursery or greenhouse qualifying for classification as class 1b, 2a, or 2b under section 273.13, subdivision 23, paragraph (d)*, shall be entitled to valuation and tax deferment under this section only if it is actively and exclusively devoted to agricultural use as defined in subdivision 6 and either: (1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property-; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of ~~Laws 1969, chapter 4039~~, *this section or is real estate which is farmed with the real estate which qualifies under this clause*; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation-; or

(4) *is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.*

(b) Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for:

(1) family farm corporations organized pursuant to section 500.24; and

(2) *corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.*

Corporate entities who previously qualified for tax deferment pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of this section will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period shall result in payment of deferred taxes as follows: sale within the first year requires payment of payable 1980, 1981, and 1982 deferred taxes; sale during the second year requires payment of payable 1981 and 1982 taxes deferred; and sale at any time during the third year will require payment of payable 1983 taxes deferred. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. Special assessments are payable at the end of the three-year period or at time of sale, whichever comes first.

Sec. 7. Minnesota Statutes 1988, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a *residential* homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

The assessor shall require proof, by affidavit or otherwise, of the facts upon which classification as a homestead may be determined.

For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner shall apply for it to the assessor by July 1 of the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor must not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility.

If an individual is purchasing property with the intent of claiming it as a homestead, and is required by the terms of the financing agreement to have one or both parents shown on the deed as coowners, the assessor shall allow a full homestead classification and extend full homestead credit. This provision only applies to first time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

Sec. 8. Minnesota Statutes 1988, section 273.124, subdivision 9, is amended to read:

Subd. 9. [HOMESTEAD ESTABLISHED AFTER ASSESSMENT DATE.] Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead ~~on~~ by June 1 of a year, constitutes class 1 or class 2a ~~to the extent of one-half of the valuation that would have been includable in class 1 or class 2a.~~

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, prior to June 15 of the year of occupancy in order to qualify under this subdivision.

The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

The owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, regardless of whether or not the notification has been timely filed, may be entitled to receive homestead classification by proper application as provided in section 270.07 or 375.192.

The county assessor shall publish in a newspaper of general circulation within the county no later than June 1 of each year a notice informing the public of the requirement to file an application for homestead prior to June

15.

Sec. 9. Minnesota Statutes 1988, section 273.124, is amended by adding a subdivision to read:

Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.] (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous to agricultural land on at least two sides;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than two townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage and one acre of land.

Homesteads initially classified as class 2a under the provisions of this subdivision shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, so long as the homestead remains under the same ownership and the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres.

(b) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than two townships or cities or combination thereof from the homestead.

(c) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

Sec. 10. Minnesota Statutes 1988, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$68,000 of market value of class 1a property has a net tax capacity of ~~one~~ .95 percent of its market value and a gross tax capacity of 2.17 percent of its market value. The market value of class 1a property that exceeds \$68,000 but does not exceed \$100,000 has a tax capacity of ~~2.5~~ 1.9 percent of its market value. The market value of class 1a property that exceeds \$100,000 has a tax capacity of ~~3.3~~ three percent of its market value.

(b) Class 1b property includes real estate or manufactured homes used

for the purposes of a homestead by

(1) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(iii) whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed pursuant to clause (1) only if the commissioner of jobs and training certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of jobs and training shall provide a copy of the certification to the commissioner of revenue.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net tax capacity of .4 percent of its market value and a gross tax capacity of .87 percent of its market value. The remaining market value of class 1b property has a gross or net tax capacity using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lake-shore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, *which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership.* Class 1c property has a tax capacity of ~~9~~ .75 percent of market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

~~(d) For taxes levied in 1988, payable in 1989 only, the tax to be paid on class 1a or class 1b property shall be reduced by 54 percent of the tax imposed on the first \$68,000 of market value. The amount of the reduction shall not exceed \$725.~~

Sec. 11. Minnesota Statutes 1988, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land that does not exceed ~~\$65,000~~ \$68,000 has a net tax capacity of ~~805~~ .925 percent of market value for taxes levied in 1989 and .95 percent for taxes levied in 1990 and thereafter and a gross tax capacity of 1.75 percent of market value~~-. the excess market value over \$65,000 \$68,000 but not exceeding \$100,000 has a tax capacity of 2-2~~ 1.9 percent *and the market value exceeding \$100,000 has a tax capacity of three percent.* If the market value of the house, garage, and surrounding one acre of land is less than ~~\$65,000~~ \$100,000, the value of the remaining land including improvements equal to the difference between ~~\$65,000~~ \$100,000 and the market value of the house, garage, and surrounding one acre of land has a net tax capacity of ~~4-12~~ .37 percent of market value and a gross tax capacity of 1.75 percent of market value for the first 320 acres of land and the remaining value over 320 acres has a net tax capacity of ~~1-295~~ .37 percent of market value and a gross tax capacity of 1.75 percent of market value. The remaining value of class 2a property over ~~the \$65,000 \$100,000 of market value that does not exceed 320 acres has a net tax capacity of 4-44~~ 1.3 percent of market value and a gross tax capacity of 2.25 percent of market value. The remaining property over ~~the \$65,000 \$100,000 of market value in excess of 320 acres has a net tax capacity of 4-665~~ 1.55 percent of market value and a gross tax capacity of 2.25 percent of market value.

Nonecontiguous land shall constitute class 2a *only* if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it *must be classified class 2a.* If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably

necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

For taxes levied in 1988, payable in 1989 only, the tax to be paid on class 2a property and class 1b property under section 273.13, subdivision 22, paragraph (b), used for agricultural purposes shall be reduced by 54 percent of the tax. The amount of the reduction shall not exceed \$725.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; and (2) real estate that is nonhomestead agricultural land. Class 2b property has a net tax capacity of 1.55 percent of market value and a gross tax capacity of 2.25 percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land, and land included in federal farm programs.

(d) Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, including the breeding of fish for sale and consumption ~~provided that it is located if the fish breeding occurs~~ on land zoned for agricultural use, shall be considered as agricultural land, if it is not used primarily for residential purposes. The term "agricultural products" as used in the preceding sentence means any of the products identified in section 273.111, subdivision 6, clause (2). "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products.

(e) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

- (1) wholesale and retail sales;
- (2) processing of raw agricultural products or other goods;
- (3) warehousing or storage of processed goods; and
- (4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

Sec. 12. Minnesota Statutes 1988, section 273.13, subdivision 24, is

amended to read:

Subd. 24. [CLASS 3.] (a) Commercial, *and industrial, property and utility real and personal property, except class 5a property as identified in subdivision 31*, is class 3a. It has a tax capacity of ~~3.3~~ 3.15 percent of the first \$100,000 of market value and ~~5.25~~ 5.1 percent of the market value over \$100,000. ~~For taxes payable in 1991, the 5.25 percent rate shall be 5.2 percent and for taxes payable in 1992 and subsequent years the rate shall be 5.15 percent.~~ In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a tax capacity ~~3.3~~ of 3.15 percent. In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a tax capacity of ~~3.3~~ 3.15 percent.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a tax capacity of 2.5 percent of the first \$50,000 of market value and ~~3.5~~ 3.15 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the tax capacity of the first \$100,000 of market value is ~~3.3~~ 3.15 percent and the tax capacity of the remainder is 4.8 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

Sec. 13. Minnesota Statutes 1988, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property has a tax capacity of ~~4.4~~ 3.2 percent of market value.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, recreational, ~~and which has a tax capacity of 2.75 percent of market value;~~

(2) a structure having five or more stories that is constructed with materials meeting the requirements for type I or II construction as defined in the state building code, 90 percent or more of which is used or is to be used as apartment housing for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is the earlier date, *which has a tax capacity of 3.2 percent of market value;*

~~(2)~~ (3) post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing, *which has a tax capacity of 2.75 percent of market value;*

(3) (4) manufactured homes not classified under any other provision, *which has a tax capacity of 2.75 percent of market value;*

(4) (5) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b), which has a tax capacity of ~~2.7~~ 2.75 percent of market value.

~~Class 4b property has a tax capacity of 3.5 percent of market value, except as provided in clause (4).~~

(c) Class 4c property includes:

(1) a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan;

(2) a structure that is:

(i) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended; and

(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter; and

(3) a qualified low-income building that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, ~~1987~~ 1988; or (ii) meets the requirements of that section. Classification pursuant to this clause is limited to ~~buildings the construction or rehabilitation of which began after May 1, 1988, and to a term of 15 years.~~

For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents. The land on which these structures are situated has a tax capacity of ~~3.5~~ 2.75 percent of market value if the structure contains fewer than four units, and ~~4.1~~ 3.2 percent of market value if the structure contains four or more units.

(4) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a

lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (a) it is a nonprofit corporation organized under chapter 317; (b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (c) it limits membership with voting rights to residents of the designated community; and (d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and

(5) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than ~~200~~ 250 days in the year preceding the year of assessment. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for the use. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than ~~200~~ 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in clauses (5) and (6) also includes the remainder of class 1c resorts and has a tax capacity of ~~2-6~~ 2.4 percent of market value, except that noncommercial seasonal recreational property has a tax capacity of ~~2-3~~ 2.14 percent of market value; and

(6) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1988. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity; and

Class 4c property classified under clauses (1), (2), (3), ~~and~~ (4), and (6) has a tax capacity of 2.5 percent of market value.

(d) Class 4d property includes any structure:

(i) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration;

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the farmers home administration. Property is classified under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The 1.5 percent and 2.5 percent tax capacity assignments apply to the properties described in paragraph (c), clauses (1), (2), and (3) and this clause, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. Classification under this clause is only available to property of a nonprofit or limited dividend entity.

Class 4d property has a tax capacity of 1.5 percent of market value.

Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clauses (1) and (2); paragraph (c), clauses (1), (2), (3), or (4); or paragraph (d), is assessed as class 5 property under subdivision 31, paragraph (d), if it is found to be a substandard building under section 273.1316.

Sec. 14. [273.1316] [CLASSIFICATION OF SUBSTANDARD RESIDENTIAL RENTAL PROPERTY.]

Subdivision 1. [DENIAL OF RENTAL CLASSIFICATION.] No substandard building shall be classified as residential rental property under section 273.13, subdivision 25.

Subd. 2. [DEFINITION.] "Substandard building" means a building that:

(1) has been determined by a state, county, or city agency that is charged by the governing body of the appropriate political subdivision with the responsibility for enforcing health, housing, building, fire prevention, or housing maintenance codes:

(i) to materially endanger the health and safety of the occupants; or

(ii) if unoccupied, to be a hazardous building within the meaning of section 463.15, subdivision 3; or

(iii) to be substantially out of compliance with the housing and maintenance code of that county or city, to the extent that the reasonably anticipated cost of repairs necessary to achieve compliance would be at least \$1,000; and

(2) has not been repaired or brought to a condition of compliance within three months after the date of the violation notice to the owner as provided in subdivision 3 or within the time prescribed by the agency in the notice

in accordance with applicable state law or local ordinance, whichever period is shortest.

A building is not substandard under this subdivision if it was rendered substandard solely by reason of a tornado, flood, or other natural disaster.

Subd. 3. [VIOLATION NOTICE.] The initial notice of violation by the agency to the owner must be written and must contain:

- (1) the details of the violation;*
- (2) the date by which repairs must be completed or compliance with other requirements must be achieved;*
- (3) a general description of the tax consequences if the violations are not corrected; and*
- (4) information on where and how an appeal may be filed.*

The agency may, if authorized by law or ordinance, extend the compliance date prescribed in the violation notice, for good cause shown, or may determine that good faith efforts at compliance are sufficient to prevent designation as a substandard building.

Subd. 4. [NOTICE OF NONCOMPLIANCE.] When the period specified in subdivision 3 has expired without compliance, the agency shall mail to the owner a notice of noncompliance. The notice of noncompliance must be mailed by certified mail, return receipt requested, to the owner of the property at the owner's last known address. The notice must contain:

- (1) the details of the noncompliance;*
- (2) a statement that the local assessor has been notified of the noncompliance and that the property will be reclassified;*
- (3) a general description of the tax consequences resulting from the denial of a residential rental property tax classification; and*
- (4) information on where and how an appeal may be filed.*

Subd. 5. [APPEALS TO BOARD.] Appeals shall be made to the board created under this subdivision. Each county and city, prior to issuance of a violation notice under subdivision 3, must establish a board to hear appeals under this subdivision. The board shall have five members appointed by the governing body. A decision of the appeal board may be appealed to the district court of the county in which the building is located, concerning the violation and determination of material endangerment or hazard made under subdivision 2 and concerning a determination of noncompliance under subdivision 4. An appeal must be made no later than 30 days after receipt of the notice of the action or determination being appealed. If the board determines that the substandard building has been brought to a condition of compliance, the board shall require the agency to mail to the taxpayer a notice of compliance, which notice shall be in the form and include the information prescribed by the local assessor.

Subd. 6. [TIMING OF PROCESS.] If a notice of noncompliance is mailed before July 1 of any year, and the property owner has not successfully appealed the determination by October 15 of that year, the property will be disqualified from residential rental classification for taxes levied in that year and all subsequent years until the agency determines that the property is no longer a substandard building, or the property owner prevails on an appeal of the matter. If a notice of noncompliance is mailed after June 30

of any year, the disqualification would initially be effective for taxes levied in the following year.

Subd. 7. [REFUND UPON APPEAL.] If the property owner prevails on an appeal at any time after taxes have been paid based on assessment of the property as class 5 property, the agency shall notify the property owner concerning the procedures for the filing for a refund. The notice shall be in the form and include the information prescribed by the local tax assessor. The taxpayer may then file for a refund of the difference between the amount of the tax paid and the tax that would have been payable if the property had not been incorrectly assessed under this section, and each governmental subdivision that levied the tax on the property shall refund to the property owner its proportionate share of the refund.

Subd 8. [SPECIFICATION OF VIOLATIONS.] A notice of noncompliance shall not be mailed by the agency to the taxpayer until the state or the governing body of the appropriate political subdivision has prescribed by statute or ordinance the nature and types of violations of codes referred to in subdivision 2, that would constitute a nuisance or material endangerment to the health and safety of occupants of buildings, or that would constitute a hazardous building within the meaning of section 463.15, subdivision 3.

Sec. 15. Minnesota Statutes 1988, section 273.135, subdivision 2, is amended to read:

Subd. 2. For taxes payable in ~~1989 only~~ 1990 and subsequent years, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the ~~net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint~~, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to *the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate*. In no case will the reduction resulting from this credit be less than \$10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the ~~net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint~~, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to *the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate*. In no case will the reduction resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the ~~net tax up to the taconite breakpoint~~ is \$225.40 on property described in clause (a) and \$200.10 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by \$15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent

years.

(2) ~~The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.~~

For the purposes of this subdivision, ~~"net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22 54 percent, "effective tax rate" means tax divided by the market value of the a property, and the "base year effective tax rate" means the tax on the a property with an identical market value to that of the property receiving the credit in the current year after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.~~

Sec. 16. Minnesota Statutes 1988, section 273.1391, subdivision 2, is amended to read:

Subd. 2. For taxes payable in 1989 only, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the ~~net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint~~ on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the *product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate*. In no case will the reduction resulting from this credit be less than \$10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the ~~net tax up to the taconite breakpoint plus a~~

percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the maximums specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate. In no case will the reduction resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the net tax up to the taconite breakpoint is \$200.10 for taxes payable in 1985. This maximum amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22 54 percent, and "effective tax rate" means tax divided by the market value of the a property, and the "base year effective tax rate" means the tax on the a property with an identical market value to that of the property receiving the credit in the current year after application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 17. Minnesota Statutes 1988, section 273.1398, subdivision 1, is amended to read:

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

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of tax capacity rates.

(c) "Gross tax capacity" means the product of the appropriate percentages of market value listed as gross tax capacities in section 273.13 and equalized estimated market values. "Total gross tax capacity" means the gross tax capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 6, for the municipality, as defined in section 473F02, subdivision 8, in which the unique taxing jurisdiction is located and, (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the gross tax capacity of transmission lines deducted from a local government's total gross tax capacity under section 273.425. For purposes of determining the gross tax capacity of property referred to in clauses (1) and (2) for disparity reduction aid payable in 1989, the gross tax capacity before equalization shall equal the property's 1987 assessed

~~value multiplied by 12 percent.~~ Gross tax capacity cannot be less than zero.

(d) "Net tax capacity" means the product of the appropriate percentages of market value listed as net tax capacities in section 273.13 and ~~equalized estimated~~ market values. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 6, for the municipality, as defined in section 473F02, subdivision 8, in which the unique taxing jurisdiction is located and, (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) ~~the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent.~~ Net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. For computation of aids payable in 1989 only, if the aggregate assessment sales ratio is less than or equal to 92 percent, the assessment sales ratios by class shall be adjusted proportionally so that the aggregate ratio of the unequalized market values to the equalized market values equals 92 percent; otherwise the equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) ~~"Homestead effective Local tax rate" means the product of (i) 46 percent; (ii) 2.17 percent; and (iii) the total tax capacity rate for taxes payable in 1989 within a unique taxing jurisdiction multiplied by the 1988 aggregate assessment sales ratio. A sales ratio of .92 is used if the actual sales ratio is less than .92 the quotient derived by dividing the sum of (1) gross taxes levied within a unique taxing jurisdiction plus (2) the disparity reduction aid actually used to reduce taxes levied within the unique taxing jurisdiction for taxes in 1989 by the gross tax capacity of the unique taxing jurisdiction.~~

(g) For purposes of calculating the transition aid authorized pursuant to subdivision 2, the "subtraction factor" is the product of (i) a unique taxing jurisdiction's ~~homestead effective~~ local tax rate; (ii) its net tax capacity; and (iii) ~~103 1.028146 plus the product of (i) a unique taxing jurisdiction's local tax rate; (ii) its distribution value pursuant to section 473F08, subdivision 2b, for taxes payable in 1989; and (iii) 1.028146.~~

(h) For purposes of calculating and allocating transition aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties" or "gross taxes" means the total gross taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F02,

subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction before reduction by any credits for taxes payable in the year prior to that in which the aids are payable. *For purposes of homestead and agricultural credit aid only, "gross taxes levied on all properties" include the payable 1989 apportioned fiscal disparities levies of the local government's exercising taxing authority within a unique taxing jurisdiction. A local government's fiscal disparity levy shall be apportioned among the unique taxing jurisdictions in which it exercises taxing authority in the ratio that each unique taxing jurisdiction's distribution value as determined pursuant to section 473F.08, subdivision 2b, bears to the total distribution value of the local government.* For purposes of disparity reduction aid only, total gross taxes shall be reduced by the taxes levied for any school district referendum levies authorized pursuant to section 124A.03, subdivision 2, and any school district debt levies authorized pursuant to section 475.61. Gross taxes levied cannot be less than zero.

(i) "Income maintenance aids" means:

(1) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(2) preadmission screening and alternative care grants under section 256B.091, subdivision 8;

(3) general assistance, and work readiness under section 256D.03, subdivision 2;

(4) general assistance medical care under section 256D.03, subdivision 6;

(5) aid to families with dependent children under section 256.82, subdivision 1, including emergency assistance under section 256.871, subdivision 6; and funeral expense payments under section 256.935, subdivision 1; and

(6) supplemental aid under section 256D.36, subdivision 1.

(j) "Adjustment factor" means the ratio of (1) the greater of (i) the estimated percentage increase in the estimated market value of the first \$68,000 of residential homesteads from the assessment two years prior to the year in which the aid is payable to the assessment one year prior to the year in which the aid is payable, or (ii) the estimated percentage increase in the estimated market value of farm homesteads from the assessment two years prior to the year in which the aid is payable to the assessment one year prior to the year in which the aid is payable to (2) the estimated percentage increase in the estimated market value of all taxable property within the unique taxing jurisdiction. The adjustment factor cannot be less than one. Estimates of market value for the assessment one year prior to the year in which the aid is paid will be made on the basis of the abstract submitted pursuant to section 270.11. Discrepancies between the estimate and actual market values will not result in increased or decreased aid in the year in which the estimates are used to compute aid, but the initial aid used to compute homestead and agricultural credit aid in the subsequent year will be adjusted to reflect actual market values.

Sec. 18. Minnesota Statutes 1988, section 273.1398, subdivision 2, is amended to read:

Subd. 2. [~~TRANSITION~~ **HOMESTEAD AND AGRICULTURAL CREDIT**

AID.] (a) ~~Transition~~ Initial homestead and agricultural credit aid for each unique taxing jurisdiction for taxes payable in 1990 equals the total gross taxes levied on all properties, minus the unique taxing jurisdiction's subtraction factor. ~~Transition~~ The commissioner of revenue may, in computing the amount of the homestead and agricultural credit aid paid in 1990, adjust the gross tax capacity, net tax capacity, and gross taxes of a taxing jurisdiction for taxes payable in 1989 to reflect auditor's errors in taxes payable for 1989. Homestead and agricultural credit aid cannot be less than zero. The transition aid so determined for school districts for purposes of general education and transportation levies shall be multiplied by the ratio of the adjusted gross tax capacity based upon the 1988 adjusted gross tax capacity to the estimated 1987 adjusted gross tax capacity based upon the 1987 adjusted assessed value. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue with the 1988 market values for taxes payable in 1989 for any new classes of property established in this article. The commissioner shall use those values, and estimate values where needed, in developing the 1988 tax capacity for each unique taxing jurisdiction under this section.

In 1991 and subsequent years, the initial homestead and agricultural credit aid shall equal that calculated for taxes payable in the prior year.

(b) The initial homestead and agricultural credit aid calculated in paragraph (a) shall be increased by the adjustment factor.

~~(b)~~ (c)(1) The ~~transition~~ homestead and agricultural credit aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's payable 1989 gross taxes bears to the total payable 1989 gross taxes levied within the unique taxing jurisdiction.

(2) The 1990 homestead and agricultural credit aid so determined for school districts for purposes of general education and transportation levies shall be multiplied by the ratio of the adjusted gross tax capacity based upon the 1988 adjusted gross tax capacity to the estimated 1987 adjusted gross tax capacity based upon the 1987 adjusted assessed value.

(3) If a local government's total tax capacity rate for all funds for taxes payable in 1989 varies within the area in which it exercises taxing authority, the local government's allocated ~~transition~~ homestead and agricultural credit aid must be further allocated between the part of its levy in respect to which the tax capacity rate is constant throughout the area in which it exercises taxing authority and the part of its levy in respect to which the tax capacity rate varies throughout the area in which it exercises taxing authority.

(e) In 1991 and subsequent years, a local government shall receive transition aid equal to that it received in 1990 subject to the requirement of the last sentence of subdivision 6.

(d) The difference between (1) the income maintenance aids payable to a county and (2) the income maintenance aids that would be payable to the county pursuant to the rates in effect for calendar year 1989 shall be reduced by the sum of the amount of transition aid a county receives under this subdivision for all unique taxing jurisdictions located within its borders. The reduction must not reduce the difference to less than zero. The reduction shall be prorated among all payments of the increased income maintenance aids so that each payment is reduced by an equal percentage

~~amount. The commissioner of revenue shall certify each county's transition aid to the commissioner of human services for purposes of this adjustment.~~

Sec. 19. Minnesota Statutes 1988, section 273.1398, subdivision 3, is amended to read:

Subd. 3. [DISPARITY REDUCTION AID.] (a) For taxes payable in 1989, a disparity reduction aid shall be calculated for each unique taxing jurisdiction. The aid is the greater of:

(1) the difference between (i) the total 1988 gross tax payable on all taxable property within the unique taxing jurisdiction, and (ii) the gross tax capacity of the unique taxing jurisdiction; or

(2) 20 percent of the difference between (i) the 1988 gross tax of the city or township, and (ii) 23 percent of the city's or township's gross tax capacity.

In no case can the aid be less than \$0.

~~(b) The disparity reduction aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's payable gross taxes bears to the total payable gross taxes levied within the unique taxing jurisdiction.~~

~~(e) In For 1990 and subsequent years, a local government shall receive disparity reduction aid equal to that it received in 1989 disparity reduction aid shall equal the unique taxing jurisdiction's 1989 net tax capacity multiplied by the quotient of (1) a unique taxing jurisdiction's disparity reduction aid after any reductions pursuant to section 275.08, subdivision 1d, for taxes payable in 1989 divided by (2) the unique taxing jurisdiction's payable 1989 gross tax capacity.~~

~~(c) The disparity reduction aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's payable gross taxes bears to the total payable gross taxes levied within the unique taxing jurisdiction.~~

Sec. 20. Minnesota Statutes 1988, section 298.28, subdivision 6, is amended to read:

Subd. 6. [PROPERTY TAX RELIEF] (a) ~~Twelve~~ Fifteen cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .5625 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

Sec. 21. Minnesota Statutes 1988, section 473F08, subdivision 3, is amended to read:

Subd. 3. On or before October 15 of 1976 and each subsequent year, the county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) Determine the areawide portion of the levy for each governmental unit by multiplying the tax capacity rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b), *provided that for taxes payable in 1990 only the tax capacity rate for the prior year shall be multiplied by 1.028146*; and

(b) Determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

Sec. 22. Minnesota Statutes 1988, section 477A.011, subdivision 1a, is amended to read:

Subd. 1a. [CITY.] City means a statutory or home rule charter city *and a township with a population of 5,000 or more for purposes of the aid payable under section 477A.013. City does not include a township for purposes of the aid payable under section 477A.0132.*

Sec. 23. Minnesota Statutes 1988, section 477A.011, is amended by adding a subdivision to read:

Subd. 1b. [TOWN.] "*Town*" means a township with a population of less than 5,000.

Sec. 24. Minnesota Statutes 1988, section 477A.011, subdivision 20, is amended to read:

Subd. 20. [CITY TAX CAPACITY.] "City tax capacity" means (1) 23 percent of the net tax capacity computed using *the net tax capacity rates listed in Minnesota Statutes 1988, section 273.13, for aids payable in 1990 and the net tax capacity rates listed in section 273.13 for aids payable in 1991 and subsequent years* for all taxable property within the city based on the assessment two years prior to that for which aids are being calculated, plus (2) a city's levy on the fiscal disparities distribution under section 473F08, subdivision 3, paragraph (a), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 2, paragraph (a), ~~and~~ (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, *and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425.* The net tax capacity will be computed using equalized market values.

Sec. 25. Minnesota Statutes 1988, section 477A.011, is amended by adding a subdivision to read:

Subd. 25. [NET TAX CAPACITY.] "*Net tax capacity*" means for equalization aids payable in 1990 the net tax capacity of a city computed using the net tax capacity rates in Minnesota Statutes 1988, section 273.13, and based on 1988 estimated market values. All class 1a property will be deemed to have a net tax capacity of one percent of estimated market value. For equalization aids payable in 1991 and subsequent years, the net tax capacity of a city shall be computed using the net tax capacity rates in

section 273.13 and based on the estimated market values from the assessment two years prior to the year in which the aids are payable. All class 1a property will be deemed to have a net tax capacity of .95 percent of estimated market value. The market value utilized in computing net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The net tax capacity will be computed using equalized market values.

Sec. 26. Minnesota Statutes 1988, section 477A.011, is amended by adding a subdivision to read:

Subd. 26. [HOMESTEAD BASE TAX CAPACITY PERCENTAGE.] "Homestead base tax capacity percentage" means the percent equivalent to a city's net tax capacity of the first \$68,000 of estimated market value of all nonagricultural homesteads divided by the city's net tax capacity. For aids payable in 1990, the net tax capacity of the first \$68,000 of a homestead's estimated market value shall be computed using a net tax capacity rate of one percent.

Sec. 27. Minnesota Statutes 1988, section 477A.011, is amended by adding a subdivision to read:

Subd. 27. [ADJUSTED NET TAX CAPACITY.] "Adjusted net tax capacity" means the per capita net tax capacity of a city multiplied by the ratio of (1) the average homestead base tax capacity percentage for all cities to (2) the city's homestead base tax capacity percentage.

Sec. 28. Minnesota Statutes 1988, section 477A.011, is amended by adding a subdivision to read:

Subd. 28. [EQUALIZATION AID RATIO.] "Equalization aid ratio" means one minus the ratio of (1) a city's adjusted net tax capacity to (2) \$900. The equalization aid ratio cannot be less than zero.

Sec. 29. Minnesota Statutes 1988, section 477A.013, subdivision 3, is amended to read:

Subd. 3. [CITY AID DISTRIBUTION.] In 1989, a city whose initial aid is greater than \$0 will receive the following aid increases in addition to an amount equal to the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.013:

(1) for a city whose expenditure/unlimited aid ratio is at least 1.5, two percent of city revenue;

(2) for a city whose expenditure/unlimited aid ratio is at least 1.4 but less than 1.5, 2.5 percent of city revenue;

(3) for a city whose expenditure/unlimited aid ratio is at least 1.3 but less than 1.4, three percent of city revenue;

(4) for a city whose expenditure/unlimited aid ratio is at least 1.2 but less than 1.3, four percent of city revenue;

(5) for a city whose expenditure/unlimited aid ratio is at least 1.1 but less than 1.2, five percent of city revenue;

(6) for a city whose expenditure/unlimited aid ratio is at least 1.05 but less than 1.1, six percent of city revenue;

(7) for a city whose expenditure/unlimited aid ratio is at least 1.0 but less than 1.05, seven percent of city revenue;

(8) for a city whose expenditure/unlimited aid ratio is at least .95 but less than 1.0, 7.5 percent of city revenue;

(9) for a city whose expenditure/unlimited aid ratio is at least .75 but less than .95, 8.5 percent of city revenue; and

(10) for a city whose expenditure/unlimited aid ratio is less than .75, nine percent of city revenue.

In 1990 and subsequent years, a city whose initial aid is greater than \$0 will receive an amount equal to the aid it received under this subdivision and *Minnesota Statutes 1988, section 477A.013*, subdivision 4, in the year prior to that for which aids are being calculated plus an aid increase equal to 50 percent of the rates listed in clauses (1) to (10) multiplied by city revenue.

A city's aid increase under this subdivision is limited to the lesser of (1) 20 percent of its levy for taxes payable in the year prior to that for which aids are being calculated after the adjustments provided in section 273.1398, subdivision 2, or (2) its initial aid amount, provided that no city will receive an increase that is less than two percent of its ~~1988~~ 1989 local government aid for aids payable in ~~1989~~ 1990.

A city whose initial aid is \$0 will receive in ~~1989~~ 1990 an amount equal to 102 percent of the local government aid it received in ~~1988~~ 1989 under *Minnesota Statutes 1987 Supplement 1988, section 477A.013*. A city whose initial aid is \$0 will receive in ~~1990~~ 1991 and subsequent years an amount equal to the aid it received in the previous year under this subdivision and subdivision 4.

Sec. 30. [477A.0132] [EQUALIZATION AID.]

Equalization aid is equal to a city's equalization aid ratio multiplied by 3.25 percent of the total taxes levied within a city excluding school levies; taxes levied on the captured value of tax increment finance districts as defined in section 469.177, subdivision 2; taxes levied on the net tax capacity excluded in determining local tax rates pursuant to section 273.425, and taxes levied on the portion of commercial industrial properties' tax capacity as defined in section 473F.02, subdivision 3, subject to the area-wide tax provided in section 473F.08, subdivision 6. As used in this section, "total taxes levied" means the amount of taxes levied after any reduction due to disparity reduction aid.

Sec. 31. *Minnesota Statutes 1988, section 477A.014, subdivision 1, is amended to read:*

Subdivision 1. [CALCULATIONS AND PAYMENTS.] The commissioner of revenue shall make all necessary calculations and make payments pursuant to sections 477A.012, 477A.013, 477A.0132, and 477A.03 directly to the affected taxing authorities annually. In addition, the commissioner shall notify the authorities of their aid amounts, as well as the computational factors used in making the calculations for their authority, and those statewide total figures that are pertinent, before August 15 of the year preceding the aid distribution year.

Sec. 32. Minnesota Statutes 1988, section 477A.014, subdivision 3, is amended to read:

Subd. 3. [AID AMOUNT CORRECTION.] If, due to an error in the factors used to calculate a taxing authority's aid pursuant to section 477A.012 or, 477A.013, or 477A.0132 the amount indicated in the certification of the commissioner to the taxing authority for a year is less than the amount to which it is entitled pursuant to this section, the commissioner of revenue shall additionally distribute the amount necessary to make the full correct distribution to the taxing authority. The additional distribution shall be paid from the general fund and shall not diminish the distributions made to other taxing authorities under this section.

Sec. 33. [FISCAL DISPARITIES ADJUSTMENT.]

For purposes of determining the areawide levy and local levies under section 473F08, subdivisions 3, 4, 5, and 6, for taxes payable in 1990, the initial computation shall be done based on chapter 473F. However, after the dollar amount of the areawide and local levies has been determined under section 473F08, subdivisions 3, 4, 5, and 6, the dollar amount of the levies shall be spread on the basis of this act. The dollar amount of the areawide tax shall be levied against the portion of commercial-industrial net tax capacity equal to the portion of commercial-industrial gross tax capacity that would have been subject to the areawide tax under Minnesota Statutes 1988. Prior to November 20, 1989, the county auditors with the assistance of the county assessors shall determine the net tax capacity of commercial-industrial property in each municipality as of the January 2, 1971, assessment. The net tax capacity shall be computed by multiplying the municipality's market value of commercial-industrial assessed value by class by the net tax capacity rates in section 273.13.

Sec. 34. [REPEALER.]

Minnesota Statutes 1988, sections 134.34, subdivision 6; 275.50, subdivision 3g; and 477A.013, subdivision 4, are repealed.

Sec. 35. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment and is intended to confirm and clarify the taxation and equalization of state-assessed public utility property.

Section 5 is effective for assessments of market value in 1989 and thereafter. If an assessor has increased the market value for the 1989 assessment by an amount in excess of the amount allowed under section 5, the assessor shall reduce the market value to that allowed under section 5. If the assessor has mailed a notice of the increase in market value to the property owner, the assessor must mail a revised notice to the property owner. Notices must state that the increases in market value have been limited under this act.

Section 20 is effective for taconite produced in 1989, proceeds distributed in 1990, and thereafter.

Except where otherwise provided, the remainder of this article is effective for taxes levied in 1989, payable in 1990, and thereafter.

ARTICLE 5

PROPERTY TAX ADMINISTRATIVE AND TECHNICAL

Section 1. Minnesota Statutes 1988, section 124.155, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENT TO AIDS.] The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) general education aid authorized in section 124A.23;
- (b) secondary vocational aid authorized in section 124.573;
- (c) special education aid authorized in section 124.32;
- (d) secondary vocational aid for handicapped children authorized in section 124.574;
- (e) aid for pupils of limited English proficiency authorized in section 124.273;
- (f) transportation aid authorized in section 124.225;
- (g) community education programs aid authorized in section 124.271;
- (h) adult education aid authorized in section 124.26;
- (i) early childhood family education aid authorized in section 124.2711;
- (j) capital expenditure aid authorized in sections 124.244 and 124.245;
- (k) homestead credit under section 273.13 for taxes payable in 1989 and *additional homestead and agricultural credit guarantee* under section 273.1398, *subdivision 5*, for taxes payable in 1990 and thereafter;
- (l) agricultural credit under section 273.132 for taxes payable in 1989 and *additional homestead and agricultural credit guarantee* under section 273.1398, *subdivision 5*, for taxes payable in 1990 and thereafter; and
- (m) ~~transition~~ *homestead and agricultural credit aid* and disparity reduction aid authorized in section 273.1398, *subdivision 2*;
- (n) attached machinery aid authorized in section 273.138, subdivision 3.

The commissioner of education shall schedule the timing of the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible.

Sec. 2. Minnesota Statutes 1988, section 124.2139, is amended to read:
124.2139 [REDUCTION OF PAYMENTS TO SCHOOL DISTRICTS.]

The commissioner of revenue shall reduce the homestead credit payments under section 273.13 for fiscal year 1990, *and the sum of the homestead credit guarantee, and transition homestead and agricultural credit aid*, and disparity reduction aid payments under section 273.1398 for fiscal years 1991 and thereafter made to school districts by the product of:

(1) the district's fiscal year 1984 payroll for coordinated plan members of the public employees retirement association, times

(2) the difference between the employer contribution rate in effect prior to July 1, 1984, and the total employer contribution rate in effect after

June 30, 1984.

Sec. 3. Minnesota Statutes 1988, section 256.82, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY PAYMENTS.] For the period from January 1 to June 30, based upon estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency payment shall be made monthly in advance by the state to the counties of all federal funds available for that purpose for such succeeding month, together with an amount of state funds equal to 85 percent of the difference between the total estimated cost and the federal funds so available for payments made except as provided for in section 256.017. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.017. For the period from July 1 to December 31 based upon the estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency, payment shall be made monthly in advance by the state to the counties of all state and federal funds available for that purpose for the succeeding month except as provided for in section 256.017. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Effective January 1, ~~1989~~ 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

Sec. 4. Minnesota Statutes 1988, section 256.871, subdivision 6, is amended to read:

Subd. 6. [ESTIMATED EXPENDITURES; PAYMENTS.] The county agency shall submit to the state agency an estimate of expenditures for each succeeding month in such form as required by the state agency. For the period from January 1 to June 30, payment shall be made monthly in advance by the state agency to the counties, of federal funds available for that purpose for each succeeding month, together with an amount of state funds equal to ten percent of the difference between the total estimated cost and the federal funds so available, except as provided for in section 256.017. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.017. For the period from July 1 to December 31, payment shall be made monthly in advance by the state agency to the counties, of all state and federal funds available for that purpose for the succeeding month, except as provided for in section 256.017. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Effective January 1, ~~1989~~ 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month.

Sec. 5. Minnesota Statutes 1988, section 256B.041, subdivision 5, is amended to read:

Subd. 5. [PAYMENT BY COUNTY TO STATE TREASURER.] If required by federal law or rules promulgated thereunder, or by authorized rule of the state agency, each county shall pay to the state treasurer the portion of medical assistance paid by the state for which it is responsible. Effective January 1, ~~1989~~ 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

For the period from January 1 to June 30, the county shall advance ten percent of that portion of medical assistance costs not met by federal funds, based upon estimates submitted by the state agency to the county agency, stating the estimated expenditures for the succeeding month. Upon the direction of the county agency, payment shall be made monthly by the county to the state for the estimated expenditures for each month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.017. For the period from July 1 to December 31, payments will be made by the state agency, except as provided for in section 256.017, and the county agency will be advised of the amounts paid monthly.

Sec. 6. Minnesota Statutes 1988, section 270.071, subdivision 6, is amended to read:

Subd. 6. (a) "Air commerce" means the transportation by aircraft of persons or property for hire in interstate, intrastate, or international transportation on regularly scheduled flights or on intermittent or irregularly timed flights by airline companies operating under authorization from the United States ~~Civil Aeronautics Board~~ Department of Transportation.

(b) "Air commerce" also includes but is not limited to an intermittent or irregularly timed flight, a flight arranged at the convenience of an airline and the person contracting for the transportation, or a charter flight. *It includes an airline company making three or more flights in or out of Minnesota during a calendar year.*

(c) "Air commerce" does not include casual transportation for hire by aircraft commonly owned and used for private aircraft purposes if the person furnishing the transportation does not hold out to be engaged regularly in transportation for hire.

Sec. 7. Minnesota Statutes 1988, section 270.072, subdivision 2, is amended to read:

Subd. 2. [ASSESSMENT OF FLIGHT PROPERTY.] The flight property of all air carriers operating in Minnesota under a certificate of public convenience and necessity or under authorization from the United States ~~Civil Aeronautics Board~~ Department of Transportation shall be assessed annually by the commissioner in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

Sec. 8. Minnesota Statutes 1988, section 270.072, subdivision 3, is

amended to read:

Subd. 3. [REPORT BY AIRLINE COMPANY.] Every airline company engaged in air commerce in this state shall file with the commissioner on or before the time fixed by the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from filing because its activities do not constitute air commerce as defined herein. *A penalty of five percent of the tax being assessed is imposed on a late filing of the annual report. If the report is not filed within 30 days, an additional penalty of five percent of the assessed tax is imposed for each additional 30 days or fraction of 30 days until the return is filed. The penalty imposed under this section must not exceed 25 percent of the assessed tax.*

Sec. 9. Minnesota Statutes 1988, section 270.075, subdivision 2, is amended to read:

Subd. 2. As soon as practicable and not later than December 1 next following the levy of the tax, the commissioner shall give actual notice to the airline company of the gross tax capacity and of the tax. The taxes imposed under sections 270.071 to 270.079 shall become due and payable on January 1 following the levy thereof. If any tax is not paid on the due date or, if an appeal is made pursuant to section 270.076, within 60 days after notice of an increased tax, a late payment penalty of ~~ten~~ five percent of the unpaid tax shall be assessed. *If the tax remains unpaid for more than 30 days, an additional penalty of five percent of the unpaid tax is imposed for each additional 30 days or fraction of 30 days that the tax remains unpaid. The penalty imposed under this section must not exceed 25 percent of the unpaid tax.* The unpaid tax and penalty shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid. All interest and penalties shall be added to the tax and collected as a part thereof.

Sec. 10. Minnesota Statutes 1988, section 270.12, subdivision 2, is amended to read:

Subd. 2. The board shall meet annually between July 15 and October 1 at the office of the commissioner of revenue and examine and compare the returns of the assessment of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

(1) The board shall add to the aggregate valuation of the real property of every county, which the board believes to be valued below its market value in money, such percent as will bring the same to its market value in money;

(2) The board shall deduct from the aggregate valuation of the real property of every county, which the board believes to be valued above its market value in money, such percent as will reduce the same to its market value in money;

(3) If the board believes the valuation for a class or classes of the real property of any town or district in any county, or the valuation for a class or classes of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board

may add to, or take from, the valuation of *a class or classes in any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value in money;*

(4) The board shall add to the aggregate valuation of any class of personal property of any county, town, or city, which the board believes to be valued below the market value thereof, such percent as will raise the same to its market value in money;

(5) The board shall take from the aggregate valuation of any class of personal property in any county, town or city, which the board believes to be valued above the market value thereof, such percent as will reduce the same to its market value in money;

(6) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof;

(7) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization; and

(8) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the department of revenue containing only sales that occurred between October 1 of the year immediately preceding the previous year to September 30 of the previous year. The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property.

Sec. 11. Minnesota Statutes 1988, section 272.01, subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which for any reason is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to (1) property leased or used by way of a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 458C, municipal auditorium, airport owned by a city, town, county, or group thereof but not the airports owned or operated by the metropolitan airports commission or a city of over 50,000 population or an airport authority therein, municipal museum or municipal stadium or (2) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport or (3) property constituting or used as a passenger check-in area or ticket sale counter,

boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the metropolitan airports commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes shall not be exempt.

(c) Taxes imposed by this subdivision shall be due and payable as in the case of personal property taxes and such taxes shall be assessed to such lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) The tax on real property of the state or any of its political subdivisions that is leased by a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

Sec. 12. Minnesota Statutes 1988, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

- (1) all public burying grounds;
- (2) all public schoolhouses;
- (3) all public hospitals;
- (4) all academies, colleges, and universities, and all seminaries of learning;
- (5) all churches, church property, and houses of worship;
- (6) institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), ~~clause clauses~~ (1) ~~or~~, (2), and (3), or paragraph (d); ~~clause~~ (2);
- (7) all public property exclusively used for any public purpose;
- (8) except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

- (a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;
- (b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures; and

(f) flight property as defined in section 270.071.

(9) ~~Real and~~ personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used; ~~other than real property used primarily as a solid waste disposal site, and real property which is used primarily for abatement and control of air, water, or land pollution as: (A) part of an agricultural operation; or (B) part of an electric generation system; or (C) that part of a post-consumer recycling operation that does not resell its products at retail to consumers; and is used primarily for the abatement and control of air, water, or land pollution. For purposes of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law would be considered real property. Real property used primarily as a solid waste disposal site is taxable.~~

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause ~~and section 273.146~~. Upon receipt

of an application for the exemption ~~and credit~~ provided in this clause ~~and section 273.116~~ for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders: provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydro-mechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8, and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by paragraph (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until

the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, non-profit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to parents and children who are receiving AFDC or parents of children who are temporarily in foster care. (ii) It has the purpose of reuniting families and enabling parents to advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least six months but no longer than one year, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is sponsored by an organization that has received a grant under section 256.7365 for the biennium ending June 30, 1989, for the purposes of providing the services in items (i) to (iv). (vi) It is sponsored by an organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

Sec. 13. Minnesota Statutes 1988, section 273.124, subdivision 6, is amended to read:

Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1988, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the social security numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

(a) the cooperative association must be organized under sections 308.05 to 308.18 and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and

(d) the cooperative must meet one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than 80 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members must have incomes at or less than 50 percent of area median income. For purposes of this clause, "member income" means the income of a member when the member acquires cooperative membership, and "median income" means the Saint Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development;

(e) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317 and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1988, and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, then (1) the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60

days prior to the date on which the unit became leasehold cooperative property, and (2) prior to the mailing of the notice, copies of the documents identified in the notice must have been filed with the secretary of state; and

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Sec. 14. Minnesota Statutes 1988, section 273.124, subdivision 13, is amended to read:

Subd. 13. [SOCIAL SECURITY NUMBER REQUIRED FOR HOMESTEAD APPLICATION.] Every property owner applying for homestead classification must furnish to the county assessor that owner's social security ~~or taxpayer identification~~ number. If the social security ~~or taxpayer identification~~ number is not provided, the county assessor shall classify the property as nonhomestead. The social security numbers of the property owners are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue.

At the request of the commissioner, each county must give the commissioner a list that includes the name and social security ~~or taxpayer identification~~ number of each property owner applying for homestead classification.

If, in comparing the lists supplied by the counties, the commissioner finds that a property owner is claiming more than one homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the homestead credit under section 273.13 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter, the taconite homestead credit, and the supplemental homestead credit, and the tax reduction resulting from the agricultural credit under section 273.132 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter. The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead benefits plus a penalty equal to 25 percent of the homestead benefits. The property owners may appeal the county's determination by filing a notice of appeal with the Minnesota tax court within 60 days of the date of the notice from the county.

If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount to the succeeding year's tax list to be collected as part of the property taxes.

Any amount of homestead benefits recovered from the property owner must be transmitted to the commissioner by the end of each calendar quarter. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. The amount of penalty collected must be deposited in the county general fund.

The commissioner will provide suggested homestead applications to each county. If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 15. Minnesota Statutes 1988, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$68,000 of market value of class 1a property has a net tax capacity of one percent of its market value and a gross tax capacity of 2.17 percent of its market value. The market value of class 1a property that exceeds \$68,000 but does not exceed \$100,000 has a tax capacity of 2.5 percent of its market value. The market value of class 1a property that exceeds \$100,000 has a tax capacity of 3.3 percent of its market value.

(b) Class 1b property includes real estate or manufactured homes used for the purposes of a homestead by

(1) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

- (A) aid from any state as a result of that disability; or
- (B) supplemental security income for the disabled; or
- (C) workers' compensation based on a finding of total and permanent disability; or
- (D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or
- (E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or
- (F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or
- (iii) whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed pursuant to clause (1) only if the commissioner of jobs and training certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. ~~The commissioner of jobs and training shall provide a copy of the certification to the commissioner of revenue.~~

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net tax capacity of .4 percent of its market value and a gross tax capacity of .87 percent of its market value. The remaining market value of class 1b property has a gross or net tax capacity using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lake-shore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner. Class 1c property has a tax capacity of .9 percent of market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

(d) For taxes levied in 1988, payable in 1989 only, the tax to be paid on class 1a or class 1b property shall be reduced by 54 percent of the tax imposed on the first \$68,000 of market value. The amount of the reduction shall not exceed \$725.

Sec. 16. Minnesota Statutes 1988, section 273.135, subdivision 2, is amended to read:

Subd. 2. For taxes payable in 1989 only, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the

taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the net tax up to the taconite breakpoint is \$225.40 on property described in clause (a) and \$200.10 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by \$15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22, "effective tax rate" means tax divided by the market value of the property, and the "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 17. Minnesota Statutes 1988, section 273.135, subdivision 2a, is amended to read:

Subd. 2a. For taxes payable in 1990 and thereafter, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each

homestead resulting from this credit be less than \$10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for *each homestead* resulting from this credit be less than \$10.

(c) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit payable under this section and "effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 18. Minnesota Statutes 1988, section 273.1391, subdivision 2, is amended to read:

Subd. 2. For taxes payable in 1989 only, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for *each homestead* resulting from this credit be less than \$10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the

first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the maximums specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction *for each homestead* resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the net tax up to the taconite breakpoint is \$200.10 for taxes payable in 1985. This maximum amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22, and "effective tax rate" means tax divided by the market value of the property, and the "base year effective tax rate" means the tax on the property after application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 19. Minnesota Statutes 1988, section 273.1391, subdivision 2a, is amended to read:

Subd. 2a. For taxes payable in 1990 and thereafter, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the tax, provided that the amount of the reduction *for each homestead* shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction resulting from this credit be less than \$10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city

of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the tax, but not to exceed the maximums specified in clause (c) and not to exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for *each homestead* resulting from this credit be less than \$10.

(c) The total maximum reduction of the tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit under this section, "effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 20. Minnesota Statutes 1988, section 273.1393, is amended to read:
273.1393 [COMPUTATION OF NET PROPERTY TAXES.]

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

- (1) disaster credit as provided in section 273.123;
- (2) powerline credit as provided in section 273.42;
- (3) agricultural preserves credit as provided in section 473H.10;
- (4) enterprise zone credit as provided in section 469.171;
- (5) *disparity reduction credit*;
- (6) state agricultural credit as provided in section 273.132;
- ~~(6)~~ (7) *conservation tax credit as provided in section 273.119*;
- (8) state paid homestead credit as provided in section 273.13;
- ~~(7)~~ (9) taconite homestead credit as provided in section 273.135;
- ~~(8)~~ (10) supplemental homestead credit as provided in section 273.1391.

The combination of all property tax credits must not exceed the gross tax amount.

Sec. 21. Minnesota Statutes 1988, section 273.1398, subdivision 1, is amended to read:

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

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of tax capacity rates.

(c) "Gross tax capacity" means the product of the appropriate percentages of market value listed as gross tax capacities in section 273.13 and equalized market values. "Total gross tax capacity" means the gross tax

capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 6, for the municipality, as defined in section 473F02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the gross tax capacity of property referred to in clauses (1) and (2) for disparity reduction aid payable in 1989, the gross tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Gross tax capacity cannot be less than zero.

(d) "Net tax capacity" means the product of the appropriate percentages of market value listed as net tax capacities in section 273.13 and equalized market values. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 6, for the municipality, as defined in section 473F02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. For computation of aids payable in 1989 only, if the aggregate assessment sales ratio is less than or equal to 92 percent, the assessment sales ratios by class shall be adjusted proportionally so that the aggregate ratio of the unequalized market values to the equalized market values equals 92 percent; otherwise the equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Homestead effective rate" means the product of (i) 46 percent; (ii) 2.17 percent; and (iii) the total tax capacity rate for taxes payable in 1989 within a unique taxing jurisdiction multiplied by the 1988 aggregate assessment sales ratio. A sales ratio of .92 is used if the actual sales ratio is less than .92.

(g) For purposes of calculating the ~~transition~~ *homestead and agricultural credit* aid authorized pursuant to subdivision 2, the "subtraction factor" is the product of (i) a unique taxing jurisdiction's homestead effective rate; (ii) its net tax capacity; and (iii) 103.

(h) For purposes of calculating and allocating ~~transition~~ *homestead and agricultural credit* aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties" or "gross taxes" means the total gross taxes levied on all properties except that levied on the captured value of tax increment districts as defined

in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction before reduction by any credits for taxes payable in the year prior to that in which the aids are payable. For purposes of disparity reduction aid only, total gross taxes shall be reduced by the taxes levied for any school district referendum levies authorized pursuant to section 124A.03, subdivision 2, and any school district debt levies authorized pursuant to section 475.61. Gross taxes levied cannot be less than zero.

(i) "Income maintenance aids" means:

(1) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(2) preadmission screening and alternative care grants under section 256B.091, subdivision 8;

(3) general assistance, and work readiness under section 256D.03, subdivision 2;

(4) general assistance medical care under section 256D.03, subdivision 6;

(5) aid to families with dependent children under section 256.82, subdivision 1, including emergency assistance under section 256.871, subdivision 6; and funeral expense payments under section 256.935, subdivision 1; and

(6) supplemental aid under section 256D.36, subdivision 1.

Sec. 22. Minnesota Statutes 1988, section 273.1398, subdivision 4, is amended to read:

Subd. 4. [DISPARITY REDUCTION CREDIT.] (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property *qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4;* (2) *the property is located in cities a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census which are;* (3) *the city is adjacent to cities a city in another state or immediately adjacent to a city adjacent to a city in another state qualify for disparity reduction credits, if; and* (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to three percent of the property's market value and (ii) the tax on class 3a and class 3b property to 3.3 percent of market value.

~~(b)~~ (c) The county auditor shall annually certify the costs of the credits to the department of revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

Sec. 23. Minnesota Statutes 1988, section 273.1398, subdivision 5, is amended to read:

Subd. 5. [ADDITIONAL HOMESTEAD AND AGRICULTURAL CREDIT GUARANTEE.] Beginning with taxes payable in 1990, each

unique taxing jurisdiction may receive additional homestead and agricultural credit *guarantee* payments.

(1) Each year, the commissioner shall certify to the county auditor the total education aids paid under chapters 124 and 124A, ~~transition homestead and agricultural credit~~ aid and disparity reduction aid paid under section 273.1398, local government aid to cities, counties, and towns paid under chapter 477A, and income maintenance aid paid to counties for each taxing jurisdiction. The county auditor shall apportion each local government's aids to the unique taxing jurisdiction based upon the proportion that the unique taxing jurisdiction's tax capacity bears to the total tax capacity of the local government.

(2) Each year, the county auditor will compute a gross tax capacity rate for each taxing jurisdiction equal to its total levy divided by its gross tax capacity. For each unique taxing jurisdiction, a total gross tax capacity rate will be determined. This total gross tax capacity rate will be applied against the gross tax capacity of each property that would have been eligible for the homestead credit or the agricultural credit for taxes payable in 1989. A credit amount will be determined for each parcel based upon the credit rate structure in effect for taxes payable in 1989. The resulting credit amounts will be summed for all parcels in the unique taxing jurisdiction.

If the amount determined in clause (2) is greater than the amount determined in clause (1), the difference will be additional homestead and agricultural credit *guarantee* payments for the unique taxing jurisdiction. The additional credit amount shall proportionately reduce the tax capacity rates of all local governments levying taxes within the unique taxing jurisdiction. The county auditor shall certify the amounts of ~~all~~ additional credits determined under this ~~section~~ *subdivision* in a form prescribed by the commissioner.

Sec. 24. Minnesota Statutes 1988, section 273.1398, subdivision 6, is amended to read:

Subd. 6. [PAYMENT.] The commissioner shall certify the aids provided in subdivisions 2 and 3 before September 30 of the year preceding the distribution year to the county auditor of the affected local government and pay them and the credit reimbursements to local governments other than school districts at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions. Aids and credit reimbursements to school districts must be certified to the commissioner of education and paid under section 273.1392. Payment shall not be made to any taxing jurisdiction that has ceased to levy a property tax nor shall ~~transition homestead and agricultural credit~~ aid be payable on the part of a levy to which ~~transition homestead and agricultural credit~~ aid was separately allocated under subdivision 2, paragraph (b), clause (2), which is no longer levied.

Sec. 25. Minnesota Statutes 1988, section 275.07, subdivision 3, is amended to read:

Subd. 3. The county auditor shall adjust each local government's levy certified under subdivision 1 by the amount of ~~transition homestead and agricultural credit~~ aid certified by section 273.1398, subdivision 2. If a local government's ~~transition homestead and agricultural credit~~ aid was further allocated between portions of its levy pursuant to section 273.1398, subdivision 2, paragraph (b)(2), the levy or fund to which the ~~transition homestead and agricultural credit~~ aid was allocated is the levy or fund

which must be adjusted.

Sec. 26. [276.131] [DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.]

The penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) 50 percent of all penalties and interest collected on real and personal property taxes must be distributed to the county in which the property is located, and the other 50 percent must be distributed to the school district in which the property is located. The distribution to the school district must be in accordance with the provisions of section 124.10; and

(3) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Sec. 27. Minnesota Statutes 1988, section 278.03, is amended to read: 278.03 [PAYMENT OF TAX.]

If the proceedings instituted by the filing of the petition have not been completed before the 16th day of May next following the filing, the petitioner shall pay to the county treasurer 50 percent of the tax levied for such year against the property involved, unless permission to continue prosecution of the petition without such payment is obtained as herein provided. If the proceedings instituted by the filing of the petition have not been completed by the next October 16, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, November 16, the petitioner shall pay to the county treasurer 50 percent of the unpaid balance of the taxes levied for the year against the property involved if the unpaid balance is \$2,000 or less and 80 percent of the unpaid balance if the unpaid balance is over \$2,000, unless permission to continue prosecution of the petition without payment is obtained as herein provided. The petitioner, upon ten days notice to the county attorney and to the county auditor, given at least ten days prior to the 16th day of May or the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, the 16th day of November, may apply to the court for permission to continue prosecution of the petition without payment; and, if it is made to appear

(1) That the proposed review is to be taken in good faith;

(2) That there is probable cause to believe that the property may be held exempt from the tax levied or that the tax may be determined to be less than 50 percent of the amount levied; and

(3) That it would work a hardship upon petitioner to pay the taxes due, the court may permit the petitioner to continue prosecution of the petition without payment, or may fix a lesser amount to be paid as a condition of continuing the prosecution of the petition.

Failure to make payment of the amount required when due shall operate automatically to dismiss the petition and all proceedings thereunder unless

the payment is waived by an order of the court permitting the petitioner to continue prosecution of the petition without payment. The county treasurer shall, upon request of the petitioner, issue duplicate receipts for the tax payment, one of which shall be filed by the petitioner in the proceeding.

Sec. 28. Minnesota Statutes 1988, section 278.05, subdivision 4, is amended to read:

Subd. 4. [SALES RATIO STUDIES AS EVIDENCE.] The sales ratio studies published by the department of revenue, or any part of the studies, or any copy of the studies or records accumulated to prepare the studies which is prepared by the commissioner of revenue for use in determining ~~school~~ education aids shall be admissible in evidence as a public record without the laying of a foundation if the sales prices used in the study are adjusted for the terms of the sale to reflect market value and are adjusted to reflect the difference in the date of sale compared to the assessment date. *The department of revenue sales ratio study shall be prima facie evidence of the level of assessment.* Additional evidence relevant to the sales ratio study is also admissible. No sales ratio study received into evidence shall be conclusive or binding on the court and evidence of its reliability or unreliability may be introduced by any party including, but not limited to, evidence of inadequate adjustment of sale prices for terms of financing, inadequate adjustment of sales prices to reflect the difference in the date of sale compared to the assessment date, and inadequate sample size.

No reduction in value on the grounds of discrimination shall be granted on the basis of a sales ratio study ~~published by the department of revenue~~ unless

(a) the sales prices are adjusted for the terms of the sale to reflect market value,

(b) the sales prices are adjusted to reflect the difference in the date of sale compared to the assessment date, ~~and~~

(c) there is an adequate sample size, *and*

(d) the median ratio of the same classification of property in the same county, city, or town as the subject property is lower than 90 percent.

If a reduction in value on the grounds of discrimination is granted based on the above criteria, the reduction shall equal the difference between 90 percent and the court determined median ratio.

Sec. 29. Minnesota Statutes 1988, section 278.05, subdivision 5, is amended to read:

Subd. 5. Any time after the filing of the petition and before the trial of the issues raised thereby, when the defense or claim presented is that the property has been partially, unfairly, or unequally assessed, or that the parcel has been assessed at a valuation greater than its real or actual value, or that a parcel which is classified as homestead under the provisions of section 273.13, subdivision 22 or 23, has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class in that portion of the county in which the parcel is located, for which the commissioner is able to establish and publish a sales ratio study, the attorney representing the state, county, city or town in the proceedings may serve on the petitioner, or the petitioner's attorney, and file

with the court administrator of the district court, an offer to reduce the valuation of any tract or tracts to a valuation set forth in the offer. If, within ten days thereafter, the petitioner, or the attorney, gives notice in writing to the county attorney, or the attorney for the city or town, that the offer is accepted, the official notified may file the offer with proof of notice, and the court administrator shall enter judgment accordingly. Otherwise, the offer shall be deemed withdrawn and evidence thereof shall not be given; and, unless a lower valuation than specified in the offer is found by the court, no costs or disbursements shall be allowed to the petitioner, but the costs and disbursements of the state, county, city or town, including interest at six percent on the tax based on the amount of the offer from and after the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, the 16th day of November, of the year the taxes are payable, shall be taxed in its favor and included in the judgment and when collected shall be credited to the county revenue fund, unless the taxes were paid in full before the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, the 16th day of November, of the year in which the taxes were payable, in which event interest shall not be taxable.

Sec. 30. Minnesota Statutes 1988, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3, on May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified as class 4d 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month, up to and including October 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November and December following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the

remaining one-half until October 16 following.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 31. Minnesota Statutes 1988, section 279.01, subdivision 3, is amended to read:

Subd. 3. In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class ~~2e~~ 2b(2) agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class ~~2e~~ 2b(2) agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 1b agricultural homestead, class 2a, or class ~~2e~~ 2b(2) agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead, class 2a, or class ~~2e~~ 2b(2) agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 provided that at least 50 percent of the property's market value is classified class 1b agricultural, class 2a, or class ~~2e~~ 2b(2) agricultural.

Sec. 32. Minnesota Statutes 1988, section 279.37, subdivision 7, is amended to read:

Subd. 7. The county auditor's statement and county treasurer's receipt issued for payment of a deferred installment, as herein provided for, shall not read for any specific year's taxes, but shall read for partial or full release of judgment, as the case may be, and shall show the year that such judgment was entered. In distributing the taxes collected in this manner, the county auditor shall apply the same in the inverse order to that in which such taxes were levied. All penalties and interest collected under the provisions of this section shall be apportioned by the county auditor in accordance with ~~Minnesota Statutes 1941, sections 276.13 and 276.14~~ section 276.131. A duplicate treasurer's receipt for payment of a deferred installment, as hereinafter provided, shall be delivered to the court administrator of the district court, and the court administrator of the district court shall credit the amount so paid upon the judgment entered.

Sec. 33. Minnesota Statutes 1988, section 290A.03, subdivision 12, is amended to read:

Subd. 12. [GROSS RENT.] "Gross rent" means rental paid for the right of occupancy, at arms-length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. If the landlord and tenant have not dealt with each other at arms-length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this chapter.

Any amount paid by a claimant residing in property assessed pursuant to section ~~273.13~~ 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section ~~273.13~~ 273.124, subdivision 3, 4, 5, or 6 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

Sec. 34. Minnesota Statutes 1988, section 298.28, subdivision 3, is amended to read:

Subd. 3. [CITIES; TOWNS.] (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. ~~The county auditor shall extend the township's or city's levy against the sum of the township's or city's current assessed value plus the difference between 50 percent of its January 2, 1982, assessed value and its current assessed value in the case of a township and between 50 percent of its January 2, 1980, assessed value and its current assessed value in the case of a city. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means, for distributions for production year 1989, production taxes payable in 1990, the appropriate gross tax capacities multiplied by 8.2 and for distributions for production year 1990 and thereafter, production taxes payable in 1991 and~~

thereafter, the appropriate net tax capacities multiplied by 10.2.

Sec. 35. Minnesota Statutes 1988, section 375.192, subdivision 2, is amended to read:

Subd. 2. Notwithstanding section 270.07, upon written application by the owner of the property, if the application seeks a reduction in estimated market value not in excess of ~~\$2,000~~ \$10,000, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties or interest which have been erroneously or unjustly paid. The application must be approved by the county assessor, or, if the property is located in a city of the first or second class having a city assessor, by the city assessor, and by the county auditor before consideration by the county board. The methods of obtaining a reduction or abatement of ad valorem values contained in subdivisions 1 and 2 are in addition to the method provided in section 270.07.

Sec. 36. Minnesota Statutes 1988, section 469.174, subdivision 8, is amended to read:

Subd. 8. [PROJECT.] "Project" means a project as described in section 469.142; an industrial development district as described in section 469.058, subdivision 1; an economic development district as described in section 469.101, subdivision 1; a project as defined in section 469.002, subdivision 12; a development district as defined in section 469.125, subdivision 8 9, or any special law; or a project as defined in section 469.153, subdivision 2, paragraph (a), (b), or (c).

Sec. 37. Minnesota Statutes 1988, section 469.175, subdivision 7, is amended to read:

Subd. 7. [CREATION OF HAZARDOUS SUBSTANCE SUBDISTRICT; RESPONSE ACTIONS.] (a) A municipality or authority which is creating or has created a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing, and findings required for approval of the original plan. The geographic area of the subdistrict is made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous to the hazardous substances sites except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan, the municipality must make the findings under paragraphs (b) to (d), and set forth in writing the reasons and supporting facts for each.

(b) Development or redevelopment of the site, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.

(c) Other parcels that are not designated hazardous substance sites are expected to be developed together with a designated hazardous substance site.

(d) The subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the municipality to provide for the additional

costs due to the designated hazardous substance site.

(e) Upon request by a municipality or authority that has incurred expenses for removal or remedial actions to implement a development response action plan, the attorney general may:

(1) bring a civil action on behalf of the municipality or authority to recover the expenses, including administrative costs and litigation expenses, under section 115B.04 or other law; or

(2) assist the municipality or agency in bringing an action as described in clause (1), by providing legal and technical advice, intervening in the action, or other appropriate assistance.

The decision to participate in any action to recover expenses is at the discretion of the attorney general.

(f) If the attorney general brings an action as provided in paragraph (e), clause (1), the municipality or authority shall certify its reasonable and necessary expenses incurred to implement the development response action plan and shall cooperate with the attorney general as required to effectively pursue the action. The certification by the municipality or authority is prima facie evidence that the expenses are reasonable and necessary. The attorney general may deduct litigation expenses incurred by the attorney general from any amounts recovered in an action brought under paragraph (e), clause (1). The municipality or authority shall reimburse the attorney general for litigation expenses not recovered in an action under paragraph (e), clause (1), and for litigation expenses incurred to assist in bringing an action under paragraph (e), clause ~~(1)~~ (2). All money recovered or paid to the attorney general for litigation expenses under this paragraph shall be paid to the general fund of the state for deposit to the account of the attorney general. For the purposes of this section, "litigation expenses" means attorney fees and costs of discovery and other preparation for litigation.

(g) The municipality or authority shall reimburse the pollution control agency for its administrative expenses incurred to review and approve a development action response plan and associated activities, and for expenses incurred for any services rendered to the attorney general to support the attorney general in actions brought or assistance provided under paragraph (e). All money paid to the pollution control agency under this paragraph shall be deposited in the environmental response, compensation and compliance fund.

(h) Actions taken by a municipality or authority consistent with a development response action plan are deemed to be authorized response actions for the purpose of section 115B.17, subdivision 12. A municipality or agency that takes actions consistent with a development response action plan qualifies for the defenses available under sections 115B.04, subdivision 11, and 115B.05, subdivision 9.

(i) All money recovered by a municipality or authority in an action brought under paragraph (e) in excess of the amounts paid to the attorney general and the pollution control agency must be treated as excess increments and be distributed as provided in section 469.176, subdivision 2, clause (4), to the extent the removal and remedial actions were initially financed with increment revenues.

Sec. 38. Minnesota Statutes 1988, section 469.176, subdivision 4c, is

amended to read:

Subd. 4c. [ECONOMIC DEVELOPMENT DISTRICTS.] Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if *at least* 25 percent of the buildings and facilities (determined on the basis of square footage) are used for the purposes listed in section 144(a)(8) of the Internal Revenue Code of 1986 (determined without regard to the 25 percent restriction in subparagraph (A)). The restrictions under this paragraph apply only to districts located in development regions, as defined in section 462.384, with populations in excess of 1,000,000. Population must be determined under the provisions of section 477A.011.

Sec. 39. Minnesota Statutes 1988, section 475.53, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] Except as otherwise provided by law, no school district shall be subject to a net debt in excess of ten percent of the actual market value of all taxable property situated within its corporate limits, as computed in accordance with this subdivision. The county auditor of each county containing taxable real or personal property situated within any school district shall certify to the district upon request the market value of all such property. ~~The commissioner of revenue shall certify to the district upon request the market value of railroad property within the district as most recently determined under section 270.87.~~ Whenever the commissioner of revenue, in accordance with section 124.2131, subdivision 1, has determined that the gross tax capacity of any district furnished by county auditors is not based upon the market value of taxable property in the district, the commissioner of revenue shall certify to the district upon request the ratio most recently ascertained to exist between such value and the actual market value of property within the district. The actual market value of property within a district, on which its debt limit under this subdivision is based, is (a) the value certified by the county auditors ~~and, where applicable, by the commissioner of revenue under section 270.87,~~ or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value.

Sec. 40. Minnesota Statutes 1988, section 477A.011, subdivision 15, is amended to read:

Subd. 15. [CITY REVENUE.] "City revenue" equals the sum of (i) the city's aid payable under section 477A.013, in the year prior to that for which aids are being calculated, and (ii) its levy for taxes payable in the year prior to that for which aids are being calculated; ~~and (iii) for aids payable in 1991 and subsequent years, the city's transition aid payable under section 273.1398, subdivision 2, in the year prior to that for which aids are being calculated.~~

Sec. 41. Minnesota Statutes 1988, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. [TOWNS.] In calendar year 1988, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to

477A.03; or (b) the amount certified in 1987 pursuant to sections 477A.011 to 477A.03. In calendar year 1989, each town that had levied for taxes payable in 1988 at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 106 percent of the distribution received under Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, in 1988. In calendar year 1990 and subsequent years, each town that had levied for taxes payable in the prior year a tax capacity rate of at least ~~.0125~~ .008 shall receive a distribution equal to the amount received in 1989 under this subdivision.

Sec. 42. Laws 1988, chapter 719, article 8, section 37, is amended to read:

Sec. 37. [EFFECTIVE DATE.]

The part of section 31 that strikes a part of paragraph (c) is effective June 1, 1990. Section 32 *is, and the part of section 36 that provides approval of 25 additional positions in the department of human services for food stamp quality control, are* effective June 1, 1989. Except as provided in section 34, the rest of this article is effective January 1, 1990.

Sec. 43. Laws 1988, chapter 719, article 12, section 29, is amended to read:

Sec. 29. [TRANSITION RULES.]

(a) The provisions of sections 3, 6, 10, and ~~44 16~~ do not apply to proposed tax increment financing districts for which the authority called for a public hearing in a resolution dated March 23, 1987, and for which a public hearing was held on April 28, 1987. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(b) The provisions of sections 3, 6, 10, and ~~44 16~~ do not apply to candidate sites ~~in the old highway 8 corridor tax increment project area,~~ identified in the old highway 8 corridor plan as approved by an authority on October 14, 1986, if the requests for certification of the districts are filed with the county before January 1, 1998. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(c) The provisions of section ~~44 16~~, subdivision 4c, do not apply to an economic development district located in a development district approved on November 9, 1987, provided the request for certification of the tax increment district is submitted to the county by September 30, 1988.

Sec. 44. [REPEALER.]

(a) *Minnesota Statutes 1988, sections 276.13 and 276.14, are repealed.*

(b) *Laws 1988, chapter 719, article 8, section 35, is repealed.*

(c) *Minnesota Statutes 1988, sections 275.57 and 275.58, subdivision 4, are repealed.*

Sec. 45. [EFFECTIVE DATE.]

Sections 22, 27, 29 to 31, and 44, paragraph (c), are effective for taxes levied in 1988, payable in 1989, and thereafter except as provided in those sections. Sections 3 to 5 are effective January 1, 1989. Sections 6 to 9 are effective January 1, 1989, for property assessed in 1989, payable in 1990, and thereafter. Sections 10, 15, 20, 26, 32, 33, 36, 37, 39, 40, and

44, paragraph (a), are effective the day following final enactment. Section 44, paragraph (b), is effective for fiscal year 1989. Sections 1, 2, 11, 14, 17, 19, 21, and 23 to 25 are effective for taxes levied in 1989, payable in 1990, and thereafter. Section 13 is effective for taxes levied in 1989, payable in 1990, and thereafter, provided that cooperatives that qualified under Minnesota Statutes, section 273.124, subdivision 6, on January 1, 1989, shall meet the board membership requirements of paragraph (a) by September 1, 1989, and shall meet the requirements of 501(c)(3) or 501(c)(4) status under the Internal Revenue Code by January 1, 1990, and that the notice and filing requirements of paragraphs (f) and (g) shall apply only to leasehold cooperatives created later than 60 days after the date of enactment of this act. Sections 16 and 18 are effective for taxes payable in 1989 only. Section 30 is effective for appeals filed after the date of enactment. Section 34 is effective for distributions for production year 1989, production taxes payable in 1990, and thereafter. Section 35 is effective July 1, 1989. Section 12 is effective the day following final enactment except the pollution exemption modifications in clause (9) are effective for taxes levied in 1989, payable in 1990, and thereafter. Section 38 is effective as provided in Laws 1988, chapter 719, article 12, section 30, as amended in Laws 1989, chapter 1, section 11. Section 41 is effective for distributions in calendar year 1990 and thereafter. Section 42 is effective June 1, 1989. Section 43 is effective May 8, 1988.

ARTICLE 6

MILL RATE CONVERSIONS

Section 1. Minnesota Statutes 1988, section 3.983, subdivision 3, is amended to read:

Subd. 3. [MISCELLANEOUS EXCEPTIONS.] A fiscal note need not be prepared for the cost of a mandated action if the law containing the mandate:

- (a) (1) accommodates a specific local request;
- (b) (2) results in no new local government duties;
- (c) (3) leads to revenue losses from exemptions to taxes other than sales, use, or property taxes;
- (d) (4) provides only clarifying or conforming, nonsubstantive changes on local government;
- (e) (5) imposes additional net local costs which are minor (less than \$200 for any single local government if the mandate does not apply statewide or less than ~~one-tenth of a mill~~ a gross tax capacity rate of .09 percent or a net tax capacity rate of .11 percent times the entire value of taxable property in the state if the mandate is statewide) and do not cause a financial burden on local government;
- (f) (6) is a legislative mandate or executive order enacted before July 1, 1985, or a rule initially implementing legislation enacted before July 1, 1985;
- (g) (7) implements something other than a state statute or executive order, such as a federal, court, or voter-approved mandate;
- (h) (8) appears in rules that are permissive or discretionary in nature;
- (i) (9) defines a new crime or redefines an existing crime or infraction;

⊕ (10) provides, or falls within the purview of existing, revenue sources or other financing mechanisms; or

⊕ (11) results in savings that equal or exceed costs.

Sec. 2. Minnesota Statutes 1988, section 18.022, subdivision 2, is amended to read:

Subd. 2. [COST.] (a) In order to defray the cost of such activities, the governing body of ~~any such~~ the political subdivision may levy a special tax which, except when levied by a county, ~~shall does not exceed two-thirds mill a gross tax capacity rate of .55 percent or a net tax capacity rate of .68 percent in any year in excess of charter or statutory millage tax capacity rate limitations, but not in any event more than 50 cents per capita; and any such.~~ The political subdivision may make such a levy, where necessary, separate from the general levy and at any time of the year.

(b) If, because of the prevalence of Dutch elm disease, the governing body of ~~such a~~ the political subdivision is unable to defray the cost of control activities authorized by this section within the limits set by this subdivision, the limits set by this subdivision are increased to ~~4-1/3 mills a gross tax capacity rate of 1.10 percent or a net tax capacity rate of 1.36 percent, but not in any event more than one dollar per capita.~~

Sec. 3. Minnesota Statutes 1988, section 18.111, subdivision 1, is amended to read:

Subdivision 1. [LEVY LIMIT.] An annual levy ~~of not to exceed one-third mill on each dollar of a gross tax capacity rate of .28 percent times the gross tax capacity or a net tax capacity rate of .34 percent times the net tax capacity~~ may be levied for mosquito abatement purposes on all taxable property in any governmental unit undertaking mosquito abatement as provided in sections 18.041 to 18.161. ~~Such~~ The tax shall be certified, levied and collected in the same manner as other taxes ~~caused to be levied by the governmental unit.~~

Sec. 4. Minnesota Statutes 1988, section 40A.15, subdivision 2, is amended to read:

Subd. 2. [ELIGIBLE RECIPIENTS.] All counties within the state, municipalities that prepare plans and official controls instead of a county, and districts are eligible for assistance under the program. Counties and districts may apply for assistance on behalf of other municipalities. In order to be eligible for financial assistance a county or municipality must agree to levy a tax at a gross tax capacity rate of at least ~~one-half mill on the dollar of gross tax capacity of property within its jurisdiction~~ .41 percent or at a net tax capacity rate of at least .51 percent for agricultural land preservation and conservation activities or otherwise spend the equivalent amount of local money on those activities, or spend \$15,000 of local money, whichever is less.

Sec. 5. Minnesota Statutes 1988, section 88.04, subdivision 3, is amended to read:

Subd. 3. All towns and cities ~~are hereby authorized and directed to shall~~ take necessary precautions to prevent the starting and spreading of forest or prairie fires and to extinguish ~~the same; and are hereby further authorized to them.~~ They may levy a tax ~~of at a gross tax capacity rate of not more than 3-1/3 mills~~ 2.74 percent or a net tax capacity rate of not more than

~~3.4 percent annually upon the taxable property of such municipalities, but in no municipality to. The tax in any municipality shall not exceed a total of \$3,000 in any one year, which. The tax when collected shall be known as the fire fund and kept separate and apart from all other funds and used only in paying to pay all necessary and incidental expenses incurred in enforcing the provisions of sections 88.03 to 88.21. Not Up to exceed \$500 shall be expended in any one year from any such fire fund for the support of any municipal fire department. No such municipality shall make any levy for its fire fund at any time when the same fund contains \$5,000 or more, consisting of including cash on hand or and uncollected taxes that are not delinquent or both.~~

Sec. 6. Minnesota Statutes 1988, section 110.71, subdivision 2, is amended to read:

Subd. 2. The governing body of any city or town may use any available funds and may levy a special tax of not to exceed ~~two thirds of one mill, nor the lesser of (1) a gross tax capacity rate of .55 percent or a net tax capacity rate of .68 percent, or (2) 50 cents per capita, in any year in addition to all other taxes authorized by law,~~ to carry out the provisions of subdivisions 1 to 4.

Sec. 7. Minnesota Statutes 1988, section 110B.20, is amended to read:

110B.20 [EXEMPTION FROM LEVY LIMIT.]

The governing body of any county, municipality, or township may levy a tax in an amount required to implement sections 110B.01 to 110B.30. ~~A levy to pay the cost of implementing sections 110B.01 to 110B.30 or to pay the cost of projects or programs identified in an adopted comprehensive water plan is in addition to other taxes authorized by law. The amount of the levy up to .75 mill times the adjusted gross tax capacity of the county, municipality, or town a gross tax capacity rate of .62 percent or a net tax capacity rate of .77 percent is exempt from any the per capita limitation on taxes imposed by chapter 275 section 275.11.~~

Sec. 8. Minnesota Statutes 1988, section 112.61, subdivision 2, is amended to read:

Subd. 2. [ORGANIZATIONAL EXPENSE FUND.] The organizational expense fund consists of an ad valorem tax levy, not to exceed ~~two thirds of one mill on each dollar of gross tax capacity of all taxable property within the district a gross tax capacity rate of .55 percent or a net tax capacity rate of .68 percent,~~ or \$60,000, whichever is less. The funds shall be used for organizational expenses and preparation of an overall plan for projects and improvements. The managers of the district may borrow from the affected counties up to 75 percent of the anticipated funds to be collected from the organizational expense fund levy and the counties affected may make the advancements. The advancement of anticipated funds shall be apportioned among affected counties in the same ratio as the gross tax capacity of the area of the counties within the district bears to the gross tax capacity of the entire district. If an established district is enlarged, an organizational expense fund may be levied against the area added to the district in the way provided in this subdivision. Unexpended funds collected for the organizational expense may be transferred to the administrative fund and used for the purposes authorized for it.

Sec. 9. Minnesota Statutes 1988, section 112.61, subdivision 3, is amended to read:

Subd. 3. [ADMINISTRATIVE FUND.] The administrative fund consists of an ad valorem tax levy not to exceed ~~one mill on each dollar of gross tax capacity of all taxable property within the district~~ a gross tax capacity rate of .82 percent or a net tax capacity rate of 1.02 percent, or \$125,000, whichever is less. The funds shall be used for general administrative expenses and to construct and maintain projects of common benefit to the district. The managers may make an annual levy for this fund as provided in section 112.611. In addition to the annual administrative levy, the managers may annually levy a tax ~~of not to exceed one-third of one mill~~ a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent for a period of not to exceed 15 consecutive years to pay the cost attributable to the basic water management features of projects initiated by petition of a municipality of the district.

Sec. 10. Minnesota Statutes 1988, section 112.61, subdivision 8, is amended to read:

Subd. 8. [SURVEY AND DATA ACQUISITION FUND.] The survey and data acquisition fund is established or used only when no other funds are available to the district to pay to make necessary surveys and acquire data. The fund consists of ~~an ad valorem levy the proceeds of a property tax,~~ which can be levied not more than once every five years, not to exceed ~~one mill on each dollar of gross tax capacity of all taxable property within the district~~ a gross tax capacity rate of .82 percent or a net tax capacity rate of 1.02 percent. The balance of the survey and data acquisition fund must never exceed \$50,000. In a subsequent proceeding for a work where a survey has been made, the attributable cost of the survey as determined by the managers shall be included as a part of the cost of the work and repaid to the survey and data acquisition fund.

Sec. 11. Minnesota Statutes 1988, section 138.053, is amended to read:

138.053 [COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.]

The governing body of any home rule charter or statutory city or town excepting cities of the first class may appropriate annually an amount from its general fund of not to exceed ~~one mill of the gross tax capacity of the taxable property in the city or town~~ the amount raised by a levy of a gross tax capacity rate of .82 percent or a net tax capacity rate of 1.02 percent to be paid to the historical society of ~~their~~ its respective county to be used for the promotion of historical work and to aid in defraying the expenses of carrying on the historical work in ~~said~~ the county. No city or town may appropriate any funds for the benefit of any historical society unless ~~such~~ the society ~~shall be~~ is affiliated with and approved by the Minnesota historical society.

Sec. 12. Minnesota Statutes 1988, section 162.07, subdivision 3, is amended to read:

Subd. 3. [COMPUTATIONS FOR RURAL COUNTIES.] ~~A two-thirds of one mill levy~~ An amount equal to a levy of a gross tax capacity rate of .55 percent on each rural county's total gross tax capacity or a net tax capacity rate of .68 percent on each rural county's total ~~gross~~ net tax capacity for the last preceding calendar year shall be computed and shall be subtracted from ~~such~~ the county's total estimated construction costs. The result thereof shall be the money needs of ~~such~~ the county. For the purpose of this section, "rural counties" ~~shall be construed to mean means~~

all counties having a population of less than 175,000.

Sec. 13. Minnesota Statutes 1988, section 162.07, subdivision 4, is amended to read:

Subd. 4. [COMPUTATION FOR URBAN COUNTIES.] ~~A four-tenths mill levy~~ *An amount equal to a levy of a gross tax capacity rate of .33 percent on each urban county's total gross tax capacity or a net tax capacity rate of .41 percent on each urban county's total gross net tax capacity for the last preceding calendar year shall be computed and shall be subtracted from such the county's total estimated construction costs. The result thereof shall be the money needs of the county. For the purpose of this section, "urban counties" shall be construed to mean means all counties having a population of 175,000 or more.*

Sec. 14. Minnesota Statutes 1988, section 162.081, subdivision 4, is amended to read:

Subd. 4. [PURPOSES.] Money apportioned to a county from the town road account must be distributed to the treasurer of each town within the county, according to a distribution formula adopted by the county board. The formula must take into account each town's levy for road and bridge purposes, its population and town road mileage, and other factors as the county board deems advisable in the interests of achieving equity among the towns. Distribution of town road funds to the treasurer of the towns must be made at the same time as the first payment is made for tax payments received by the county treasurer as provided in section 276.11. Distribution of funds to town treasurers in a county which has not adopted a distribution formula under this subdivision must be made according to a formula prescribed by the commissioner by rule. A formula adopted by a county board or by the commissioner must provide that a town, in order to be eligible for distribution of funds from the town road account in a calendar year, must have levied in the previous year for road and bridge purposes at least ~~two mills on the dollar of the gross tax capacity of the town a gross tax capacity rate of 1.64 percent or a net tax capacity rate of 2.04 percent.~~

Money distributed to a town under this subdivision may be expended by the town only for the construction, reconstruction, and gravel maintenance of town roads within the town.

Sec. 15. Minnesota Statutes 1988, section 164.04, subdivision 3, is amended to read:

Subd. 3. [EMERGENCIES.] In case of emergency after the town meeting, but not later than October 1 in the same year, the town board may levy a tax on the property in the town for road and bridge purposes, in addition to any tax voted at the annual town meeting for road and bridge purposes, in an amount not to exceed ~~1-6-2/3 mills on the dollar of the gross tax capacity of the property in the town a gross tax capacity rate of 1.37 percent or a net tax capacity rate of 1.7 percent.~~ Any tax so levied shall ~~forthwith~~ be certified to the county auditor for extension and collection. The town board may thereafter pledge the credit of the town by issuing town orders, not exceeding the amount of the additional tax so levied for road and bridge purposes, in payment for the emergency work done or material used on the roads within the town.

Sec. 16. Minnesota Statutes 1988, section 164.05, subdivision 1, is amended to read:

Subdivision 1. [POWERS.] In any town ~~wherein~~ *in which* the voters shall at the annual town meeting vote as hereinafter provided to authorize the town board so to do *so as provided in this section*, the town board may levy and assess on the real and personal property in the town; other than money and credits taxed under the provisions of chapter 285; a tax not to exceed in amount ~~3-1/3 mills on the dollar of the gross tax capacity of such property, which tax so levied a gross tax capacity rate of 2.74 percent or a net tax capacity rate of 3.4 percent.~~ *The tax shall be known as the town road drainage tax. Such tax shall be additional to all other taxes which the town is or may hereafter be authorized to levy; and The amount of such the tax so levied and collected shall be deemed to have been levied and collected for road and bridge purposes within the meaning of any law limiting the amount of taxes which may be levied or voted at the annual town meeting; provided, that except in towns having a gross tax capacity of not less than \$1,000,000 \$125,000, nor more than \$8,000,000 \$975,000, or a net tax capacity of not less than \$100,000 nor more than \$785,000, and which otherwise come under the provisions of sections 368.02 to 368.11 the amount of such tax so levied and collected shall not be deemed to have been levied and collected for road and bridge purposes within the meaning of any law limiting the amount of taxes which may be levied or voted at the annual town meeting.*

Sec. 17. Minnesota Statutes 1988, section 174.27, is amended to read:

174.27 [PUBLIC EMPLOYER COMMUTER VAN PROGRAMS.]

Any statutory or home rule charter city, county, school district, independent board or agency may acquire or lease commuter vans, enter into contracts with another public or private employer to acquire or lease such vans, or purchase such a service for the use of its employees. The governing body of any such city, county, or school district may by resolution establish a commuter van revolving fund to be used to acquire or lease commuter vans for the use of its employees. Any payments out of the fund shall be repaid to the fund out of revenues derived from the use by the employees of the city, county, or school district, of the vans so purchased or leased. For the purpose of establishing the fund any city, county, or school district is authorized to make a one time levy not to exceed ~~one tenth of a mill a gross tax capacity rate of .09 percent or a net tax capacity rate of .11 percent~~ *in excess of all taxing limitations except the limitations imposed under sections 275.50 to 275.56, without affecting the amount or rate of taxes which may be levied by the city, county, or school district for other purposes or by any local governments in the area. Any city, county, or school district which establishes a commuter van acquisition program or contracts for this service is authorized to levy a tax not to exceed 4/100 mill a gross tax capacity rate of .01 percent or a net tax capacity rate of .02 percent* for the purpose of paying the administrative and promotional costs of the program which levy shall be in excess of all taxing limitations; ~~without affecting the amount or rate of taxes which may be levied by the city, county, or school district for other purposes or by a local government in the area except the limitations imposed under sections 275.50 to 275.56.~~ The governing body of any city, county, or school district may by resolution terminate the commuter van revolving fund and use the funds for other purposes authorized by law.

Sec. 18. Minnesota Statutes 1988, section 193.145, subdivision 2, is amended to read:

Subd. 2. [TAX LEVY, LIMITATION.] A county or municipality in which an armory has been constructed or is to be constructed hereunder may by resolution of its governing body irrevocably provide for levying and collecting annually for a specified period, not exceeding 40 years, a tax ~~upon all taxable property therein of such amount as such governing body may determine,~~ which, unless levied by a county, shall not exceed ~~one-third of one mill,~~ a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent.

The proceeds of ~~such the~~ levy as collected shall be paid to ~~such the~~ corporation for the purposes herein prescribed. ~~Such~~ The county or municipality ~~shall have power to~~ may make ~~such tax the~~ levies and payments and to bind itself thereto by ~~such~~ resolution of its governing body. The provisions of ~~such the~~ resolution may be made conditional upon the giving of an agreement by the adjutant general as authorized in subdivision 4. The obligations of ~~such the~~ county or municipality to levy, collect, and pay over ~~such the~~ taxes shall not be deemed ~~or construed~~ to constitute an indebtedness of ~~such the~~ county or municipality within the meaning of any provision of law or of its charter limiting its total or net indebtedness, and such taxes may be levied and collected without regard to any statutory or charter provision limiting the amount or rate of taxes which such county or municipality is otherwise authorized to levy.

Sec. 19. Minnesota Statutes 1988, section 237.35, is amended to read:
237.35 [TAX LEVY FOR CONSTRUCTION.]

When any town ~~shall have~~ has authorized the construction, acquiring, operation, or maintenance of a telephone system, as set forth in sections 237.33 and 237.34, and determined the amount of money to be raised for that purpose, the town board of supervisors may levy a tax for the amount of money to be raised therefor. The annual tax levy for ~~such that~~ purpose shall not exceed 3 ~~1/3~~ mills ~~upon the taxable property of such town~~ a gross tax capacity rate of 2.74 percent or a net tax capacity rate of 3.4 percent.

Sec. 20. Minnesota Statutes 1988, section 273.1102, subdivision 3, is amended to read:

Subd. 3. [1988 ADJUSTMENT.] ~~For School districts~~ district levy limitations or authorities expressed in terms of mills and adjusted assessed value, ~~their levy limitations in any special law that is not codified in Minnesota Statutes~~ shall be converted by the department of education to "equalized gross tax capacity rates" for taxes payable in 1989 and 1990 and to equalized net tax capacity rates for taxes payable in 1991 and thereafter. For purposes of this calculation, the 1987 adjusted assessed values of the district shall be converted to "adjusted gross tax capacities" by multiplying the equalized market values by class of property by the gross tax capacity rates provided in section 273.13. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue the 1987 market value for taxes payable in 1988 for any new classes of property established in this article. The commissioner shall use those values, and estimate values where needed, in developing the 1987 tax capacity for each school district under this section. The requirements of section 124.2131, subdivisions 1, paragraph (c), and 2 and 3, shall remain in effect.

Sec. 21. Minnesota Statutes 1988, section 275.011, subdivision 1, is amended to read:

Subdivision 1. The property tax levied for any purpose *under a special law that is not codified in Minnesota Statutes or a city charter provision and that is subject to a mill rate limitation imposed by statute or the special law or city charter provision*, excluding levies subject to mill rate limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, must not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of the applicable mill rate limitation imposed by ~~statute or~~ special law *or city charter provision* multiplied by the total assessed valuation of all taxable property subject to the tax as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property subject to the tax divided by the assessment year 1987 total market valuation of all taxable property subject to the tax; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the property tax levy limitation for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property subject to the tax for the current assessment year divided by the total market valuation of all taxable property subject to the tax for the previous assessment year.

For the purpose of determining the property tax levy limitation for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property subject to the tax without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

Sec. 22. Minnesota Statutes 1988, section 275.011, subdivision 2, is amended to read:

Subd. 2. A mill rate levy limitation imposed by ~~statute or~~ a special law *or city charter provision* that is presently in effect, excluding those mill rate levy limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, shall be construed to allow no more and no less property taxes than the amount determined under this section.

Sec. 23. Minnesota Statutes 1988, section 275.077, subdivision 2, is amended to read:

Subd. 2. The difference between the correct levy and the erroneous levy shall be added to the township levy for the subsequent levy year; provided that if the amount of the difference exceeds ~~five mills~~ *a gross tax capacity rate of 4.1 percent or a net tax capacity rate of 5.1 percent*, the excess shall be added to the township levy for the second and later subsequent levy years, not to exceed an additional levy of ~~five mills~~ *a gross tax capacity rate of 4.1 percent or a net tax capacity rate of 5.1 percent* in any year, until the full amount of the difference has been levied. The funds collected from the corrected levies shall be used to reimburse the county for the payment required by subdivision 1.

Sec. 24. Minnesota Statutes 1988, section 275.28, subdivision 1, is amended to read:

Subdivision 1. [AUDITOR TO MAKE.] The county auditor shall make out the tax lists according to the prescribed form, and to correspond with the assessment districts. The rate percent necessary to raise the required amount of the various taxes shall be calculated on the gross tax capacity of property as determined by the state board of equalization, but, in calculating such rates, no rate shall be used resulting in a fraction other than a decimal fraction, or less than ~~one-tenth of a mill~~ *a gross tax capacity rate of .01 percent or a net tax capacity rate of .01 percent*; and, in extending any tax, whenever it amounts to the fractional part of a cent, it shall be made one cent. The tax lists shall also be made out to correspond with the assessment books in reference to ownership and description of property, with columns for the valuation and for the various items of tax included in the total amount of all taxes set down opposite each description; ~~and~~. Opposite each description which has been sold for taxes, and which is subject to redemption, but not redeemed, shall be placed the words "sold for taxes." The amount of all special taxes shall be entered in the proper columns, but the general taxes may be shown by entering the rate percent of each tax at the head of the proper columns, without extending the same, in which case a schedule of the rates percent of such taxes shall be made on the first page of each tax list. If the auditor ~~shall fail~~ *fails* to enter on any such list before its delivery to the treasurer any tax levied, ~~such the~~ tax may be subsequently entered. The tax lists shall be deemed completed, and all taxes extended thereon, as of October 16 annually.

Sec. 25. Minnesota Statutes 1988, section 275.56, is amended to read:
275.56 [EFFECT UPON OTHER LEVY LIMITS.]

All special and general laws and charter provisions establishing per capita, mill, *tax capacity rate*, or other general limitations on tax levies of governmental subdivisions are ~~hereby~~ superseded to the extent that they authorize property taxation in excess of the limitations established by sections 275.50 to 275.56, but otherwise such levy limitations and those established for special purposes are in no way affected by sections 275.50 to 275.56.

Sec. 26. Minnesota Statutes 1988, section 275.58, subdivision 1, is amended to read:

Subdivision 1. Notwithstanding the provisions of sections 275.50 to 275.56, but subject to other law or charter provisions establishing per capita, mill, *tax capacity rate*, or other limitations on the amount of taxes that may be levied, the levy of a governmental subdivision, as defined by section 275.50, subdivision 1, may be increased above the limitation imposed by sections 275.50 to 275.56 in any per capita or dollar amount which is approved by the majority of voters of the governmental subdivision voting on the question at a general or special election. When the governing body of the governmental subdivision resolves to increase the levy of the governmental subdivision pursuant to this section, it shall provide for submission of the proposition of an increase in the levy limit base per capita or the proposition of an additional levy, as the case may be, at a general or special election. Notice of ~~such the~~ election shall be given in the manner required by law. If the proposition is for an adjustment to the governmental subdivision's levy limit base per capita, increasing the levy limit base per capita over the per capita amount established pursuant to section 275.51,

subdivision 3, ~~such the~~ notice shall state the purpose of ~~such the~~ per capita adjustment and the per capita amount of ~~such the~~ adjustment. If the proposition is for an additional levy, ~~such the~~ notice shall state the purpose and maximum yearly amount of ~~such the~~ additional levy.

Sec. 27. Minnesota Statutes 1988, section 298.28, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] (a) 27.5 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c).

(b) 5.5 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) 22 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts ~~wherein in which~~ the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 124.17 for the prior school year shall be multiplied by the ratio of the average adjusted gross tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapter 124A for the school year ending prior to distribution to the adjusted gross tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values that is less than the amount of its levy reduction under section 275.125, subdivision 9, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) On July 15, in years prior to 1988, an amount equal to the increase derived by increasing the amount determined by paragraph (c) in the same proportion as the increase in the steel mill products index over the base year of 1977 as provided in section 298.24, subdivision 1, clause (a), shall be distributed to any school district described in paragraph (c) where a levy increase pursuant to section 124A.03, subdivision 2, is authorized by referendum, according to the following formula. On July 15, 1988, the increase over the amount established for 1987 shall be determined as if there had been an increase in the tax rate under section 298.24, subdivision 1, paragraph (b), according to the increase in the implicit price deflator. On July 15, 1989, and subsequent years, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, paragraph (a). Each district shall receive the product of:

(i) \$150 times the pupil units identified in section 124.17, subdivision

1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of ~~1-3/4 mills~~ *a gross tax capacity rate of 1.44 percent or a net tax capacity rate of 1.79 percent* times the district's taxable valuation in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the amount certified pursuant to section 124A.03, subdivision 2, in the previous year, to the product of ~~1-3/4 mills~~ *a gross tax capacity rate of 1.44 percent or a net tax capacity rate of 1.79 percent* times the district's taxable valuation in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$150 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 124A.23 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in subdivision 11.

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

Sec. 28. Minnesota Statutes 1988, section 298.282, subdivision 2, is amended to read:

Subd. 2. (a) Each year following the final determination of the amount of taxes payable under section 298.24, the commissioner of revenue shall determine the amount in the taconite municipal aid account as of July 1 of ~~such~~ *that* year and the amount to be distributed to each qualifying municipality during ~~such~~ *the* year. The amount to be distributed to each qualifying municipality shall be determined by determining an index for each qualifying municipality by subtracting its local effort tax capacity rate, multiplied by its equalized gross tax capacity, from its fiscal need factor. For the purposes of this subdivision, the following terms have the meanings given them herein. A municipality's "local effort tax capacity rate" means its fiscal need factor per capita divided by ~~\$17~~ *\$21* per capita ~~per mill for each one percent of the gross tax capacity rate or \$17 per capita for each one percent of the net tax capacity rate~~ for the first \$350 of its fiscal need factor per capita; plus its fiscal need factor per capita divided by ~~\$15~~ *\$18* per capita ~~per mill for each one percent of the gross tax capacity rate or \$15 per capita for each one percent of the net tax capacity rate~~ on that part of its fiscal need factor per capita, if any, in excess of \$350. In no case shall a municipality's local effort tax capacity rate be less than ~~eight mills-~~ *a gross tax capacity rate of 6.56 percent or a net tax capacity rate of 8.16 percent*. A municipality's "equalized captured gross tax capacity" means its previous year tax capacity, less the tax capacity in any tax increment district, divided by the municipality's aggregate sales ratio covering the period ending two years prior to the year of aid distribution. A municipality's "fiscal need factor" means the three-year average of the sum of its municipal levy, taconite aids received under section 298.28, subdivisions 2, 11, paragraph (b), and this section and its local

government aid distribution amount, for taxes payable and distribution amounts receivable in the three years immediately preceding the aid distribution year.

The ratio of the resulting index for each qualifying municipality to the sum of all qualifying municipalities' indexes shall be multiplied by the total amount in the taconite municipal aid account less the amount distributed pursuant to subdivision 5. ~~For the distribution made in 1987, one-third of the distribution shall be distributed pursuant to this subdivision and two-thirds pursuant to Minnesota Statutes 1984, section 298.282, subdivision 2. For the distribution made in 1988, two-thirds shall be distributed pursuant to this subdivision and one-third pursuant to Minnesota Statutes 1984, section 298.282, subdivision 2.~~

(b) If the distribution under this section, sections 273.138, 298.26 and 298.28, and chapter 477A, to any municipality would exceed that municipality's levy limit base for that year, computed pursuant to sections 275.50 to 275.58, the amount in excess of the levy limit base for that year shall reduce the amount distributed to the municipality under this section and this excess amount shall be distributed to the other qualifying municipalities in the same manner as the distribution made pursuant to subdivision 2, except that the qualifying municipality receiving an initial distribution when added to that received pursuant to sections 273.138, 298.26, 298.28, and chapter 477A in excess of the qualifying municipality's levy limit base, shall not receive a distribution nor shall its index be used in computing the distribution pursuant to this clause. The distributions to be received in the year in which the taxes are payable shall be compared to the levy limit base for that same year. Upon completion of ~~such~~ the determination, the commissioner of revenue shall certify to the chief clerical officer of each qualifying municipality the amount which will be distributed to ~~such~~ the municipality from the taconite municipal aid account that year.

Sec. 29. Minnesota Statutes 1988, section 366.27, is amended to read:
366.27 [FIREFIGHTERS' RELIEF; TAX LEVY.]

The town board of any town in this state having therein a platted portion on which ~~there reside~~ resides 1,200 or more people, and wherein a duly incorporated firefighters' relief association is located may each year at the time the tax levies for the support of the town are made and in addition thereto levy a tax not to exceed ~~one-third of one mill on all taxable property within the town~~ a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent for the benefit of ~~such~~ the relief association.

Sec. 30. Minnesota Statutes 1988, section 373.40, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS ON AMOUNT.] A county, other than Hennepin or Ramsey, may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed ~~one mill~~ a gross tax capacity rate of 1.82 percent multiplied by the taxable gross tax capacity of property in the county or a net tax capacity rate of 2.27 percent multiplied by the taxable net tax capacity of property in the county. Ramsey county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to ~~this~~ section (including the bonds to be issued) will equal or exceed ~~4-2~~

~~mills a gross tax capacity rate of 2.19 percent multiplied by the taxable gross tax capacity of property in the county or a net tax capacity rate of 2.72 percent multiplied by the taxable net tax capacity of property in the county.~~ Hennepin county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section together with the bonds proposed to be issued, will equal or exceed ~~one-half mill a gross tax capacity rate of .91 percent multiplied by the taxable gross tax capacity of the property in the county or a net tax capacity rate of 1.13 percent multiplied by the taxable net tax capacity of the property in the county.~~ Calculation of the limit must be made using the taxable gross tax capacity for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

Sec. 31. Minnesota Statutes 1988, section 373.40, subdivision 6, is amended to read:

Subd. 6. [BUILDING FUND LEVY.] (a) If a county other than Hennepin has an approved capital improvement plan, the county board may annually levy ~~an amount equal to one mill a gross tax capacity rate of 1.82 percent or a net tax capacity rate of 2.27 percent,~~ less the amount levied to pay principal and interest on bonds issued under this section. If the Hennepin county board has an approved capital improvement plan, the county board may annually levy ~~an amount equal to one-half mill a gross tax capacity rate of .91 percent or a net tax capacity rate of 1.13 percent,~~ less the amount levied to pay principal and interest on bonds issued under this section. The proceeds of this levy must be deposited in the county building fund under section 373.25 and may only be expended for capital improvements as provided in the approved capital improvement plan.

(b) The maximum amount of the levy, when added to the unexpended balance in the building fund, must not exceed the projected cost of the remaining improvements in the capital improvement plan. A levy made under this section is not subject to any other levy limitation, nor may the levy be included in the computation of any other levy limitation.

(c) This subdivision and the exercise of levy authority under it does not supersede or preempt the authority to levy under section 373.25 or any other law.

Sec. 32. Minnesota Statutes 1988, section 375.167, subdivision 1, is amended to read:

Subdivision 1. [APPROPRIATIONS.] Notwithstanding any contrary law, a county board may appropriate from the general revenue fund to any nonprofit corporation a sum not to exceed ~~one-fourth of a mill on the dollar of the taxable gross tax capacity of the county an amount equal to a levy of a gross tax capacity rate of .21 percent or a net tax capacity rate of .26 percent~~ to provide legal assistance to persons who are unable to afford private legal counsel. ~~This levy is subject to the levy limits established by sections 275.50 to 275.58.~~

Sec. 33. Minnesota Statutes 1988, section 375.18, subdivision 3, is amended to read:

Subd. 3. [COURTHOUSE.] Each county board may erect, furnish, and maintain a suitable courthouse. No indebtedness shall be created for a courthouse in excess of ~~1-2/3 mills on each dollar of gross tax capacity an~~

amount equal to a levy of a gross tax capacity rate of 1.37 percent or a net tax capacity rate of 1.7 percent without the approval of a majority of the voters of the county voting on the question of issuing the obligation at an election.

Sec. 34. Minnesota Statutes 1988, section 375.555, is amended to read:
375.555 [FUNDING.]

To implement the county emergency jobs program, the county board may expend an amount equal to what would be generated by a levy of ~~0.5 mills on all taxable property within the county~~ *a gross tax capacity rate of .41 percent or a net tax capacity rate of .51 percent.* The money to be expended may be from any available funds not otherwise earmarked.

Sec. 35. Minnesota Statutes 1988, section 383A.03, subdivision 4, is amended to read:

Subd. 4. [ICE ARENAS AND GALL'S GOLF COURSE.] Ramsey county may levy, annually, a tax not to exceed ~~one mill~~ *a gross tax capacity rate of .82 percent or a net tax capacity rate of 1.02 percent* for the acquisition and construction of nine artificial ice arenas and a golf course, to pay the interest on the bonds as it accrues and to pay the principal thereof in full at maturity, and not to exceed ~~one-half mill~~ *a gross tax capacity rate of .41 percent or a net tax capacity rate of .51 percent* to provide for the operation of these facilities. The board of county commissioners shall levy a tax for this purpose.

Sec. 36. Minnesota Statutes 1988, section 383A.411, subdivision 5, is amended to read:

Subd. 5. In substitution of, but not in addition to, powers granted to Ramsey county in subdivision 4, Ramsey county may levy and collect a tax, not to exceed the lesser of \$5,000,000 or ~~two mills, upon all taxable property in Ramsey county~~ *a gross tax capacity rate of 1.64 percent or a net tax capacity rate of 2.04 percent* to finance the construction, installation, modification, or improvement of heating, cooling, and domestic hot water systems serving buildings owned in whole or part, operated, or maintained by the county or Ramsey county medical center commission. ~~A levy made pursuant to this subdivision shall not be subject to any limitation provided by other law.~~

Sec. 37. Minnesota Statutes 1988, section 383A.49, subdivision 2, is amended to read:

Subd. 2. [EMERGENCY APPROPRIATIONS.] To meet a public emergency affecting life, health, property or the public peace, and to the extent that there are no available unappropriated revenues to meet the emergency, the board may, by unanimous vote, authorize the issuance of emergency notes. These notes may be renewed from time to time but the emergency notes and renewals in a fiscal year shall be paid not later than the last day of the fiscal year next succeeding that in which the emergency appropriation was made. The issuance and payment of these notes is subject to the ~~mill~~ limits on taxing power established by law for Ramsey county.

Sec. 38. Minnesota Statutes 1988, section 383B.152, is amended to read:
383B.152 [BUILDING AND MAINTENANCE FUND.]

The county board may by resolution levy a ~~direct general ad valorem tax upon all taxable property in the county~~ to provide money which shall

be kept in a fund known as the county reserve building and maintenance fund ~~and. Money in the fund shall be used solely for the construction, maintenance and equipping of such county buildings as are now or hereafter may be that are~~ constructed or maintained by the board. The levy shall not be subject to any limit fixed by any other law ~~except the limitations imposed in sections 275.50 to 275.56 or by any board of tax levy or other corresponding body, but shall not exceed a sum equal to 11/12 mills times the gross tax capacity of all taxable property in the county in any year gross tax capacity rate of .76 percent or a net tax capacity rate of .94 percent, less the amount required by chapter 475 to be levied in such the year for the payment of the principal of and interest on all bonds issued pursuant to Extra Session Laws 1967, chapter 47, section 1.~~

Sec. 39. Minnesota Statutes 1988, section 383B.245, is amended to read:
383B.245 [~~MILL~~ LEVY.]

The county board may also levy a tax of not more than ~~two-thirds mills~~ a gross tax capacity rate of .55 percent or a net tax capacity rate of .68 percent on taxable property within the county outside of any city in which is situated a free public library of the city to acquire, better and construct county library buildings and branches and to pay principal and interest on bonds issued for that purpose. The levy of the tax shall not cause the amount of other taxes levied or to be levied by the county, which are subject to any limitation, to be reduced in any amount ~~whatsoever~~.

The county board may by resolution adopted by a five-sevenths vote issue and sell general obligation bonds of the county in the manner provided in sections 475.60 to 475.73. The bonds shall not be subject to the limitations of sections 475.51 to 475.59, but the maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to ~~two-thirds mills~~ a gross tax capacity rate of .55 percent times the gross tax capacity or a net tax capacity rate of .68 percent on the net tax capacity of all taxable property in the county, which was not taxed in 1987 by any city for the support of any free public library, as last finally equalized before the issuance of the new series. When the tax levy authorized in this section is collected it shall be appropriated and credited to a debt service fund for the bonds in amounts required each year in lieu of a countywide tax levy for the debt service fund under section 475.61.

Sec. 40. Minnesota Statutes 1988, section 383B.73, subdivision 1, is amended to read:

Subdivision 1. [LEVY.] To provide funds for the purposes of the Hennepin county park reserve district as set forth in its annual budget, in lieu of the levies authorized by any other special law for such purposes, the board of park district commissioners may levy taxes on all the taxable property in the county and park district at a rate not exceeding ~~4.3 mills on the gross tax capacity thereof~~ a gross tax capacity rate of 1.1 percent or a net tax capacity rate of 1.36 percent. Notwithstanding section 398.16, on or before October 1 of each year, after public hearing, the board of park district commissioners shall adopt a budget for the ensuing year and shall determine the total amount necessary to be raised from ad valorem tax levies to meet its budget. The board of park district commissioners shall submit the budget to the county board. The county board may veto or modify an item contained

in the budget. If the county board determines to veto or to modify an item in the budget, it must, within 15 days after the budget was submitted by the district board, state in writing the specific reasons for its objection to the item vetoed or the reason for the modification. The park reserve district board, after consideration of the county board's objections and proposed modifications, may reapprove a vetoed item or the original version of an item with respect to which a modification has been proposed, by a two-thirds majority. If the district board does not reapprove a vetoed item, the item shall be deleted from the budget. If the district board does not reapprove the original version of a modified item, the item shall be included in the budget as modified by the county board. After adoption of the final budget and no later than October 1, the superintendent of the park district shall certify to the office of the Hennepin county director of tax and public records exercising the functions of the county auditor the total amount to be raised from ad valorem tax levies to meet its budget for the ensuing year. The director of tax and public records shall add the amount of any levy certified by the district to other tax levies on the property of the county within the district for collection by the director of tax and public records with other taxes. When collected, the director shall make settlement of such taxes with the district in the same manner as other taxes are distributed to the other political subdivisions in Hennepin county. ~~The levy authorized by this section shall be in addition to any other taxes authorized by law.~~

Sec. 41. Minnesota Statutes 1988, section 383B.73, subdivision 2, is amended to read:

Subd. 2. [BONDS.] To provide funds for the acquisition and betterment of park properties and facilities of the district in accordance with plans filed by it under section 398.19, upon request of the board of park district commissioners by a resolution or resolutions regularly adopted by a majority of all members thereof, the board of county commissioners of Hennepin county may, prior to August 1, 1985, in addition to bonds issued by the county for this purpose before January 1, 1973, by resolution issue and sell general obligation bonds of the county in the manner provided in sections 475.60 to 475.753, in an aggregate amount not exceeding \$2,500,000. Taxes for the payment of the principal of and interest on such bonds shall be assessed and extended upon all taxable property in the county. Such bonds shall not be subject to the limitations of sections 475.51 to 475.59, but the maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year on the bonds authorized by this law and all bonds issued by the county for the purposes of the district before January 1, 1973, shall not exceed an amount equal to ~~three-tenths of one mill times the gross tax capacity of a levy at a gross tax capacity rate of .25 percent or at a net tax capacity rate of .31 percent~~ on all taxable property in the county as last finally equalized before the issuance of the new series. Taxes for the payment of principal and interest on bonds issued after August 1, 1985 shall be assessed and extended upon all taxable property in the park district.

Sec. 42. Minnesota Statutes 1988, section 383C.42, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] To provide necessary funds to construct and maintain county or regional juvenile detention and/or treatment centers and to provide matching funds for any federal, state or regional grant, the county boards of St. Louis, Carlton, Cook, Lake, Itasca, Koochiching and

Aitkin counties may levy annually upon all taxable property in their respective counties, ~~a special tax in excess of any tax capacity rate, per capita, or other statutory limitation, but such levy shall that does not exceed 1-1/2 mills a gross tax capacity rate of .41 percent or a net tax capacity rate of .51 percent.~~

Sec. 43. Minnesota Statutes 1988, section 398A.04, subdivision 8, is amended to read:

Subd. 8. [TAXATION.] Before deciding to exercise the power to tax, the authority shall give six weeks published notice in all municipalities in the region. If a number of voters in the region equal to five percent of those who voted for candidates for governor at the last gubernatorial election present a petition within nine weeks of the first published notice to the secretary of state requesting that the matter be submitted to popular vote, it shall be submitted at the next general election. The question prepared shall be:

"Shall the regional rail authority have the power to impose a property tax?

Yes
No"

If a majority of those voting on the question approve or if no petition is presented within the prescribed time the authority may ~~thereafter~~ levy a tax at any annual rate not exceeding ~~two mills a gross tax capacity rate of 1.64 percent on the gross tax capacity or a net tax capacity rate of 2.04 percent on the net tax capacity, as applicable,~~ of all taxable property situated within the municipality or municipalities named in its organization resolution. Its recording officer shall file in the office of the county auditor of each county in which territory under the jurisdiction of the authority is located a certified copy of the board of commissioners' resolution levying the tax, and each county auditor shall assess and extend upon the tax rolls of each municipality named in the organization resolution the portion of the tax that bears the same ratio to the whole amount that the gross tax capacity of taxable property in that municipality bears to the gross tax capacity of taxable property in all municipalities named in the organization resolution. Collections of the tax shall be remitted by each county treasurer to the treasurer of the authority.

Sec. 44. Minnesota Statutes 1988, section 412.251, is amended to read:

412.251 [ANNUAL TAX LEVY.]

The council shall make its annual tax levy by resolution within the per capita limits established by statute. The amount of taxes levied for general city purposes shall not exceed ~~11-2/3 mills on each dollar of the gross tax capacity of the property taxable in the city~~ a gross tax capacity rate of 9.57 percent and a net tax capacity rate of 11.9 percent in cities having a gross tax capacity of less than ~~\$1,500,000~~ \$185,000 and a net tax capacity of less than \$150,000; and ~~ten mills on each dollar~~ a gross tax capacity rate of 8.2 percent and a net tax capacity rate of 10.2 percent in cities having a gross tax capacity of more than ~~\$1,500,000~~ \$185,000 and a net tax capacity of more than \$150,000. ~~In calculating such limit property used for homestead purposes shall be figured as provided in section 273.13, subdivision 7a.~~ The following taxes may be levied in addition to the levies above authorized:

(1) a tax for the payment of principal and interest on outstanding obligations of the city as provided by sections 475.61, 475.73 and 475.74-;

(2) a tax for the payment of judgments as authorized by section 465.14-;

~~(4) (3) a maximum of one-third of one mill a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent but not to exceed \$500 to provide musical entertainment to the public in public buildings or on public grounds-;~~

~~(5) (4) a tax for band purposes as authorized by section 449.09-;~~

~~(6) (5) a tax for the support of a municipal forest, as authorized by section 459.06-;~~

~~(7) (6) a tax for advertising purposes, as authorized by section 469.189-;~~

~~(8) (7) a tax for forest fire protection in any city in a forest area, as authorized by section 88.04-;~~

~~(9) (8) a maximum of 1-2/3 mills a gross tax capacity rate of 1.37 percent and a net tax capacity rate of 1.7 percent for the utilities fund in any city whose utilities are under the jurisdiction of a public utilities commission. Such~~ The tax shall be levied for the purpose of paying the cost of the utility service or other services supplied to the city-;

~~(10) (9) a tax for the support of a public library, as authorized by section 134.07-;~~

~~(11) (10) a tax for firefighters' relief association purposes as authorized by sections 69.772, subdivision 4, 69.773, subdivision 5, or other statutes-; and~~

~~(12) Such~~ (11) other special taxes as may be authorized by law.

Nothing in this section shall be construed to reduce levies of any municipality below the per capita levy spread in 1970.

Sec. 45. Minnesota Statutes 1988, section 412.531, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT, TRANSFER; TAX LEVIES.] For the purpose of carrying out the powers of the park board there shall be established in the city treasury a special fund to be called a park fund. The council may transfer to the park fund such moneys as it shall consider the money it deems necessary for park purposes. No later than September 1 of each year the park board shall present to the council in such the detail as the council shall require requires its estimate of the financial needs of the board for the ensuing fiscal year. In any county having a population of more than 200,000 the council of any city, whether having a park board or not, may annually at the time of levying other taxes levy a special tax of not to exceed two-thirds of one mill a gross tax capacity rate of .55 percent or a net tax capacity rate of .69 percent for park purposes. The proceeds of this tax shall be placed in the park fund.

Sec. 46. Minnesota Statutes 1988, section 414.035, is amended to read:

414.035 [DIFFERENTIAL TAXATION.]

Whenever a board order, under section 414.031, 414.0325, or 414.033, annexes part or all of a township to a municipality, the board may provide that the mill levy tax rate of the annexing municipality on the area annexed shall be increased in substantially equal proportions over not more than

six years to equality with the ~~mill levy tax rate~~ on the property already within the municipality. The appropriate period, if any, shall be based on the time reasonably required to effectively provide full municipal services to the annexed area.

Sec. 47. Minnesota Statutes 1988, section 414.041, subdivision 7, is amended to read:

Subd. 7. [DIFFERENTIAL TAXATION.] Where one municipality is receiving substantially fewer municipal services, the board may provide that the ~~mill levy tax rate of such a~~ the municipality shall be increased in substantially equal proportions over a period of not more than five years to equality with the ~~mill levy tax rate in the remainder of the new municipality; such.~~ The period ~~to~~ shall be determined by the board on the basis of the period reasonably required ~~effectively~~ to provide substantially equal municipal services.

Sec. 48. Minnesota Statutes 1988, section 426.04, is amended to read:

426.04 [TAXES FOR GENERAL PURPOSES.]

The governing body of any home rule charter city of the third or fourth class in this state is ~~hereby authorized to~~ may levy taxes ~~annually against the taxable property in any such city~~ for all general fund purposes, not exceeding ~~13-1/3 mills on the dollar of the gross tax capacity of the city, computed as permitted under section 273-13, subdivision 7a.~~ If a gross tax capacity rate of 10.94 percent or a net tax capacity rate of 13.6 percent ~~unless the charter of such the city authorizes it to levy taxes for general fund purposes in excess of 13-1/3 mills on the dollar, these provisions shall not limit any such city that amount.~~ This section does not apply to a third class city which is contiguous to a city of the first class located in a different county or to a fourth class city in a county containing a first class city.

Sec. 49. Minnesota Statutes 1988, section 447.10, is amended to read:

447.10 [TAX LEVY FOR OPERATING AND MAINTAINING HOSPITAL.]

The governing body of a city of the first class owning a hospital may annually levy a tax to operate and maintain the hospital. The tax must not exceed ~~one-third of one mill on each dollar of the city's taxable property~~ a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent.

Sec. 50. Minnesota Statutes 1988, section 449.06, is amended to read:

449.06 [ENTERTAINMENT TAX IN CITIES OF THE FOURTH CLASS.]

The governing body of any city of the fourth class in this state operating under a home rule charter of commission form of government, ~~is hereby authorized to annually~~ may levy a tax not exceeding ~~one-half of one mill on the dollar in excess of existing mill limitations but not in excess of any existing per capita limitations against taxable property in the city~~ a gross tax capacity rate of .41 percent or a net tax capacity rate of .51 percent for the purpose of providing musical entertainments to the public in public buildings or upon public grounds. The total sum that may be levied or expended in any year shall not exceed ~~the sum of~~ \$3,500.

Sec. 51. Minnesota Statutes 1988, section 449.08, is amended to read:

449.08 [TAX LEVY FOR MUSICAL ENTERTAINMENTS IN CITIES]

OF THE THIRD CLASS.]

The council of any city of the third class is hereby authorized and empowered to ~~may~~ levy a tax of not exceeding ~~one third of one mill on all the taxable property within the city~~ a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent for the purpose of providing free musical entertainment for the general public. ~~This tax shall be levied by the council in the same manner and at the same times as taxes for other purposes are levied, and shall be collected in the same manner.~~ The proceeds of this tax shall be used only for the purpose of providing free musical entertainment for the public. The annual expenditure for this purpose is hereby limited to the sum of \$3,000.

Sec. 52. Minnesota Statutes 1988, section 449.09, is amended to read:
449.09 [BANDS, ORCHESTRAS OR CHORUSES, TAX LEVY.]

Cities of the second, third, or fourth class, statutory cities, or towns, however organized, may, when authorized as ~~hereinafter~~ provided in section 449.10, levy each year a tax not to exceed ~~one mill~~ a gross tax capacity rate of .82 percent or a net tax capacity rate of 1.02 percent for the purpose of providing a fund for the maintenance, transportation, or employment of a band, orchestra, or chorus for municipal purposes. No levy by any municipality shall exceed, in any one year, \$10,000 except in cities of the second class, situated in a county having over 45,000 and less than 49,000 inhabitants according to the 1950 federal census, ~~wherein such~~ in which the levy shall not exceed \$25,000 in any one year. No levy by any town shall exceed \$1,500. All sums shall be separately levied and when collected these sums shall be paid into a special fund and used for these purposes. When taxes are levied and collected for the maintenance or employment of a band, orchestra, or chorus for municipal purposes and the band, orchestra, or chorus is discontinued or the city or town by a vote of the people as now provided by law decide not to employ a band, orchestra, or chorus, the governing body may transfer the sums so levied and collected to the general fund. No levy shall be made ~~of~~ for any such fund when there is in the fund an unexpended balance equal to the maximum levy permitted by ~~law~~ ~~therefor~~ this section.

Sec. 53. Minnesota Statutes 1988, section 449.10, is amended to read:
449.10 [TAX LEVY ELECTION; PETITION.]

~~Such~~ The authority shall be initiated by a petition signed by ten percent of the legal voters of the city or town, as shown by the last regular municipal election. This petition shall be filed with the governing body of the city or town, and shall request that the following question be submitted to the voters: "Shall a tax of not exceeding ~~mills~~ percent of tax capacity be levied each year for the purpose of furnishing a band, orchestra, or chorus fund?"

Sec. 54. Minnesota Statutes 1988, section 450.19, is amended to read:
450.19 [TOURIST CAMPING GROUNDS.]

~~All cities and towns in the state are hereby authorized and empowered to~~ A home rule charter or statutory city or town may establish and maintain public tourist camping grounds and. The council or other legislative or governing body thereof is hereby empowered to ~~may~~ acquire, by lease, purchase, or by gift, suitable lands located either within or without the corporate

limits for use as public tourist camping grounds and to provide for the equipment, operation, and maintenance of the same. The amount that may be expended for the maintenance, improvement, or operation of tourist camping grounds shall not exceed, in any one year, a sum equal to the amount ~~which may be raised by a one-third of one mill tax upon the taxable property of the municipality at a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent.~~

Sec. 55. Minnesota Statutes 1988, section 450.25, is amended to read:

450.25 [MUSEUM, GALLERY, OR SCHOOL OF ARTS OR CRAFTS; TAX LEVY.]

After the ~~acquisition~~ *acquisition* of any museum, gallery or school of arts or crafts, ~~there shall be annually levied and it shall be the duty of the board of park commissioners of the city in which it is located any museum, gallery, or school of arts or crafts to shall cause to be included in the annual tax levy, upon all the taxable property of the county in which is located said the museum, gallery, or school of arts or crafts is located, a tax of .35 mills upon each dollar of the gross tax capacity of property in the county in which is located said museum, gallery, or school of arts or crafts subject to taxation, and at a gross tax capacity rate of .29 percent or a net tax capacity rate of .36 percent.~~ The board shall certify the levy to the county auditor of the county in which the museum, gallery, or school of arts or crafts is situated, and the same ~~it shall be added to, and collected with and as part of, the general, real, and personal property taxes, with like penalties and interest, in case of nonpayment and default, and all provisions of law in respect to the levy, collection, and enforcement of other taxes shall, so far as applicable, be followed in respect of these taxes. All of these taxes, penalties, and interest, when collected, shall be paid to the city treasurer of the city in which is located said the museum, gallery, or school of arts or crafts and shall be credited to a fund to be known and denominated as the park museum fund, and shall be used only for the purposes specified in sections 450.23 to 450.25, and for no other purpose.~~ Any part of the proceeds of the levy not expended for the purposes specified in section 450.24 may be used for the erection of new buildings for the same purposes. ~~The tax capacity rate referred to herein shall be mills as determined after the adoption of section 273.1102.~~

Sec. 56. Minnesota Statutes 1988, section 458A.10, is amended to read:

458A.10 [PROPERTY TAX.]

The commission shall ~~subject to the further provisions hereof,~~ annually levy a ~~direct tax not to exceed five mills a gross tax capacity rate of 4.1 percent or a net tax capacity rate of 5.1 percent~~ on all the taxable property in the transit area at a rate sufficient to produce an amount necessary for the purposes of sections 458A.01 to 458A.15, other than the payment of principal and interest due on any revenue bonds issued pursuant to section 458A.05. Property taxes levied under this section shall be certified by the commission to the county auditors of the transit area, extended, assessed, and collected in ~~like the manner as provided by law for the regular property taxes levied by the governing bodies of cities.~~ The proceeds of the taxes levied under this section shall be remitted by the respective county treasurers to the treasurer of the commission, who shall credit the same to the funds of the commission for use for the purposes of sections 458A.01 to 458A.15 subject to any applicable pledges or limitations on account of tax anticipation certificates or other specific purposes. At any time after making a tax levy under this section and certifying ~~the same it~~ to the county auditors, the

commission may issue general obligation certificates of indebtedness in anticipation of the collection of ~~such the taxes upon like procedure and subject to the provisions and limitations~~ as provided by section 412.261.

Sec. 57. Minnesota Statutes 1988, section 458A.31, subdivision 1, is amended to read:

Subdivision 1. Notwithstanding anything to the contrary contained in the charter of the city of Duluth, any ordinance thereof, or any statute applicable thereto, limiting the amount levied in any one year for general or special purposes, the city council of the city of Duluth shall each year, ~~at the time the tax levies for the support of the city are made,~~ levy a tax on all taxable property in an amount not to exceed ~~three mills in any year~~ a gross tax capacity rate of 2.46 percent or a net tax capacity rate of 3.06 percent, by ordinance. An ordinance fixing the levy shall take effect immediately upon its passage and approval. The proceeds ~~from such of the~~ levy shall be paid into the city treasury; and ~~shall be~~ deposited in the operating fund provided for in section 458A.24, subdivision 3.

Sec. 58. Minnesota Statutes 1988, section 459.06, subdivision 1, is amended to read:

Subdivision 1. [ACCEPT DONATIONS.] Any county, city, or town ~~in this state,~~ may by resolution of ~~the its~~ governing body ~~thereof,~~ may accept donations of land that ~~such the~~ governing body ~~may deem~~ deems to be better adapted for the production of timber and wood than for any other purpose, for a forest, and may manage ~~the same it~~ on forestry principles. The donor of not less than 100 acres of any such land shall be entitled to have the ~~same land~~ perpetually bear the donor's name. The governing body of any city, or town ~~in this state,~~ when funds are available or have been levied therefor, may, when authorized by a majority vote by ballot of the voters voting at any general or special city election or town meeting where ~~such the~~ question is properly submitted, purchase or obtain by condemnation proceedings, and preferably at the sources of streams, any tract of land for a forest which is better adapted for the production of timber and wood than for any other purpose, and which is conveniently located for the purpose, and manage ~~the same it~~ on forestry principles. The selection of ~~such the~~ lands and the plan of management ~~thereof shall have the approval of~~ must be approved by the director of lands and forestry. ~~Such The~~ city or town is authorized to ~~may~~ levy and collect an annual a tax of not exceeding ~~4-2/3 mills on the dollar of its real estate gross tax capacity,~~ in addition to all other taxes authorized or permitted by law; a gross tax capacity rate of 1.37 percent or a net tax capacity rate of 1.7 percent to procure and maintain such forests.

Sec. 59. Minnesota Statutes 1988, section 459.14, subdivision 2, is amended to read:

Subd. 2. [FINANCING.] ~~Any such~~ The municipality may pay for any portion of the cost of providing automobile parking facilities by:

(a) ~~(1) appropriating moneys therefor~~ money as authorized in subdivision 1;

(b) ~~(2) levying a tax, not exceeding one-sixth of one mill in any one year, on all taxable property in the municipality a gross tax capacity rate of .14 percent or a net tax capacity rate of .17 percent;~~

(c) ~~(3) levying special assessments against benefited property;~~

(d) ~~(4) appropriating any or all net revenues derived from the operation of~~

its parking facilities;

~~(e)~~ (5) classifying the users of ~~such~~ *the* facilities as a subject for taxation, and imposing taxes thereon computed according to the extent of use of the facilities;

~~(f)~~ (6) imposing reasonable rates, rents, fees and charges for the use of any on-street or off-street parking privilege or facility, which may be in excess of actual cost of operation, maintenance, regulation and supervision of parking at the particular location where the privilege is exercised;

~~(g)~~ (7) leasing any off-street facilities at specified or determinable rents to be paid to the municipality under a lease made as ~~hereinafter authorized and limited provided in subdivision 4;~~

~~(h)~~ (8) borrowing money and issuing bonds as authorized and limited by subdivision 3; or

~~(i)~~ (9) any combination of ~~all or any of~~ the foregoing.

Sec. 60. Minnesota Statutes 1988, section 462.396, subdivision 2, is amended to read:

Subd. 2. On or before August 20, ~~1971,~~ and each year ~~thereafter,~~ the commission shall submit its proposed budget for the ensuing calendar year showing anticipated receipts, disbursements and ad valorem tax levy with a written notice of the time and place of the public hearing on the proposed budget to each county auditor and municipal clerk within the region and those town clerks who in advance have requested a copy of the budget and notice of public hearing. On or before October 1, ~~1971,~~ and each year ~~thereafter,~~ the commission shall adopt, after a public hearing held not later than September 20, a budget covering its anticipated receipts and disbursements for the ensuing year and shall decide upon the total amount necessary to be raised from ad valorem tax levies to meet its budget. After adoption of the budget and no later than October 1, the secretary of the commission shall certify to the auditor of each county within the region the county share of ~~such~~ *the* tax, which shall be an amount bearing the same proportion to the total levy agreed on by the commission as the gross tax capacity of the county bears to the gross tax capacity of the region. The maximum amount of any levy made for the purposes of sections 462.381 to 462.398 shall not exceed ~~one-sixth of one mill on each dollar of a gross tax capacity rate of .14 percent or a net tax capacity rate of .17 percent on all taxable property in the region.~~ The auditor of each county in the region shall add the amount of any levy made by the commission within the limits imposed by this subdivision to other tax levies of the county for collection by the county treasurer with other taxes. When collected the county treasurer shall make settlement of ~~such~~ *the* taxes with the commission in the same manner as other taxes are distributed to political subdivisions. ~~The levy authorized by this section shall be in addition to any other county taxes authorized by law.~~

Sec. 61. Minnesota Statutes 1988, section 469.033, subdivision 6, is amended to read:

Subd. 6. [OPERATION AREA AS TAXING DISTRICT, SPECIAL TAX.] All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be

benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy each year a special tax upon all taxable property, both real and personal, within that taxing district. The authority shall ~~cause certify the tax so levied each year to be certified to the auditor of the county in which the taxing district is located on or before October 10 each year.~~ The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended ~~and applied only for the purposes of sections 469.001 to 469.047, and for no other purpose.~~ It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the special tax levy shall be an amount approved by the governing body of the city, but shall not exceed ~~ten cents on each \$100 of a gross tax capacity in the area of operation, rate of .28 percent or a net tax capacity rate of .34 percent,~~ except that in cities of the first class having a population of less than 200,000, the special tax levy shall not exceed ~~five cents on each \$100 of a gross tax capacity in the area of operation rate of .14 percent or a net tax capacity rate of .17 percent.~~ The authority may levy an additional levy, not to exceed ~~one cent on each \$100 of a gross tax capacity in the area of operation rate of .03 percent or a net tax capacity rate of .04 percent,~~ to be used to defray costs of providing informational service and relocation assistance as set forth in section 462.445, subdivision 4. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget and shall be approved by the governing body.

Sec. 62. Minnesota Statutes 1988, section 469.053, subdivision 4, is amended to read:

Subd. 4. [MANDATORY CITY LEVY.] A city shall, at the request of the port authority, levy a tax in any year for the benefit of the port authority. The tax must not exceed ~~.75 mill times the a gross tax capacity rate of taxable property in the city .62 percent or a net tax capacity rate of .77 percent.~~ The tax is not subject to levy limits. The amount levied must be paid by the city treasurer to the treasurer of the port authority, to be spent by the authority.

Sec. 63. Minnesota Statutes 1988, section 469.053, subdivision 6, is amended to read:

Subd. 6. [DISCRETIONARY CITY LEVY.] Upon request of a port authority, the port authority's city may levy a tax to be spent by and for its port authority. The tax must enable the port authority to carry out efficiently and in the public interest sections 469.048 to 469.068 to create and develop industrial development districts. The levy must not be ~~for more than 7.60 of one mill on each dollar of a gross tax capacity rate of taxable property in the city .1 percent or a net tax capacity rate of .12 percent.~~ The county treasurer shall pay the proceeds of the tax to the port authority treasurer. The money may be spent by the authority in performance of its duties to create

and develop industrial development districts. In spending the money the authority must judge what best serves the public interest. The levy in this subdivision is in addition to the levy in subdivision 4 and is not subject to levy limits.

Sec. 64. Minnesota Statutes 1988, section 469.107, subdivision 1, is amended to read:

Subdivision 1. [CITY TAX LEVY.] A city may, at the request of the authority, levy a tax in any year for the benefit of the authority. The tax must be for not more than ~~.75 mill times the~~ a gross tax capacity rate of ~~taxable property in the city~~ .62 percent or a net tax capacity rate of .77 percent. ~~The tax is not subject to levy limits.~~ The amount levied must be paid by the city treasurer to the treasurer of the authority, to be spent by the authority.

Sec. 65. Minnesota Statutes 1988, section 469.180, subdivision 2, is amended to read:

Subd. 2. [TAX LEVIES.] Notwithstanding any law, the county board of any county may appropriate from the general revenue fund a sum not to exceed ~~1/30 of a mill on the~~ a gross tax capacity rate of ~~the county~~ .03 percent or a net tax capacity rate of .04 percent to carry out the purposes of this section.

Sec. 66. Minnesota Statutes 1988, section 469.187, is amended to read:

469.187 [EXPENDITURE FOR PUBLICITY; PUBLICITY BOARD; FIRST CLASS CITIES.]

Any city of the first class may expend money for city publicity purposes. The city may levy a tax, at a rate not exceeding ~~1/30 of one mill upon the~~ a gross tax capacity rate of ~~the taxable property of the city~~ .03 percent or a net tax capacity rate of .04 percent. The proceeds of the levy shall be expended in the manner and for the city publicity purposes the council directs. The council may establish and provide for a publicity board or bureau to administer the fund, subject to the conditions and limitations the council prescribes by ordinance.

Sec. 67. Minnesota Statutes 1988, section 469.188, is amended to read:

469.188 [TAX FOR ADVERTISING RESOURCES; CITIES OF SECOND OR THIRD CLASS.]

The governing body of any city of the second or third class in this state may levy a tax of not to exceed ~~one-third of one mill against the taxable property in the city~~ a gross tax capacity rate of .28 percent or a net tax capacity rate of .34 percent for the purpose of advertising agricultural, industrial business, and all other resources of the community ~~subject to the city's levy limits.~~

Sec. 68. Minnesota Statutes 1988, section 471.191, subdivision 2, is amended to read:

Subd. 2. Any such city may issue bonds pursuant to chapter 475, for the acquisition and betterment of land, buildings, and facilities for the purpose of carrying out the powers granted by this section. Such bonds, unless authorized as general obligations of the issuer pursuant to approval of the electors or pursuant to another law or charter provision permitting such issuance without an election, shall be payable solely from the income of land, buildings, and facilities used or useful for the operation of the program, but may be secured by a pledge to the bondholders, or to a trustee, of all income

and revenues of whatsoever nature derived from any such land, buildings, and facilities, as a first charge on the gross revenues thereof to the extent necessary to pay the bonds and interest thereon when due and to accumulate and maintain an additional reserve for that purpose in an amount equal to the total amount of ~~such~~ payments to become due in any fiscal year. In this event the governing body of the issuer may by resolution or trust indenture define the land, buildings, or facilities, the revenues of which are pledged, and establish covenants and agreements to be made by the issuer for the security of the bonds, including a covenant that the issuer will establish, maintain, revise when necessary, and collect charges for all services, products, use, and occupancy of the land, buildings, and facilities, in the amounts and at the times required to produce the revenues pledged, and also sufficient, with any other funds appropriated by the governing body from time to time, to provide adequately for the operation and maintenance of the land, buildings, and facilities. ~~From and~~ After the issuance of any bonds for which revenues are so pledged, the governing body of the issuer shall provide in its budget each year for any anticipated deficiency in the revenues available for such operation and maintenance. For this purpose any issuer other than a city of the first class may levy a tax of not more than ~~two-thirds of one mill on the~~ a gross tax capacity rate of ~~all taxable property within its corporate limits~~ .55 percent or a net tax capacity rate of .68 percent, in excess of taxes which may otherwise be levied within legal and charter limitations, provided ~~such~~ the excess levy is approved by a majority of its electors voting on ~~such~~ the question at a regular or special election. The authority to levy additional taxes granted herein shall not apply to cities or towns in which the gross tax capacity consists in part of iron ore or lands containing taconite or semitaconite.

Sec. 69. Minnesota Statutes 1988, section 471.1921, is amended to read:

471.1921 [CITIES AND TOWNS; PLAYGROUNDS AND RECREATION; TAX LEVY.]

Whenever any city or town in which the gross tax capacity consists in part of iron ore or lands containing taconite or semitaconite operates a program of public recreation and playgrounds or other recreational facilities and expends funds for the operation of the program pursuant to sections 471.15 to 471.19, in addition to funds otherwise provided therefor, the governing body of the city or town may levy a tax in excess of any charter or statutory limitation, except the limitation imposed in sections 275.50 to 275.58, for the support of this program of public recreation and playgrounds as follows:

~~(a) (1) in cities the council or governing body may levy a tax of not exceeding two-ninths of a mill and not exceeding the lesser of (i) a gross tax capacity rate of .19 percent or a net tax capacity rate of .23 percent; (ii) \$3 per capita and not exceeding; or (iii) \$15,000; and~~

~~(b) (2) in towns the governing body may levy a tax of not exceeding two-ninths of a mill and not exceeding the lesser of (i) a gross tax capacity rate of .19 percent or a net tax capacity rate of .23 percent; or (ii) \$10,000.~~

Sec. 70. Minnesota Statutes 1988, section 471.571, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION.] This section applies to each city in which the gross tax capacity of real and personal property consists in part of iron ore or lands containing taconite or semitaconite and in which the total gross tax capacity of real and personal property exceeds ~~\$200,000~~ \$75,000 or in

which the total net tax capacity of real and personal property exceeds \$60,000.

Sec. 71. Minnesota Statutes 1988, section 471.571, subdivision 2, is amended to read:

Subd. 2. [CREATION OF FUND, TAX LEVY.] The governing body of ~~such~~ the city may create a permanent improvement and replacement fund to be maintained by an annual tax levy. The governing body may levy a tax in excess of any charter ~~or statutory~~ limitation *and in excess of the per capita limitation imposed under section 275.11* for the support of ~~such~~ the permanent improvement and replacement fund, but not exceeding the following:

(a) In cities having a population of not more than 500 inhabitants, the lesser of \$20 per capita or ~~3-1/3 mills~~ *a gross tax capacity rate of 2.73 percent or a net tax capacity rate of 3.4 percent;*

(b) In cities having a population of more than 500 and less than 2500, the greater of \$12.50 per capita or \$10,000 but not exceeding ~~3-1/3 mills~~ *a gross tax capacity rate of 2.73 percent or a net tax capacity rate of 3.4 percent;*

(c) In cities having a population of more than 2500 inhabitants, the greater of \$10 per capita or \$31,500 but not exceeding ~~3-1/3 mills~~ *a gross tax capacity rate of 2.73 percent or a net tax capacity rate of 3.4 percent.*

Sec. 72. Minnesota Statutes 1988, section 473.325, subdivision 2, is amended to read:

Subd. 2. The metropolitan council shall sell and issue ~~such~~ the bonds in the manner provided in chapter 475, and shall have the same powers and duties as a municipality issuing bonds under that law, except that the approval of a majority of the electors shall not be required and the net debt limitations ~~therein~~ shall not apply. The terms of each series of ~~such~~ bonds shall be fixed so that the amount of principal and interest on all outstanding and undischarged bonds, together with the bonds proposed to be issued, due in any year shall not exceed ~~5 mills~~ *a gross tax capacity rate of .41 percent times the gross tax capacity or a net tax capacity rate of .51 percent times the net tax capacity* of all taxable property in the metropolitan area as last finally equalized prior to a proposed issue. The bonds shall be secured in accordance with section 475.61, subdivision 1, and any taxes required for their payment shall be levied by the council, shall not affect the amount or rate of taxes which may be levied by the council for other purposes, shall be spread against all taxable property in the metropolitan area and shall not be subject to limitation as to rate or amount. Any taxes certified by the council to the county auditors for collection shall be reduced by the amount received by the council from the commissioner of finance or the federal government for the purpose of paying the principal and interest on bonds to which the levy relates. The council shall certify the fact and amount of all money so received to the county auditors, and the auditors shall reduce the levies ~~theretofore~~ *previously made for such* the bonds in the manner and to the extent provided in section 475.61, subdivision 3.

Sec. 73. Minnesota Statutes 1988, section 473.446, subdivision 1, is amended to read:

Subdivision 1. [TAXATION WITHIN TRANSIT TAXING DISTRICT.] For the purposes of sections 473.404 to 473.449 and the metropolitan transit system, except as otherwise provided in this subdivision, the regional transit board shall levy each year upon all taxable property within the metropolitan

transit taxing district, defined in subdivision 2, a transit tax consisting of:

(a) an amount which shall be used for payment of the expenses of operating transit and paratransit service and to provide for payment of obligations issued by the commission under section 473.436, subdivision 6;

(b) an additional amount, if any, as the board determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1985, to which property taxes under this section have been pledged; and

(c) an additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council or board has specifically pledged tax levies under this clause.

The property tax levied by the regional transit board for general purposes under clause (a) must not exceed the following amount for the years specified:

(1) for taxes payable in 1988, the product of two mills multiplied by the total assessed valuation of all taxable property located within the metropolitan transit taxing district as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(2) for taxes payable in 1989, the product of (i) the regional transit board's property tax levy limitation for general purposes for the taxes payable year 1988 determined under clause (1) multiplied by (ii) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property located within the metropolitan transit taxing district divided by the assessment year 1987 total market valuation of all taxable property located within the metropolitan transit taxing district; and

(3) for taxes payable in 1990 and subsequent years, the product of (i) the regional transit board's property tax levy limitation for general purposes for the previous year determined under this subdivision multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan transit taxing district for the current assessment year divided by the total market valuation of all taxable property located within the metropolitan transit taxing district for the previous assessment year.

For the purpose of determining the regional transit board's property tax levy limitation for general purposes for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan transit taxing district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive full peak service and limited off-peak service by an amount equal to the tax levy that would be produced by applying a *gross tax capacity rate of 0.5 mills .41 percent or a net tax capacity rate of .51 percent* on the property. The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive limited peak service by an amount equal to the tax levy that would

be produced by applying a *gross tax capacity rate of 0.75 mills .62 percent or a net tax capacity rate of .77 percent* on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner shall review the certifications to determine their accuracy and may make changes in the certification as necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the regional transit board the amounts certified by the county auditors on the dates provided in section 273.1398. There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments ~~in fiscal year 1987 and thereafter.~~

For the purposes of this subdivision, "full peak and limited off-peak service" means peak period regular route service, plus weekday midday regular route service at intervals longer than 60 minutes on the route with the greatest frequency; and "limited peak period service" means peak period regular route service only.

Sec. 74. Minnesota Statutes 1988, section 473.661, subdivision 3, is amended to read:

Subd. 3. In any budget certified by the commissioners, ~~pursuant to any of the provisions of under~~ this section, the amount included for operation and maintenance shall not exceed an amount which, when extended against the gross *or net* tax capacity of property ~~then~~ taxable therefor under the provisions of section 473.621, subdivision 5, will require a levy at *the a gross tax capacity rate of one-third of one mill upon such gross .28 percent or a net tax capacity rate of .34 percent.* Taxes levied by the corporation shall not affect the amount or rate of taxes which may be levied by any other local government unit within the metropolitan area under the provisions of any ~~law or~~ charter.

Sec. 75. Minnesota Statutes 1988, section 473.667, subdivision 9, is amended to read:

Subd. 9. [ADDITIONAL TAXES.] Nothing herein shall prevent the commission from levying a tax not to exceed ~~in any year 1/20 of one mill on the a gross tax capacity rate of .05 percent or a net tax capacity rate of .06 percent on taxable property within its taxing jurisdiction, over and above in addition to any levies found necessary for the debt service fund as authorized by section 473.671.~~ Nothing herein shall prevent the levy and appropriation for purposes of the commission of any other tax on property or on any income, transaction, or privilege, when and if authorized by law. All collections of any taxes so levied shall be included in the revenues appropriated for the purposes referred to in this section, unless otherwise provided in the law authorizing ~~such the~~ levies; but no covenant as to the continuance or as to the rate and amount of any such levy shall be made with the holders of the commission's bonds unless specifically authorized by law.

Sec. 76. Minnesota Statutes 1988, section 473.671, is amended to read:

473.671 [LIMIT OF TAX LEVY.]

The taxes levied against the property of the metropolitan area in any one year shall not exceed ~~one-third of one mill upon the a gross tax capacity thereof rate of .28 percent or a net tax capacity rate of .34 percent,~~

exclusive of the taxes it may be necessary to levy levied to pay the principal or interest on any bonds or indebtedness of said the city issued by it under the provisions of Laws 1943, chapter 500, and exclusive of any amounts required taxes levied to pay the share of such the city for payments on bonded indebtedness of the corporation provided for in Laws 1943, chapter 500. The levy of taxes authorized in Laws 1943, chapter 500, shall be in addition to the maximum rate allowed to be levied to defray the cost of government under the provisions of the charter of any city affected by Laws 1943, chapter 500.

Sec. 77. Minnesota Statutes 1988, section 473.882, subdivision 3, is amended to read:

Subd. 3. [TAX.] After adoption of the ordinance under subdivision 2, a local government unit may annually levy a tax on all taxable property in the district for the purposes for which the tax district is established. The tax levied may not exceed ~~one mill~~ *a gross tax capacity rate of .82 percent or a net tax capacity rate of 1.02 percent* on property located in rural towns other than urban towns, unless allowed by resolution of the town electors. The proceeds of the tax shall be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve fund at the time the tax is terminated or the district is dissolved shall be transferred and irrevocably pledged to the debt service fund of the local unit to be used solely to reduce tax levies for bonded indebtedness of taxable property in the district. A tax levied in accordance with this subdivision for paying capital costs is a levy for the payment of principal and interest on bonded indebtedness within the meaning of section 275.50, subdivision 5, clause (e).

Sec. 78. Minnesota Statutes 1988, section 473.883, subdivision 6, is amended to read:

Subd. 6. [TAX.] For the payment of principal and interest on the bonds issued under subdivision 5 and the payment required under subdivision 4, the county shall irrevocably pledge and appropriate the proceeds of ~~an ad valorem~~ *a tax* levied on all taxable property located within the territory of the watershed management organization or minor watershed unit for which the bonds are issued. Each year until the reserve for payment of the bonds is sufficient to retire the bonds, the county shall levy on all taxable property in the territory of the organization or unit, without respect to any statutory or other limitation on taxes, an amount of taxes sufficient to pay principal and interest on the bonds and to restore any deficiencies in reserves required to be maintained for payment of the bonds. The tax levied on rural towns other than urban towns may not exceed ~~one mill~~ *a gross tax capacity rate of .82 percent or a net tax capacity rate of 1.02 percent*, unless approved by resolution of the town electors. If at any time the amounts available from the levy on property in the territory of the organization are insufficient to pay principal and interest on the bonds when due, the county shall make payment from any available funds in the county treasury. The amount of any taxes which are required to be levied outside of the territory of the watershed management organization or unit or taken from the general funds of the county to pay principal or interest on the bonds shall be reimbursed to the county from taxes levied within the territory of the watershed management organization or unit.

Sec. 79. Minnesota Statutes 1988, section 641.23, is amended to read:

641.23 [FUNDS, HOW PROVIDED.]

Before any contract is made for the erection of a county jail, sheriff's residence, or both, the county board shall either levy a sufficient tax to provide the necessary funds, or issue county bonds therefor in accordance with the provisions of chapter 475, provided that the amount of all bonds issued for this purpose and interest on them which are due and payable in any year shall not exceed an amount equal to ~~four mills~~ *a gross tax capacity rate of 3.28 percent times the gross tax capacity or a net tax capacity rate of 4.08 percent times the net tax capacity* of taxable property within the county, as last determined before the bonds are issued.

Sec. 80. [REPEALER.]

Minnesota Statutes 1988, sections 38.17; 38.28; 69.36; 423.376; 423.47; 423.807; 424.12; and 424.13, are repealed.

Sec. 81. [EFFECTIVE DATE.]

Sections 30, 35, 36, 39, 41, 72, and 79 are effective for bonds and other obligations issued after the date of enactment of this act, provided that the limitations in those sections include the amount of debt service on obligations issued before that date. Section 33 is effective for obligations issued after the date of enactment of this act.

ARTICLE 7

INCOME MAINTENANCE AND LEVY LIMITS

Section 1. Minnesota Statutes 1988, section 256.018, is amended to read:

256.018 [COUNTY PUBLIC ASSISTANCE INCENTIVE FUND.]

~~Beginning~~ *In 1990, \$1,000,000 is the amount provided in Laws 1988, chapter 719, article 8, section 34, is appropriated from the general fund to the department in each fiscal year for awards to counties: (1) that have not been assessed an administrative penalty under section 256.017 in the corresponding fiscal year; and (2) that perform satisfactorily according to indicators established by the commissioner.*

After consultation with local agencies, the commissioner shall inform local agencies in writing of the performance indicators that govern the awarding of the incentive fund for each fiscal year by April of the preceding fiscal year.

The commissioner may set performance indicators to govern the awarding of the total fund, may allocate portions of the fund to be awarded by unique indicators, or may set a sole indicator to govern the awarding of funds.

The funds shall be awarded to qualifying local agencies according to their share of benefits for the programs related to the performance indicators governing the distribution of the fund or part of it as compared to the total benefits of all qualifying local agencies for the programs related to the performance indicators governing the distribution of the fund or part of it.

Sec. 2. Minnesota Statutes 1988, section 256D.051, subdivision 6a, is amended to read:

Subd. 6a. [COUNTY MATCH AND USE OF FUNDS.] ~~Each county shall provide a 25 percent match for direct participation expenses and administrative costs of providing work readiness services.~~ Funds may be used for the following direct participation expenses: transportation, clothes, tools, and other necessary work-related expenses. Funds may be used for

administrative costs incurred providing the following services: employability assessments and employability development plans, employment search assistance, education, orientation, placement, on-the-job training, and other appropriate activities. *Effective January 1, 1990, the state rate of participation shall be 100 percent.*

For the period from January 1 to June 30, the county shall advance 25 percent of the amount of the direct participation expenses and administrative costs of providing work readiness services. Subsequent to July 1 of each year, the state agency shall reimburse the county for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, payments will be made by the state agency, except as provided for in section 256.016, and the county agency will be advised of the amounts paid monthly.

Sec. 3. Minnesota Statutes 1988, section 273.1398, subdivision 1, is amended to read:

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

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of tax capacity rates.

(c) "Gross tax capacity" means the product of the appropriate percentages of market value listed as gross tax capacities in section 273.13 and equalized market values. "Total gross tax capacity" means the gross tax capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 6, for the municipality, as defined in section 473F02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the gross tax capacity of property referred to in clauses (1) and (2) for disparity reduction aid payable in 1989, the gross tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Gross tax capacity cannot be less than zero.

(d) "Net tax capacity" means the product of the appropriate percentages of market value listed as net tax capacities in section 273.13 and equalized market values. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 6, for the municipality, as defined in section 473F02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined

by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. For computation of aids payable in 1989 only, if the aggregate assessment sales ratio is less than or equal to 92 percent, the assessment sales ratios by class shall be adjusted proportionally so that the aggregate ratio of the unequalized market values to the equalized market values equals 92 percent; otherwise the equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Homestead effective rate" means the product of (i) 46 percent; (ii) 2.17 percent; and (iii) the total tax capacity rate for taxes payable in 1989 within a unique taxing jurisdiction multiplied by the 1988 aggregate assessment sales ratio. A sales ratio of .92 is used if the actual sales ratio is less than .92.

(g) For purposes of calculating the transition aid authorized pursuant to subdivision 2, the "subtraction factor" is the product of (i) a unique taxing jurisdiction's homestead effective rate; (ii) its net tax capacity; and (iii) 103.

(h) For purposes of calculating and allocating transition aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties" or "gross taxes" means the total gross taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F02, subdivision 3, subject to the areawide tax as provided in section 473F08, subdivision 6, in a unique taxing jurisdiction before reduction by any credits for taxes payable in the year prior to that in which the aids are payable. For purposes of disparity reduction aid only, total gross taxes shall be reduced by the taxes levied for any school district referendum levies authorized pursuant to section 124A.03, subdivision 2, and any school district debt levies authorized pursuant to section 475.61. Gross taxes levied cannot be less than zero.

(i) "Income maintenance aids" means:

(1) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(2) preadmission screening and alternative care grants under section 256B.091, subdivision 8;

(3) general assistance, and work readiness under section 256D.03, subdivision 2;

(4) general assistance medical care under section 256D.03, subdivision 6;

(5) aid to families with dependent children under section 256.82, subdivision 1, including emergency assistance under section 256.871, subdivision 6; and funeral expense payments under section 256.935, subdivision 1; ~~and~~

(6) supplemental aid under section 256D.36, subdivision 1; *and*

(7) *work readiness service costs and emergency work grants under section 256D.051, subdivision 6.*

Sec. 4. Minnesota Statutes 1988, section 273.1398, is amended by adding a subdivision to read:

Subd. 2a. [INCOME MAINTENANCE AIDS REDUCTION.] The income maintenance aids payable to a county in 1990 and thereafter under Laws 1988, chapter 719, and section 2 of this article, must be reduced by the amount the county levied in 1988 payable in 1989 for programs included in income maintenance aids but not below zero. The reduction must be prorated among the payments so that each payment is reduced proportionally. The amount payable by a county for programs included in income maintenance aids for calendar year 1989 must be estimated by the department of human services and certified to the department of revenue by July 15, 1989. If the amount paid by a county for programs included in income maintenance aids is less than or greater than the amount certified to the department of revenue, the amount of difference shall be adjusted accordingly. The commissioner of revenue shall certify the amount of the reduction for each county to the department of human services. On July 15 of each year, the department of revenue shall pay to the county agency the increased income maintenance aids for the January 1 to June 30 period. Payments to the county agency shall be made in equal payments monthly for the increased income maintenance aids for the period of July 1 to December 31.

The county may appeal to the department of revenue if the actual county share of income maintenance program costs for the first four months of a calendar year exceed one-third of the department of human services estimate by 15 percent or more.

Actual costs for income maintenance aid for a year will be reconciled with the estimated costs for that year subsequent to July 1 of the following year.

"Increased income maintenance aids" means the difference between:

(1) the income maintenance aids payable to a county under this section, section 2, and Laws 1988, chapter 719, article 8; and

(2) the income maintenance aids that would be payable to the county under the rates in effect for calendar year 1989.

Sec. 5. Minnesota Statutes 1988, section 275.50, subdivision 2, is amended to read:

Subd. 2. [GOVERNMENTAL SUBDIVISION.] (a) "Governmental subdivision" means a county, a home rule charter city, or a statutory city, except a home rule charter or statutory city that has a population of less than 2,500 according to the most recent federal census or a town described in section 368.01, subdivision 1 or 1a.

(b) "Governmental subdivision" also includes any home rule charter or statutory city or town that receives a distribution from the taconite municipal aid account in the levy year.

Sec. 6. Minnesota Statutes 1988, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in 1988 1989 payable in 1989 1990 and subsequent years, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

(a) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services. ~~Except for the costs of general assistance as defined in section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the costs of hospital care pursuant to section 261.21,~~ The aggregate amounts levied ~~pursuant to under this clause~~ paragraph for the costs of purchase or delivery of social services are subject to a maximum increase of ~~48~~ six percent over the amount levied for these purposes in the previous year. Effective with taxes levied in 1989, the portion of this special levy for income maintenance programs identified in section 273.1398, subdivision 1, paragraph (i), is ~~eliminated~~ limited to the amount of the levy for those purposes in 1988, provided that it shall be reduced by the amount levied under this paragraph in 1988 for the cost of administration of any program of public assistance;

(b) pay the costs of principal and interest on bonded indebtedness except on bonded indebtedness issued under section 471.981, subdivisions 4 to 4c or to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(c) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

(d) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(e) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(f) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(g) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(h) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public

pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(i) to compensate the state for the cost of a reassessment ordered by the commissioner of revenue pursuant to section 270.16; and

(j) pay the debt service on tax increment financing revenue bonds to the extent that revenue to pay the bonds or to maintain reserves for the bonds is insufficient as a result of the provisions of Laws 1988, chapter 719, article 5-;

(k) pay the cost of operation of the district courts, provided that the special levy under this paragraph shall not exceed the amount levied for that purpose in 1988, annually increased by:

(1) a caseload factor determined as the courts' projected caseload for the calendar year in which the taxes will be payable, divided by its estimated caseload for the calendar year in which the taxes are levied; and

(2) three percent; and

(l) pay the cost of the district public defender system, provided that the special levy under this paragraph shall not exceed the amount levied for that purpose in 1988, annually increased by:

(1) a caseload factor determined as the public defenders' projected caseload for the calendar year in which the taxes will be payable, divided by its estimated caseload for the calendar year in which the taxes are levied; and

(2) three percent.

Sec. 7. Minnesota Statutes 1988, section 275.51, subdivision 3f, is amended to read:

Subd. 3f. [LEVY LIMIT BASE.] (a) The property tax levy limit base for governmental subdivisions for taxes levied in 1988 shall be equal to the total actual levy for taxes payable in 1988 ~~plus the amount of any payments the governmental subdivision was certified to receive in 1988 under sections 477A.011 to 477A.014 and minus any special levies claimed for taxes payable in 1988 pursuant to Laws 1987, chapter 268, article 5, section 12, subdivision 4, clauses (1), (2), (3), and (4).~~ A county's levy limit base will be increased by the amount of any increase in its levy under section 134.07 over that levied under section 134.07 for taxes payable in 1988 which is required under section 134.341. For governmental subdivisions located in the seven-county metropolitan area, the total actual levy for taxes payable in 1988 shall include the fiscal disparities distribution levy pursuant to Minnesota Statutes 1986, section 473F.08, subdivision 7a with additions and subtractions as specified in paragraphs (b) and (c).

(b) The amounts to be added to the actual 1988 levy are (1) the amount of local government aid the governmental subdivision was certified to receive in 1988 under sections 477A.011 to 477A.014, (2) its 1988 taconite aids under sections 298.28 and 298.282, and (3) its 1988 wetlands and native prairie reimbursements under Minnesota Statutes 1986, sections 273.115, subdivision 3, and 273.116, subdivision 3.

(c) The amounts to be subtracted from the actual 1988 levy are (1) any

special levies claimed for taxes payable in 1988 pursuant to Laws 1987, chapter 268, article 5, section 12, subdivision 4, clauses (1), (2), (3), and (4), and (2) for a governmental subdivision participating in a regional library system receiving grants from the department of education under section 134.34, the amount levied for taxes payable in 1988 for the operating costs of a public library service.

(b) (d) For taxes levied in 1989 and subsequent years, a governmental subdivision's levy limit base is equal to its adjusted levy limit base for the preceding year not including the adjustment made under subdivision 3h, paragraph (e), plus, provided that for taxes levied in 1989, the amount of the administrative reimbursement aid received in 1988 shall be added to the base and the amount levied in 1988 for the operation of the district court and the public defender system shall be subtracted from the base.

The amount levied as a special levy in 1988 under section 134.34 shall be added to the base.

(e) For a governmental subdivision that becomes subject to levy limits for the first time in levy year 1989, its levy limit base shall equal the sum of:

(1) its 1988 payable 1989 levy; plus

(2) 1989 local government aid paid under chapter 477A; and

(3) less any portion of its levy which would have been a special levy under Minnesota Statutes 1988, section 275.50, subdivision 5.

Sec. 8. Minnesota Statutes 1988, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1988 1989 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to subdivision 3f, increased by:

(a) a percentage equal to four percent for taxes levied in 1988 and three percent for taxes levied in 1989 and subsequent years; and

(b) a percentage equal to one-third of the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, using figures derived pursuant to subdivision 6-;

For taxes levied in 1989 and subsequent years, to the resulting product must be added the estimated reduction in a county's income maintenance aids as defined in section 273.1398, subdivision 1, pursuant to section 273.1398, subdivision 2, paragraph (d). The department of human services shall annually estimate the increase in income maintenance aids referred to in section 273.1398, subdivision 2, paragraph (d), and certify it by county to the department of revenue by July 15 of the levy year preceding that in which the aids are payable. If the actual increase in a county's income maintenance aid referred to in section 273.1398, subdivision 2, paragraph (d), is less than or greater than the amount added to a county's adjusted levy limit base in the prior year, its adjusted levy limit base for the subsequent year will be increased or decreased by the appropriate amount.

(c) the amount of a permanent increase in the levy limit base approved at a general or special election held during the 12-month period ending September 30 of the levy year under section 275.58, subdivisions 1 and

2; and

(d) for levy year 1989, for counties levying for the first time under section 134.34 due to the requirements of Laws 1987, chapter 398, article 9, section 2, the amount of the 1989 levy under section 134.34 to the extent required under section 134.341 shall be added to the base.

Sec. 9. Minnesota Statutes 1988, section 275.51, subdivision 3i, is amended to read:

Subd. 3i. [LEVY LIMITATION.] The levy limitation for a governmental subdivision shall be equal to the adjusted levy limit base determined pursuant to subdivision 3h, reduced by:

(1) the local government aid that the governmental subdivision has been certified to receive pursuant to sections 477A.011 to 477A.014-; and

(2) taconite aids under sections 298.28 and 298.282 including any aid received in the levy year that was required to be placed in a special fund for expenditure in the next succeeding year.

As provided in section 298.28, one cent per taxable ton of the amount distributed under section 298.28, subdivision 5, paragraph (d), must not be deducted from the levy limit base of a county that receives the aid.

This amount is the amount of property taxes which a governmental subdivision may levy for all purposes other than those for which special levies and special assessments are made.

For taxes levied in 1989 and later years, the levy limit for a county calculated under clause (1) must be decreased by an additional amount equal to the difference between what would have been a county's production year 1986 payable 1987 distribution under Minnesota Statutes 1984, section 298.28, based on 1986 production and its actual distribution for production year 1986, payable 1987.

Sec. 10. Minnesota Statutes 1988, section 275.51, subdivision 3j, is amended to read:

Subd. 3j. [APPEALS.] ~~A governmental subdivision subject to the limitations in this section~~ county may appeal to the commissioner of revenue for an adjustment in its levy limit base ~~under this section~~. If the ~~governmental subdivision~~ county can provide evidence satisfactory to the commissioner that its levy for taxes payable in 1988 ~~had been reduced because it had made expenditures from reserve funds~~ 1989 under Minnesota Statutes 1988, section 275.50, subdivision 5, paragraph (a), included a levy for the cost of administration of the programs listed in that paragraph, the commissioner may permit the ~~governmental subdivision~~ county to increase its levy limit base under this section by the amount determined by the commissioner to have been levied for that purpose, provided that the total adjustment shall not be in excess of three percent of the county's income maintenance aids as defined in section 273.1398, subdivision 2, paragraph (d), for 1989. The commissioner's decision is final.

Sec. 11. Minnesota Statutes 1988, section 275.51, is amended by adding a subdivision to read:

Subd. 3k. [SPECIAL LEVY REQUIREMENT.] A levy for any purpose that is defined as a special levy under section 275.50, subdivision 5, shall not be included within the levy limit base of a governmental subdivision for determination of the levy limit for levies in 1989 and subsequent years.

Sec. 12. Minnesota Statutes 1988, section 275.58, subdivision 1, is amended to read:

Subdivision 1. ~~Notwithstanding~~ *Subject to* the provisions of sections 275.50 to 275.56, ~~but subject and to other law or charter provisions establishing per capita, mill or other limitations on the amount of taxes that may be levied, the levy of a governmental subdivision, as defined by section 275.50, subdivision 1, may be increased above the limitation imposed by sections 275.50 to 275.56~~ in any per capita or dollar amount which is approved by the majority of voters of the governmental subdivision voting on the question at a general or special election. When the governing body of the governmental subdivision resolves to increase the levy of the governmental subdivision pursuant to this section, it shall provide for submission of the proposition of an increase in the levy limit base per capita or the proposition of an additional levy, as the case may be, at a general or special election. Notice of such election shall be given in the manner required by law. If the proposition is for an adjustment to the governmental subdivision's levy limit base per capita, increasing the levy limit base per capita over the per capita amount established pursuant to section 275.51, subdivision 3, such notice shall state the purpose of such per capita adjustment and the per capita amount of such adjustment. If the proposition is for an additional levy, such notice shall state the purpose and maximum yearly amount of such additional levy.

Sec. 13. Minnesota Statutes 1988, section 475.58, subdivision 1, is amended to read:

Subdivision 1. [APPROVAL BY MAJORITY OF ELECTORS; EXCEPTIONS.] Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

- (1) to pay any unpaid judgment against the municipality;
- (2) for refunding obligations;
- (3) for an improvement, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement, or of taxes levied upon the increased value of property within a district for the development of which the improvement is undertaken, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or taxes and not less than 20 percent of the cost of the improvement is to be assessed against benefited property or is estimated to be received from such taxes within the district;
- (4) payable wholly from the income of revenue producing conveniences;
- (5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;
- (6) under the provisions of a law which permits the issuance of obligations of a municipality without an election;
- (7) to fund pension or retirement fund liabilities pursuant to section 475.52, subdivision 6; and
- (8) *for the construction of a county jail under a capital improvement*

plan under section 373.40.

Sec. 14. [EFFECTIVE DATE.]

Except as provided otherwise for section 7, paragraph (a), sections 5 to 12 are effective for taxes levied in 1989, payable in 1990, and thereafter. Section 13 is effective for obligations issued after May 22, 1989.

ARTICLE 8

PROPOSED AND FINAL TAX NOTICE

Section 1. Minnesota Statutes 1988, section 124.2131, subdivision 1, is amended to read:

Subdivision 1. [ADJUSTED GROSS TAX CAPACITY.] (a) [COMPUTATION.] The department of revenue shall annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures referenced in paragraphs (b) and (c). Based upon the results of this assessment/sales ratio study, the department of revenue shall determine an aggregate equalized gross tax capacity for the various strata of taxable property in each school district, which tax capacity shall be designated as the adjusted gross tax capacity. The department of revenue shall take such steps as are necessary in the performance of that duty and may incur such expense as is necessary therefor. The commissioner of revenue is authorized to reimburse any county or governmental official for requested services performed in ascertaining such adjusted gross tax capacity. On or before March 15 annually, the department of revenue shall file with the chair of the tax committee of the house of representatives and the chair of the committee on taxes and tax laws of the senate a report of adjusted gross tax capacities. On or before ~~June~~ April 15, annually, the department of revenue shall file its final report on the gross tax capacities established by the previous year's assessment with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of mill rates. A copy of the adjusted gross tax capacity so filed shall be forthwith mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which each district is located.

(b) [METHODOLOGY.] In making its annual assessment/sales ratio studies, the department of revenue shall use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for proper execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota administrative procedure act. By January 15, 1985, the commissioner shall report to the chairs of the house tax committee and the senate committee on taxes and tax laws the results of a study which the commissioner shall prepare comparing the 1983 sales ratio study based upon the original 1983 assessment/sales ratio study methodology with the new methodology as provided in clause (b). The 1984 adjusted assessed values which are certified to the commissioner of education shall be computed using the 1983 assessment/sales ratio study methodology unless the 1985 legislature directs otherwise.

(c) [AGRICULTURAL LANDS.] For purposes of determining the adjusted gross tax capacity of agricultural lands for the calculation of 1987 adjusted gross tax capacities and thereafter, the market value of agricultural lands shall be the price for which the property would sell in an arms length transaction.

Sec. 2. Minnesota Statutes 1988, section 124.42, subdivision 1, is amended to read:

Subdivision 1. [QUALIFICATION; APPLICATION; AWARD; INTEREST.] Any school district in which the required levy for debt service in any year will exceed its maximum effort debt service levy by ten percent or by \$5,000, whichever is less, is qualified for a debt service loan hereunder in an amount not exceeding the amount applied for, and not exceeding one percent of the net debt of the district, and not exceeding the difference between the required and the maximum effort debt service levy in that year. Applications shall be filed with the commissioner in each calendar year up to and including ~~September 15~~ July 1. The commissioner shall determine whether the applicant is entitled to a loan and the amount thereof, and on or before October 1 shall certify to each applicant district the amount granted and its due date. The commissioner shall notify the county auditor of each county in which the district is located that the amount certified is available and appropriated for payment of principal and interest on its outstanding bonds, and the auditors shall reduce by that amount the taxes otherwise leviable as the district's debt service levy on the tax rolls for that year. Each debt service loan shall bear interest from its date at a rate equal to the average annual rate payable on Minnesota state school loan bonds most recently issued prior to the disbursement of the loan to the district, but in no event less than 3-1/2 percent per annum on the principal amount from time to time remaining unpaid, payable on December 15 of the year following that in which the loan is received and annually thereafter.

Sec. 3. Minnesota Statutes 1988, section 124.42, subdivision 4, is amended to read:

Subd. 4. Each district receiving a debt service loan shall levy for debt service in that year and each year thereafter, until all its debts to the fund are paid, (a) the amount of its maximum effort debt service levy, or (b) the amount of its required debt service levy less the amount of any debt service loan in that year, whichever is greater. Whenever the maximum effort debt service levy is greater the district shall remit to the commissioner, within ten days after its receipt of the last regular tax distribution in the year in which it is collected, that portion of the maximum effort debt service tax collections, including penalties and interest, which exceeds the required debt service levy. On or before ~~November 1~~ September 1 in each year the commissioner shall notify the county auditor of each county containing taxable property situated within the school district of the amount of the maximum effort debt service levy of the district for that year, and said county auditor or auditors shall extend upon the tax rolls an ad valorem tax upon all taxable property within the district in the aggregate amount so certified.

Sec. 4. Minnesota Statutes 1988, section 124.83, subdivision 1, is amended to read:

Subdivision 1. [HEALTH AND SAFETY PROGRAM.] To receive health and safety revenue a district must submit to the commissioner of education an application for aid and levy by ~~August 15~~ July 1 in the previous school

year. The application may be for hazardous substance removal, fire code compliance, or life safety repairs. The application must include a health and safety program adopted by the school district board. The program must include the estimated cost of the program by fiscal year.

Sec. 5. Minnesota Statutes 1988, section 124A.23, subdivision 1, is amended to read:

Subdivision 1. [GENERAL EDUCATION TAX CAPACITY RATE.] The commissioner of revenue shall establish the general education tax capacity rate and certify it to the commissioner of education by ~~September 4~~ *July 1* of each year for levies payable in the following year. The general education tax capacity rate shall be a rate, rounded up to the nearest tenth of a ~~mill percent~~, that, when applied to the adjusted gross tax capacity for all districts, raises the amount specified in this subdivision. The general education tax capacity rate for the 1990 fiscal year shall be the rate that raises \$1,100,580,000. The general education tax capacity rate certified by the commissioner of revenue may not be changed due to changes or corrections made to a district's adjusted gross tax capacity after the tax capacity rate has been certified.

Sec. 6. Minnesota Statutes 1988, section 124A.26, subdivision 1, is amended to read:

Subdivision 1. [REVENUE REDUCTION.] A district's general education revenue for a school year shall be reduced if the *estimated* net unappropriated operating fund balance as of June 30 in the second prior school year exceeds \$600 times the actual pupil units in the second prior year. The amount of the reduction shall equal the lesser of:

- (1) the amount of the excess, or
- (2) \$150 times the actual pupil units for the school year.

Sec. 7. Minnesota Statutes 1988, section 270.11, subdivision 2, is amended to read:

Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED WITH COMMISSIONER.] Each county assessor shall file by ~~June 15~~ *April 1* with the commissioner of revenue a copy of the abstract that will be acted upon by the ~~local and county board boards~~ of review. The abstract must list the real and personal property in the county, ~~as equalized by the local board of review or equalization~~, itemized by assessment districts. A ~~printed or typewritten copy of the proceedings of the local board of review or equalization must also be filed with the commissioner~~. The assessor of each county in the state shall file with the commissioner, within five working days following final action of ~~the local board of review or equalization and within five days following final action of the county board of equalization~~, any changes made by the ~~local or county board of equalization~~. The information must be filed in the manner prescribed by the commissioner. It must be accompanied by a printed or typewritten copy of the proceedings of the ~~county board of equalization~~ *appropriate board*.

The final abstract of assessments after adjustments by the state board of equalization and inclusion of any omitted property shall be submitted to the commissioner of revenue on or before ~~November 15~~ *September 1* of each calendar year. *The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the metropolitan revenue contribution value under section*

473F07, and the value subject to the power line credit under section 273.42.

Sec. 8. Minnesota Statutes 1988, section 270.12, subdivision 2, is amended to read:

Subd. 2. The board shall meet annually between ~~July~~ *April* 15 and ~~October~~ *June* 30 at the office of the commissioner of revenue and examine and compare the returns of the assessment of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

(1) The board shall add to the aggregate valuation of the real property of every county, which the board believes to be valued below its market value in money, such percent as will bring the same to its market value in money;

(2) The board shall deduct from the aggregate valuation of the real property of every county, which the board believes to be valued above its market value in money, such percent as will reduce the same to its market value in money;

(3) If the board believes the valuation of the real property of any town or district in any county, or the valuation of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board may add to, or take from, the valuation of any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value in money;

(4) The board shall add to the aggregate valuation of any class of personal property of any county, town, or city, which the board believes to be valued below the market value thereof, such percent as will raise the same to its market value in money;

(5) The board shall take from the aggregate valuation of any class of personal property in any county, town or city, which the board believes to be valued above the market value thereof, such percent as will reduce the same to its market value in money;

(6) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof;

(7) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization; and

(8) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the department of revenue containing only sales *that are filed in the county auditor's office under section 272.115, by November 1 of the previous year and that occurred*

between October 1 of the year immediately preceding the previous year to September 30 of the previous year. The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property.

Sec. 9. Minnesota Statutes 1988, section 270.12, subdivision 3, is amended to read:

Subd. 3. When a taxing jurisdiction lies in two or more counties, if the sales ratio studies prepared by the department of revenue show that the average levels of assessment in the several portions of the taxing jurisdictions in the different counties differ by more than five percent, the board may order the apportionment of the levy. When the sales ratio studies prepared by the department of revenue show that the average levels of assessment in the several portions of the taxing jurisdictions in the different counties differ by more than ten percent, the board shall order the apportionment of the levy unless (a) the proportion of total adjusted gross tax capacity value in one of the counties is less than ten percent of the total adjusted gross tax capacity in the taxing jurisdiction and the average level of assessment in that portion of the taxing jurisdiction is the level which differs by more than five percent from the assessment level in any one of the other portions of the taxing jurisdiction; (b) significant changes have been made in the level of assessment in the taxing jurisdiction which have not been reflected in the sales ratio study, and those changes alter the assessment levels in the portions of the taxing jurisdiction so that the assessment level now differs by five percent or less; or (c) commercial, industrial, mineral, or public utility property predominates in one county within the taxing jurisdiction and another class of property predominates in another county within that same taxing jurisdiction. If one or more of these factors are present, the board may order the apportionment of the levy.

Notwithstanding any other provision, the levy for the metropolitan mosquito control district, metropolitan council, metropolitan transit district, and metropolitan transit area must be apportioned without regard to the percentage difference.

If, pursuant to this subdivision, the board apportions the levy, then that levy apportionment among the portions in the different counties shall be made in the same proportion as the adjusted gross tax capacity as determined by the commissioner in each portion is to the total adjusted gross tax capacity of the taxing jurisdiction.

For the purposes of this section, the average level of assessment in a taxing jurisdiction or portion thereof shall be the aggregate assessment sales ratio. Gross tax capacities as determined by the commissioner shall be the gross tax capacities as determined for the year preceding the year in which the levy to be apportioned is levied.

Actions pursuant to this subdivision shall be commenced subsequent to the annual meeting on ~~July~~ *April* 15 of the state board of equalization, but notice of the action shall be given to the affected jurisdiction and the appropriate county auditors by the following ~~October~~ *June* 30.

Apportionment of a levy pursuant to this subdivision shall be considered as a remedy to be taken after equalization pursuant to subdivision 2, and when equalization within the jurisdiction would disturb equalization within

other jurisdictions of which the several portions of the jurisdiction in question are a part.

Sec. 10. Minnesota Statutes 1988, section 270.13, is amended to read:

270.13 [RECORD OF PROCEEDINGS CHANGING GROSS TAX CAPACITY; DUTIES OF COUNTY AUDITOR.]

A record of all proceedings of the commissioner of revenue affecting any change in the gross tax capacity of any property, as revised by the state board of equalization, shall be kept by the commissioner of revenue and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before ~~October 4~~ *June 30* or 30 days after submission of the abstract required by section 270.11, subdivision 2, whichever is later. This record shall specify the amounts or amount, or both, added to or deducted from the gross tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessments of individuals, copartnerships, associations, or corporations. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the gross tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no gross tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the gross tax capacity thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid any fractional sum so that no gross tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessments of individuals, copartnerships, associations, or corporations, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner of revenue.

Sec. 11. Minnesota Statutes 1988, section 270.18, is amended to read:

270.18 [REASSESSMENT; COMPENSATION; REIMBURSEMENT BY COUNTIES.]

The compensation of each special assessor and deputies, appointed under the provisions of sections 270.11, subdivision 3, and 270.16, and the expenses as such, shall be fixed by the commissioner of revenue and paid out of money appropriated for operation of the department of revenue. The commissioner of revenue on ~~October~~ *August 1* shall notify the auditor of each affected county of the amount thereof paid on behalf of such county since ~~October~~ *August 1* of the preceding year, whereupon the county auditor shall levy a tax upon the taxable property in the assessment district or districts wherein such reassessment was made sufficient to pay the same. One-half of such tax shall be levied in the year in which the commissioner of revenue so notifies the county auditor and the remaining one-half shall be levied in the following year. The respective counties shall reimburse the state by paying one-half of the tax so assessed on or before July 1 and the remaining one-half on or before December 1 in the year in which the tax is payable by owner, whether or not the tax was collected by the county. The reimbursement shall be credited to the general fund. If any county

fails to reimburse the state within the time specified herein, the commissioner of revenue is empowered to order withholding of state aids or distributions to such county equal to the amount delinquent.

Sec. 12. Minnesota Statutes 1988, section 270.82, is amended to read:
270.82 [REPORTS OF RAILROAD COMPANIES.]

Subdivision 1. Every railroad company doing business in Minnesota shall annually file with the commissioner on or before ~~April 30~~ *March 31* a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by Laws 1979, chapter 303, article 7, sections 1 to 13.

Subd. 2. The commissioner for good cause may extend *for up to 15 days* the time for filing the report required by subdivision 1.

Sec. 13. Minnesota Statutes 1988, section 270.84, is amended to read:
270.84 [ANNUAL VALUATION OF OPERATING PROPERTY.]

Subdivision 1. The commissioner shall annually between ~~April 30~~ *March 31* and ~~July~~ *May* 31 make a determination of the fair market value of the operating property of every railroad company doing business in this state as of January 2 of the year in which the valuation is made. In making this determination, the commissioner shall employ generally accepted appraisal principles and practices which may include the unit method of determining value. The commissioner may promulgate emergency rules adopting valuation procedures under sections 14.29 to 14.36.

~~The commissioner shall give a report to the legislature in February 1985 and in February 1986 on the formula used to determine the value of railroad operating property pursuant to Laws 1984, chapter 502, article 9. This report shall also contain the valuation for taxes payable 1985 and 1986 by company and the taxes payable in 1985 and 1986 by company based upon the valuation of operating property. The legislature may review the formula, the valuation, and the resulting taxes and may make changes in the formula that it deems necessary.~~

Subd. 2. The commissioner, after determining the fair market value of the operating property of each railroad company, shall give notice ~~by first class mail~~ to the railroad company of the valuation ~~by first class mail, overnight delivery, or messenger service.~~

Sec. 14. Minnesota Statutes 1988, section 270.85, is amended to read:
270.85 [REVIEW OF VALUATION.]

A railroad company may within ~~15~~ *ten* days of ~~receipt~~ *the date* of the notice of valuation file a written request for a conference with the commissioner relating to the value of its operating property. The commissioner shall thereupon designate a time and place for the conference which the commissioner shall conduct, upon commissioner's entire files and records and such further information as may be offered. ~~Said~~ *The* conference ~~shall~~ *must* be held no later than ~~30~~ *20* days after ~~mailing~~ *the date* of the commissioner's valuation notice. At a reasonable time after such conference the commissioner shall make a final determination of the fair market value of the operating property of the railroad company and shall notify the company promptly ~~thereof of the determination.~~

Sec. 15. Minnesota Statutes 1988, section 270.87, is amended to read:

270.87 [CERTIFICATION TO COUNTY ASSESSORS.]

After making an annual determination of the equalized fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein, the commissioner shall certify the equalized fair market value to the county assessor on or before ~~October 1, which shall constitute June 30.~~ The equalized fair market value of the operating property of the railroad company in ~~such the~~ county and the taxing districts therein ~~upon is the value on which taxes shall must~~ be levied and collected in the same manner as on the commercial and industrial property of such county and the taxing districts therein.

Sec. 16. Minnesota Statutes 1988, section 272.02, subdivision 4, is amended to read:

Subd. 4. Any property exempt from taxation on January 2 of any year which, due to sale or other reason, loses its exemption prior to ~~October 1~~ *December 20* of any year, shall be placed on the current assessment rolls for that year.

The valuation shall be determined with respect to its value on January 2 of such year. The classification shall be based upon the use to which the property was put by the purchaser, or in the event the purchaser has not utilized the property by ~~October 1~~ *December 20*, the intended use of the property, determined by the county assessor, based upon all relevant facts.

Sec. 17. Minnesota Statutes 1988, section 272.115, subdivision 1, is amended to read:

Subdivision 1. Whenever any real estate is sold on or after January 1, 1978 for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located *within 30 days of the sale*. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate.

Sec. 18. Minnesota Statutes 1988, section 273.064, is amended to read:

273.064 [EXAMINATION OF LOCAL ASSESSOR'S WORK; COMPLETION OF ASSESSMENTS.]

The county assessor shall examine the assessment appraisal records of each local assessor anytime after January 15 of each year and shall immediately give notice in writing to the governing body of said district of any deficiencies in the assessment procedures with respect to the quantity of or quality of the work done as of that date and indicating corrective measures to be undertaken and effected by the local assessor not later than 30 days thereafter. If, upon reexamination of such records at that time, the deficiencies noted in the written notice previously given have not been substantially corrected to the end that a timely and uniform assessment of all

real property in the county will be attained, then the county assessor with the approval of the county board shall collect the necessary records from the local assessor and complete the assessment or employ others to complete the assessment. When the county assessor has completed the assessments, the local assessor shall thereafter resume the assessment function within the district. In this circumstance the cost of completing the assessment shall be charged against the assessment district involved. The county auditor shall certify the costs thus incurred to the appropriate governing body not later than ~~September~~ *August 1* and if unpaid as of ~~October 10~~ *September 1* of the assessment year, the county auditor shall levy a tax upon the taxable property of said assessment district sufficient to pay such costs. The amount so collected shall be credited to the general revenue fund of the county.

Sec. 19. Minnesota Statutes 1988, section 273.065, is amended to read:

273.065 [DELIVERY OF ASSESSMENT APPRAISAL RECORDS; EXTENSIONS.]

Assessment districts shall complete the assessment appraisal records on or before March ~~15~~ *1*. The records shall be delivered to the county assessor as of that date and any work which is the responsibility of the local assessor which is not completed by March ~~15~~ *1* shall be accomplished by the county assessor or persons employed by the county assessor and the cost of such work shall be charged against the assessment district as provided in section 273.064. Extensions of time to complete the assessment appraisal records may be granted to the local assessor by the county assessor if such extension is approved by the county board.

Sec. 20. Minnesota Statutes 1988, section 273.119, subdivision 2, is amended to read:

Subd. 2. [REIMBURSEMENT FOR LOST REVENUE.] The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue ~~on or before June 1 of each year as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29~~ the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. ~~On or before July 15 of each year,~~ The commissioner shall reimburse ~~the county~~ *each taxing district, other than school districts,* from the Minnesota conservation fund under section 40A.151 for the taxes lost in excess of the county account. *The payments must be made at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. If the abstract of tax lists under section 275.29 is not timely filed, the July 20 payment must be delayed. For each month or fraction of a month that the abstract was filed late, the July 20 payment must be delayed one month.*

Sec. 21. Minnesota Statutes 1988, section 273.123, subdivision 4, is amended to read:

Subd. 4. [STATE REIMBURSEMENT.] The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 2 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January

2 gross tax capacity and the tax actually payable based on the reassessed gross tax capacity determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions, *other than school districts*, containing the property at the time distributions are made pursuant to section 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter under section 477A.015, in the same proportion that the ad valorem tax is distributed. *If the abstract of tax lists under section 275.29 is not timely filed, the July 20 payment must be delayed. For each month or fraction of a month that the abstract was filed late, the July 20 payment must be delayed one month.*

Sec. 22. Minnesota Statutes 1988, section 273.123, subdivision 5, is amended to read:

Subd. 5. [COMPUTATION OF CREDITS.] The amounts of any credits or tax relief which reduce the gross tax shall be computed upon the reassessed gross tax capacity determined under subdivision 2. ~~Payment shall be made pursuant to section 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter.~~ For purposes of the property tax refund, property taxes payable, as defined in section 290A.03, subdivision 13, and net property taxes payable, as defined in section 290A.04, subdivision 2d, shall be computed upon the reassessed gross tax capacity determined under subdivision 2.

Sec. 23. Minnesota Statutes 1988, section 273.1392, is amended to read:
273.1392 [PAYMENT; AIDS TO SCHOOL DISTRICTS.]

(a) The amounts of *conservation tax credits under section 273.119; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead credit under section 273.13; agricultural credit under section 273.132; aids and credits under section 273.1398; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10,* shall be certified to the department of education by the department of revenue. The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

(b) *The commissioner of revenue shall certify to the commissioner of education if payments to the school district are delayed under sections 273.119, 273.123, 469.171, and 473H.10, because abstracts of tax limits were not timely filed with the commissioner. If so notified, the commissioner of education must delay those payments under section 124.195, subdivisions 6 and 10, for the same length of time that payments to other taxing jurisdictions under section 477A.015 are delayed.*

Sec. 24. Minnesota Statutes 1988, section 273.33, subdivision 2, is amended to read:

Subd. 2. The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in

the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. On or before ~~October 4~~ June 30, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

Sec. 25. Minnesota Statutes 1988, section 273.37, subdivision 2, is amended to read:

Subd. 2. Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before ~~the 15th day of November~~ June 30, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

Sec. 26. [273.371] [REPORTS OF UTILITY COMPANIES.]

Subdivision 1. [REPORT REQUIRED.] Every electric light, power, gas, water, express, stage, and transportation company and pipeline doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 293.36, and 273.37.

Subd. 2. [EXTENSION.] The commissioner for good cause may extend the time for filing the report required by subdivision 1. The extension may not exceed 15 days.

Sec. 27. Minnesota Statutes 1988, section 274.14, is amended to read:

274.14 [LENGTH OF SESSION; RECORD.]

The county board of equalization or the special board of equalization appointed by it shall meet during the last two weeks in June. ~~The commissioner may extend the session period to July 15 but~~ No action taken by the county board of review after ~~the extended termination date~~ June 30 is valid. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.

Sec. 28. [274.175] [VALUES FINALIZED.]

The assessments recorded by the county assessor and the county auditor under sections 273.124, subdivision 9; 274.16; 274.17; or other law for real and personal property are final on July 1 of the assessment year, except for property added to the assessment rolls under section 272.02, subdivision 4. No changes in value, including parcel description splits, may be made after July 1 of the assessment year.

Sec. 29. Minnesota Statutes 1988, section 275.065, subdivision 1, is amended to read:

Subdivision 1. [PROPOSED LEVY.] On or before ~~August~~ *September 15* for levy year 1989 and September 1 for levy years thereafter, each taxing authority shall adopt a proposed budget and certify to the county auditor the proposed property tax levy for taxes payable in the following year and their state aids as enumerated in section 276.04, subdivision 2, paragraph (c), clause (2). For purposes of this section, "taxing authority" ~~shall include~~ *includes* all home rule and statutory cities ~~with a population of over 2,500,~~ towns, counties, and school districts; ~~the metropolitan council, and the metropolitan regional transit commission~~ for taxes levied in 1989. For taxes levied in 1990, "taxing authority" also includes special taxing districts.

Sec. 30. Minnesota Statutes 1988, section 275.065, is amended by adding a subdivision to read:

Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a taxing authority lying in two or more counties, the home county auditor shall certify the proposed levy to the other county auditor by September 20, for taxes levied in 1989 and by September 5 for taxes levied in 1990.

Sec. 31. Minnesota Statutes 1988, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) If there is a percentage increase in property taxes proposed by the taxing authority, on or before September 15, The county auditor shall compute for each parcel of property on the assessment rolls within the taxing authority the proposed property tax for taxes levied in the current year. In the case of cities under 2,500 population, and all special taxing districts except the metropolitan council and the metropolitan regional transit commission, the auditor shall use the taxing district's previous year tax capacity rate for use in computing the total property tax. On or before November 10, each year, the county auditor shall prepare and deliver by first class mail to each taxpayer at the address listed on the city's current year's assessment roll, a notice of the taxpayer's proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) A notice in substantially the following form shall be sufficient:

NOTICE OF PROPOSED PROPERTY TAXES

DO NOT PAY THIS IS NOT A BILL

This notice shows the amount your next property tax bill will be if proposed budgets are approved by the local government districts you live in. It also shows the amount of your next property tax bill if the local government districts you live in do not change their budgets from this year.

Name of property owner	Description of property	Market value of property	Class of property
John Q. and Mary W. Smith	Lot 1, Block 1 Pleasant Aeres sub- division Middletown, Minnesota	\$65,000	residential homestead

Based on their proposed budgets, next year the governing bodies of the county, city, school district, and special tax districts you live in are proposing to collect from you the amount of property tax shown below. At the meetings listed below, the governing bodies will discuss and vote on the amount of their budgets for next year. The larger the amount of the budget, the more property tax you will pay. You can attend the meetings and express your opinions about the amount of the budget before the budget is voted on.

These local governments collect property tax from you	Amount of your tax next year if they do not change their budgets from this year	Amount of your tax next year if they adopt their proposed budgets	Time and place of meetings on proposed budgets
County: Spruce	\$218.55	\$257.75	September 1, 1988, 7:30 pm Room 123, Spruce Co. Courthouse
City or Town: Middletown	\$168.63	\$184.09	October 1, 1988, 8:00 pm Middletown Town Hall
Public School: Ind. Dist. 123 set by school board	\$47.56	\$146.88	September 25, 1988,
set by state law	\$300.00	\$300.00	Cafeteria, Middletown Town Hall
Special Tax Districts Metropolitan Council	\$25.00	\$50.00	October 5, 1988, 3:00 pm Board Room, Tri-County Hospital
Metropolitan Regional Transit Board	\$10.00	\$12.00	October 12, 1988, 6:00 pm Common Room, Tri-County Library
Tax before State payments:	\$769.74	\$950.72	
Payments by State: (subtract: \$215.00) (subtract: \$235.00)			

Your tax if budget is not changed: \$554.74

Your tax if proposed budget is adopted: \$715.72

The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. It must clearly state that each taxing authority will hold a public meeting to receive public testimony on the proposed budget. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail.

(d) For taxes levied in 1989, the notice must state the total proposed property tax levy for taxes payable in 1990 before reduction for state aid, compare that amount to the actual amount for taxes paid in 1989, and express the difference as a percentage increase or decrease in property taxes by county, city or town, and school district. For purposes of this paragraph, "proposed property tax before reduction for state aid" means the taxing authority's levy certified under section 275.07, plus aids payable in calendar year 1990 under sections 477A.011 to 477A.015.

(e) For taxes levied in 1990, and thereafter, the notice must state for each parcel the market value of the property for property taxes payable in the following year and for taxes payable the current year. It must also state the following proposed amounts for taxes payable the following year by county, city or town, school district, and as a total of the taxing authorities, including special taxing districts:

(1) the amount of property taxes on the property before reduction for state aid;

(2) the amount of aid paid by the state to reduce property taxes, apportioned to the property;

(3) the amount of the credits for the property as enumerated under section 276.04, subdivision 2, paragraph (c), clause (5), apportioned in the ratio of the local government's proposed levy after state aids to all local governments' proposed levies after state aids;

(4) the net tax on the property; and

(5) the percentage increase or decrease in the amount in clause (4) from taxes payable in the current year to taxes payable the following year.

The notice must compare the proposed amounts in clauses (1), (2), and (4) to the actual amount for taxes payable in the current year.

For purposes of this paragraph, "property taxes before reduction for state aid" means the taxing authority's levy that would be certified under section 275.07 not including the state aids enumerated under section 276.04, subdivision 2, paragraph (c), clause (2); and the "amount of aid paid by the state to reduce property taxes" is the sum of the state aids listed in section 276.04, subdivision 2, paragraph (c), clause (2), apportioned to the property.

(f) The notice must clearly state that the proposed taxes do not include the following:

(1) special assessments;

(2) a levy approved by the voters after the date the proposed taxes are

certified, including school district levy referenda and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified; and

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified.

Sec. 32. Minnesota Statutes 1988, section 275.065, subdivision 4, is amended to read:

Subd. 4. [COSTS.] ~~The taxing authority shall pay the county for~~ If the reasonable cost of the county auditor's services and ~~for the costs~~ cost of preparing and mailing the notice required in this section ~~exceed the amount distributed to the county by the commissioner of revenue to administer this section, the taxing authority must reimburse the county for the excess cost.~~

Sec. 33. Minnesota Statutes 1988, section 275.065, subdivision 6, is amended to read:

Subd. 6. [PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.] ~~Prior to October 25~~ Between November 15 and December 20, the governing ~~body~~ bodies of the city, county, and school district shall each hold a public hearing to adopt its final budget and property tax levy for taxes payable in the following year. ~~The hearing must be held not less than two days or more than five days after the day the notice is first published.~~

At the hearing the taxing authority may amend the proposed budget and property tax levy and must adopt a final budget and property tax levy. The ~~adopted~~ property tax levy ~~adopted may~~ must not exceed the final proposed levy determined under subdivision 2, paragraph (c)-, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters under section 275.58 after the proposed levy was certified;

(3) the amount of a levy to pay costs, due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a; and

(4) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a.

At the hearing the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions prior to adoption of any measures by the governing body. The governing body shall adopt its final property tax levy prior to adopting its final budget.

The hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No hearing may be held on a Sunday. ~~The school board and county board shall~~ The commissioner of revenue shall provide for the coordination of hearing dates so that a taxing authority does not schedule

public meetings on ~~days the day~~ scheduled for the hearing by the governing body of the ~~city~~ another taxing authority.

If the hearing is recessed, the taxing authority shall publish a notice in a qualified newspaper of general paid circulation in the city. The notice must state the time and place for the continuation of the hearing and must be published at least two days but not more than five days prior to the date the hearing will be continued.

This subdivision does not apply to towns and special taxing districts.

Sec. 34. Minnesota Statutes 1988, section 275.065, is amended by adding a subdivision to read:

Subd. 6a. [APPROVAL OF COMMISSIONER.] (a) A taxing authority may appeal to the commissioner of revenue for authorization to levy an amount over the amount of the proposed levy. The taxing authority must provide evidence satisfactory to the commissioner that it has incurred costs for the purposes specified in paragraph (b). The commissioner may approve an increase in the taxing authority's levy of up to the amount of costs incurred or a lesser amount determined by the commissioner. The commissioner's decision is final.

(b) A levy addition may be made under paragraph (a) for the following costs incurred after the proposed levy is certified: (1) the unreimbursed costs to satisfy judgments rendered against the taxing authority by a court of competent jurisdiction in a tort action in excess of \$50,000 or ten percent of the current year's proposed certified levy whichever is less; or (2) the costs incurred in clean up of a natural disaster. For purposes of this subdivision, "natural disaster" includes the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes such as earthquake, fire, flood, windstorm, wave action, oil spill, water contamination, air contamination, or drought.

Sec. 35. Minnesota Statutes 1988, section 275.065, subdivision 7, is amended to read:

~~Subd. 7. [CERTIFICATION OF COMPLIANCE.] At the time the taxing authority certifies its tax levy under section 275.07, it shall certify to the commissioner of revenue its compliance with this section. The certification must contain copies of the advertisement required under subdivision 5, the resolution adopting the final property tax levy under subdivision 6, and any other information required by the commissioner of revenue. If the commissioner determines that the taxing authority has failed to substantially comply with the requirements of this section, the commissioner of revenue shall notify the county auditor. When fixing rates under section 275.08 for a taxing authority that has not complied with this section, the county auditor must use the no-increase tax rate taxing authority's previous year's levy.~~

Sec. 36. Minnesota Statutes 1988, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities, towns, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before ~~October 25~~ five working days after December 20 in each year. The taxes certified shall not be adjusted by the aid received under section 273.1398, subdivisions 2 and 3. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall

be the amount levied by it for the preceding year. If the local unit notifies the commissioner of revenue before October 25 of its inability to certify its levy by that date, and the commissioner is satisfied that the delay is unavoidable and is not due to the negligence of the local unit's officials or staff, the commissioner shall extend the time within which the local unit shall certify its levy up to 15 calendar days beyond the date of request for extension.

Sec. 37. Minnesota Statutes 1988, section 275.07, is amended by adding a subdivision to read:

Subd. 4. [REPORT TO COMMISSIONER.] On or before September 30 for taxes levied in 1989, and on or before September 15 for taxes levied thereafter, the county auditor shall report to the commissioner of revenue the proposed levy certified by local units of government under section 275.065, subdivision 1. On or before January 15, the county auditor shall report to the commissioner of revenue the final levy certified by local units of government under subdivision 1. The levies must be reported in the manner prescribed by the commissioner.

Sec. 38. Minnesota Statutes 1988, section 275.08, subdivision 2, is amended to read:

Subd. 2. [ESTIMATES.] If, by ~~December~~ January 15 of any year, the county auditor has not received from another county auditor the tax capacity rate or gross tax capacity applicable to any taxing district lying in two or more counties, the county auditor who has not received the necessary information may levy taxes for the overlapping district by estimating the tax capacity rate or the gross tax capacity.

Sec. 39. Minnesota Statutes 1988, section 275.08, subdivision 3, is amended to read:

Subd. 3. [ASSISTANCE OF COUNTY AUDITOR.] A county auditor who has not furnished the tax capacity rate or gross tax capacity of property in the county by ~~December~~ January 15 shall, on request, furnish the county auditor of a county in the overlapping district an estimate of the tax capacities or the tax capacity rate. The auditor may request the assistance of the county assessor in determining the estimate.

Sec. 40. Minnesota Statutes 1988, section 275.124, is amended to read:

275.124 [REPORT OF CERTIFIED LEVY.]

Prior to ~~February~~ April 1 of each year, each county auditor shall report to the commissioner of education on forms furnished by the commissioner, the amount of the certified levy made by each school district within the county which has taxable property and any other information concerning these levies that is deemed necessary by the commissioner.

Sec. 41. Minnesota Statutes 1988, section 275.125, subdivision 5, is amended to read:

Subd. 5. [BASIC TRANSPORTATION LEVY.] Each year, a school district may levy for school transportation services an amount not to exceed the amount raised by the basic transportation tax capacity rate times the adjusted gross tax capacity of the district for the preceding year. The commissioner of revenue shall establish the basic transportation tax capacity rate and certify it to the commissioner of education by ~~September~~ July

1 of each year for levies payable in the following year. The basic transportation tax capacity rate shall be a rate, rounded up to the nearest hundredth of a mill, that, when applied to the adjusted gross tax capacity of taxable property for all districts, raises the amount specified in this subdivision. The basic transportation tax capacity rate for transportation for the 1990 fiscal year shall be the rate that raises \$72,681,200. The basic transportation tax capacity rate certified by the commissioner of revenue must not be changed due to changes or corrections made to a district's adjusted gross tax capacity after the tax capacity rate has been certified.

Sec. 42. Minnesota Statutes 1988, section 275.125, subdivision 5b, is amended to read:

Subd. 5b. [TRANSPORTATION LEVY OFF-FORMULA ADJUSTMENT.] In any fiscal year, if the basic transportation levy under subdivision 5 in a district attributable to a particular fiscal year exceeds the transportation aid computation under section 124.225, subdivisions 8b, 8i, 8j, and 8k, the district's levy limitation shall be adjusted as provided in this subdivision. In the *second* year following each fiscal year, the district's transportation levy shall be reduced by an amount equal to the difference between (1) the amount of the basic transportation levy under subdivision 5, and (2) the sum of the district's transportation aid computation pursuant to section 124.225, subdivisions 8b, 8i, 8j, and 8k, and the amount of any subtraction made from special state aids pursuant to section 124.2138, subdivision 2, less the amount of any aid reduction due to an insufficient appropriation as provided in section 124.225, subdivision 8a.

Sec. 43. Minnesota Statutes 1988, section 275.28, subdivision 1, is amended to read:

Subdivision 1. [AUDITOR TO MAKE.] The county auditor shall make out the tax lists according to the prescribed form, and to correspond with the assessment districts. The rate percent necessary to raise the required amount of the various taxes shall be calculated on the gross tax capacity of property as determined by the state board of equalization, but, in calculating such rates, no rate shall be used resulting in a fraction other than a decimal fraction, or less than one-tenth of a mill; and, in extending any tax, whenever it amounts to the fractional part of a cent, it shall be made one cent. The tax lists shall also be made out to correspond with the assessment books in reference to ownership and description of property, with columns for the valuation and for the various items of tax included in the total amount of all taxes set down opposite each description; and opposite each description which has been sold for taxes, and which is subject to redemption, but not redeemed, shall be placed the words "sold for taxes." The amount of all special taxes shall be entered in the proper columns, but the general taxes may be shown by entering the rate percent of each tax at the head of the proper columns, without extending the same, in which case a schedule of the rates percent of such taxes shall be made on the first page of each tax list. If the auditor shall fail to enter on any such list before its delivery to the treasurer any tax levied, such tax may be subsequently entered. The tax lists shall be deemed completed, and all taxes extended thereon, as of ~~October 16~~ *January 1* annually.

Sec. 44. Minnesota Statutes 1988, section 275.29, is amended to read:

275.29 [ABSTRACTS TO COMMISSIONER OF REVENUE.]

~~On or before January 1~~ *Not later than March 31*, in each year, the county

auditor shall make and transmit to the commissioner of revenue, in such form as may be prescribed by the commissioner of revenue, complete abstracts of the tax lists of the county, showing the number of acres of land assessed; its value, including the structures thereon; the value of town and city lots, including structures; the total value of all taxable personal property in the several assessment districts; the aggregate amount of all taxable property in the county, and the total amount of taxes levied therein for state, county, town, and all other purposes for that year.

Sec. 45. Minnesota Statutes 1988, section 275.51, is amended by adding a subdivision to read:

Subd. 7. [LEVY LIMIT CERTIFICATION.] A governmental subdivision must certify its levy limitations under sections 275.50 to 275.58 to the commissioner of revenue by December 31 of the levy year.

Sec. 46. Minnesota Statutes 1988, section 275.58, subdivision 2, is amended to read:

Subd. 2. A levy limit base per capita adjustment approved pursuant to subdivision 1 at a general or special election held prior to ~~October 1~~ *five working days after December 20* in any levy year increases the levy limit base per capita in that same levy year by the approved per capita amount and provides a permanent adjustment to the levy limit base per capita of the governmental subdivision for future levy years. A levy limit base per capita adjustment approved pursuant to subdivision 1 at a general or special election held ~~on or after September 30~~ *five working days after December 20* in any levy year shall not increase the levy limit base per capita in that same levy year but shall provide a permanent adjustment to the levy limit base per capita of the governmental subdivision for future levy years.

Sec. 47. Minnesota Statutes 1988, section 275.58, subdivision 3, is amended to read:

Subd. 3. An additional levy approved pursuant to subdivision 1 at a general or special election held prior to ~~October 1~~ *five working days after December 20* in any levy year may be levied in that same levy year and in any levy years thereafter. An additional levy approved pursuant to subdivision 1 at a general or special election held ~~on or after September 30~~ *five working days after December 20* in any levy year shall not be levied in that same levy year, but may be levied in the subsequent levy year and in levy years thereafter.

Sec. 48. Minnesota Statutes 1988, section 276.01, is amended to read:

276.01 [DELIVERY OF LISTS TO TREASURER.]

On or before the first business day in ~~January~~ *March* in each year, the county auditor shall deliver the lists of the districts of the county to the county treasurer and get the treasurer's receipt for them. The lists must show the total amount of taxes due. Where the names of taxpayers appear in the property tax lists, the county auditor shall show the taxpayers' addresses. The lists are authority for the treasurer to collect the taxes shown on the list.

In counties that have elected to come under section 273.03, subdivision 2, when the county treasurer possesses the lists provided for in section 275.28, subdivision 3, the county auditor shall have access to the lists to change the market valuations and the classifications of real estate in the lists that the auditor would have been required to change in the assessment

books provided for in section 273.03, subdivision 1, except for the election to discontinue the preparation of the assessment books. The county auditor is the official custodian of the lists after the year when they are in the county treasurer's possession.

Sec. 49. Minnesota Statutes 1988, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) ~~The treasurer shall, whether or not directed by the county board, cause to be printed on all tax statements, or on an attachment, The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality and school district must be separately stated. The amounts due other taxing districts, if any, may be aggregated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The statement shall include the following sentence, printed in upper case letters in boldface print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."~~

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) ~~For taxes payable in 1990 and thereafter, real and personal property tax statements must contain (1) the property's market value, as defined in section 272.03, subdivision 8; (2) the net tax capacity rate applicable to the property's classification under section 273.13, and the product of (1) and (2); the property's initial tax. The statement must show the difference between a property's gross tax capacity and net tax capacity multiplied by the tax capacity rate as "state paid homestead and agricultural credit." The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) education aids payable under chapters 124 and 124A; (ii) local government aid for cities, towns, and counties under chapter 477A; (iii) disparity reduction aid paid under section 273.1398; and (iv) income maintenance aids as defined in section 273.1398, subdivision 1, paragraph (i). The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.~~

(d) ~~For taxes payable in 1989 only, the statement must show the property's market value, as defined in section 272.03, subdivision 8; and the amount attributable to section 273.13, subdivisions 22 and 23; as "state paid homestead credit" and the amount attributable to section 273.132 as "state paid agricultural credit." The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) education aids under chapters 124 and 124A; (ii) local government aid for cities, towns, and counties under chapter 477A; and (iii) disparity reduction aid under section 273.1398. The commissioner of revenue shall certify to the county auditor~~

the actual or estimated aids local governments will receive in the following year.

Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the left column with the corresponding information for the previous year in a column on the right:

(1) *the property's market value as defined in section 272.03, subdivision 8;*

(2) *a total of the following aids:*

(i) *education aids payable under chapters 124 and 124A;*

(ii) *local government aids for cities, towns, and counties under chapter 477A;*

(iii) *disparity reduction aid under section 273.1398;*

(iv) *income maintenance aids as defined in section 273.1398, subdivision 1, paragraph (i); and*

(v) *homestead agricultural credit aid under section 273.1398, or for purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the 1989 homestead credit under section 273.13, subdivisions 22 and 23, and the 1989 agricultural credit under section 273.132.*

(3) *the property's gross tax, calculated by multiplying the property's gross tax capacity times the total tax capacity rate plus any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10;*

(4) *for homestead residential and agricultural properties, the homestead agricultural credit apportioned to the property. This amount is obtained by multiplying the total tax capacity rate by the difference between the property's gross and net tax capacities under section 273.13. For purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the statement must show the homestead credit and agricultural credit for taxes payable in 1989;*

(5) *any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10; and*

(6) *the net tax payable as provided in paragraph (a).*

Sec. 50. Minnesota Statutes 1988, section 276.04, subdivision 3, is amended to read:

Subd. 3. [MAILING OF TAX STATEMENTS.] The county treasurer shall mail to taxpayers statements of their personal property taxes due not later than ~~February 15~~ **March 30**, except in the case of manufactured homes and sectional structures taxed as personal property. Statements of the real property taxes due shall be mailed not later than ~~January 31~~ **March 30**. The validity of the tax shall not be affected by failure of the treasurer to mail the statement. The taxpayer is defined as the owner who is responsible for the payment of the tax.

Sec. 51. Minnesota Statutes 1988, section 276.09, is amended to read:

276.09 [SETTLEMENT BETWEEN AUDITOR AND TREASURER.]

On ~~March 5, and~~ May 20 of each year, the county treasurer shall make full settlement with the county auditor of all receipts collected for all purposes, from the date of the last settlement up to and including each day mentioned. The county auditor shall, within 30 days after ~~each the~~ settlement, send an abstract of it to the state auditor in the form prescribed by the state auditor. At ~~each the~~ settlement the treasurer shall make complete returns of the receipts on the current tax list, showing the amount collected on account of the several funds included in the list.

Settlement of receipts from May 20 to December 31 of each year must be made as provided in section 276.111.

For purposes of this section, "receipts" includes all tax payments received by the county treasurer on or before the settlement date.

Sec. 52. Minnesota Statutes 1988, section 276.10, is amended to read:
276.10 [APPORTIONMENT AND DISTRIBUTION OF FUNDS.]

On the settlement day in ~~March and~~ May of each year, the county auditor and county treasurer shall distribute all undistributed funds in the treasury. The funds must be apportioned as provided by law, and credited to the state, town, city, school district, special district and each county fund. Within 20 days after the distribution is completed, the county auditor shall report to the state auditor in the form prescribed by the state auditor. The county auditor shall issue a warrant for the payment of money in the county treasury to the credit of the state, town, city, school district, or special districts on application of the persons entitled to receive the payment. The county auditor may apply the tax capacity rate from the year before the year of distribution when apportioning and distributing delinquent tax proceeds, if the composition of the previous year's tax capacity rate between taxing districts is not significantly different than the tax capacity rate that existed for the year of the delinquency.

Sec. 53. Minnesota Statutes 1988, section 276.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] As soon as practical after the ~~March and May settlements~~ settlement the county treasurer shall pay to the state treasurer or the treasurer of a town, city, school district, or special district, on the warrant of the county auditor, all receipts of taxes levied by the taxing district and deliver up all orders and other evidences of indebtedness of the taxing district, taking triplicate receipts for them. The treasurer shall file one of the receipts with the county auditor, and shall return one by mail on the day of its receipt to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall keep the receipt in the clerk's office. Upon written request of the taxing district, to the extent practicable, the county treasurer shall make partial payments of amounts collected periodically in advance of the next settlement and distribution. A statement prepared by the county treasurer must accompany each payment. It must state the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties on the tax. Upon written request of a taxing district, except school districts, the county treasurer shall pay at least 70 percent of the estimated collection within 30 days after the ~~March and May settlement dates~~ date. Within seven business days after the due date, the county treasurer shall pay to the treasurer of the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district. The

remaining 50 percent of the estimated collections must be paid to the treasurer of the school district within the next seven business days. The treasurer shall pay the balance of the amounts collected to the state or to a municipal corporation or other body within 60 days after the ~~March and May settlement dates~~ *date*. After 45 days interest at an annual rate of eight percent accrues and must be paid to the taxing district. Interest must be paid upon appropriation from the general revenue fund of the county. If not paid, it may be recovered by the taxing district, in a civil action.

Sec. 54. Minnesota Statutes 1988, section 277.01, subdivision 1, is amended to read:

Subdivision 1. All unpaid personal property taxes ~~where the amount is \$50 or less~~ shall be deemed delinquent on the later of ~~March 1~~ *May 16* next after they become due or 30 days after the postmark date on the envelope containing the property tax statement, and thereupon a penalty of eight percent shall attach and be charged upon all such taxes. ~~When the amount of such tax exceeds the sum of \$50 the first half shall become delinquent if not paid prior to March 1 or 30 days after the postmark date on the envelope containing the property tax statement, whichever is later, and thereupon a penalty of eight percent shall attach on such unpaid first half. The second half of a tax in excess of \$50 shall become delinquent if not paid prior to July 1 and thereupon a penalty of eight percent shall attach on such unpaid second half.~~ This section shall not apply to class 2a property.

A county may provide by resolution that in the case of a property owner that has multiple personal property tax statements with the aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 277.011 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 55. Minnesota Statutes 1988, section 277.02, is amended to read:

277.02 [DELINQUENT LIST FILED IN COURT.]

~~On the last secular day of July, By June 15~~ of each year, the county treasurer shall make a list of all personal property taxes remaining delinquent ~~July first~~ *May 16*, and shall immediately certify to and file the same with the court administrator of the district court of the county, and upon such filing the list shall be prima facie evidence that all of the provisions of law in relation to the assessment and levy of such taxes have been complied with.

Sec. 56. Minnesota Statutes 1988, section 277.05, is amended to read:

277.05 [SHERIFF TO FILE LIST OF UNCOLLECTED TAXES.]

If the sheriff is unable, for want of goods and chattels whereon to levy, to collect by a distress, or otherwise, the taxes, or any part thereof, assessed upon the personal property of any persons, the sheriff shall file with the court administrator of the district court, on ~~September first~~ *July 15* following, a list of such taxes, with an affidavit of the sheriff, or of the deputy

sheriff entrusted with the collection thereof, stating that the affiant has made diligent search and inquiry for goods and chattels from which to collect such taxes, and is unable to collect the same. The list of such taxes as they apply to manufactured homes shall be filed on December 1. The sheriff shall note on the margin of such list the place to which any delinquent taxpayer may have removed, with the date of removal, if known. At the time of filing the list the sheriff shall also return all the warrants with endorsements thereon showing the doings of the sheriff or deputy in the premises, and the court administrator shall file and preserve the same. On or before September tenth thereafter, the court administrator shall deliver such list and affidavit to the county treasurer, who shall, by comparison of such list with the tax duplicates in the treasurer's office, ascertain whether or not all personal property taxes reported by the treasurer to the court administrator as delinquent, except those included in such list, have been paid into the treasurer's office, and shall attach to the list a certificate stating whether or not all taxes reported by the treasurer to the court administrator as delinquent and not included in the list have been received, and stating the items of such taxes, if any, as have been received. The court administrator shall deliver such list and affidavit as they apply to manufactured homes on or before December 10. The treasurer shall deliver such list and affidavit, with the certificate attached, to the county board at its first session thereafter, which shall cancel such taxes as it is satisfied cannot be collected. A copy of the tax list so revised, and also a separate list of the taxes so canceled, shall be included in the records of the proceedings of the board, and published in full, as a part of the proceedings.

Sec. 57. Minnesota Statutes 1988, section 277.06, is amended to read:

277.06 [CITATION TO DELINQUENTS; DEFAULT JUDGMENT.]

On ~~October 20~~ *September 5*, or within ten days after the adjournment of the county board, whichever occurs first, the county auditor shall file a copy of such revised list with the court administrator of the district court. The county auditor shall file a copy of the revised list as it applies to manufactured homes on January 20. Within ten days after the list has been filed, the court administrator shall issue a citation to each delinquent named in the list, stating the amount of tax and penalty, and requiring such delinquent to appear on a day to be set by the district court in the county, appointed to be held at a time not less than 30 days after the issuance of such citation, and show cause, if any there be, why the delinquent should not pay the tax and penalty. The citation shall be delivered for service to the sheriff of the county where such person may at the time reside or be. If such person, after service of the citation, fails to pay such tax, penalty, and costs to the sheriff before the first day of the term, or on such day to show cause as aforesaid, the court shall direct judgment against the person for the amount of such tax, penalty, and costs. When unable to serve the citation, the sheriff shall return the same to the court administrator, with a return thereto to that effect, and thereupon, or if the court decides that the service of such citation made or attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation, requiring such delinquent to appear on the first day of the next general term to be held in the county, and show cause as aforesaid, and if the delinquent fails to pay or to show cause, the court shall direct judgment as aforesaid. Whenever the sheriff has been unable to serve any such citation theretofore issued in any year or years, or whenever the court decides that the service of any such citation theretofore made or

attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation requiring such delinquent to appear, as in the case last provided, and with like effect; provided, that all citations other than the first shall be issued only on the request of the county attorney.

Sec. 58. Minnesota Statutes 1988, section 277.13, is amended to read:

277.13 [REMOVAL OF DELINQUENT; DUTY OF COUNTY AUDITOR.]

Within 30 days after June first By July 30, in each year, the county auditor shall make out and forward to the court administrator of the district court of any county to which any delinquent personal property taxpayer may have removed a statement of such delinquent taxes, specifying the value of the property on which such taxes were levied and the amount of the taxes, to which the auditor shall add an amount equal to 25 percent on the taxes levied if such delinquent taxpayer left the county in which the taxes were levied after the day upon which they became due, but not otherwise. On receipt of such statement or account, the court administrator shall issue a warrant to the sheriff of the county, who shall immediately proceed to collect the same of the person so charged with the taxes and percent, together with a court administrator's fee of 25 cents for each warrant so issued. The sheriff shall deliver such warrant, with the doings thereunder, to the court administrator, together with the amount of collections thereon. The court administrator shall remit all taxes thus collected to the treasurer of the county to which they belong, and at the same time shall return the original statement to the auditor of such county, certifying the amount of such collections, and, if any taxes remain unpaid, the reason why they could not be collected. The auditor shall charge the treasurer to whom such remittance is made with the amount thereof, and cancel such taxes from the list. Receipts shall be issued to the sheriff for delinquent taxes collected and the payment shall be made in the manner provided in section 276.05.

Sec. 59. Minnesota Statutes 1988, section 429.061, subdivision 3, is amended to read:

Subd. 3. [TRANSMITTED TO AUDITOR, PREPAYMENT.] After the adoption of the assessment, the clerk shall transmit a certified duplicate of the assessment roll with each installment, including interest, set forth separately to the county auditor of the county to be extended on the proper tax lists of the county; but in lieu of such certification, the council may in its discretion direct the clerk to file all assessment rolls in the clerk's office and to certify annually to the county auditor, on or before ~~October 40~~ *five working days after December 20* in each year, the total amount of installments of and interest on assessments on each parcel of land in the municipality which are to become due in the following year. If any installment and interest has not been so certified prior to the year when it is due, the clerk shall forthwith certify the same to the county auditor for collection in the then succeeding year; and if the municipality has issued improvement warrants to finance the improvement, it shall pay out of its general funds into the fund of the improvement interest on the then unpaid balance of the assessment for the year or years during which the collection of such installment is postponed. All assessments and interest thereon shall be collected and paid over in the same manner as other municipal taxes. The owner of any property so assessed may, at any time prior to certification of the assessment or the first installment thereof to the county auditor, pay the whole of the assessment on such property, with interest accrued to the

date of payment, to the municipal treasurer, except that no interest shall be charged if the entire assessment is paid within 30 days from the adoption thereof; and, except as hereinafter provided, the owner may at any time prior to November 15 of any year, prepay to the treasurer of the municipality having levied said assessments, the whole assessment remaining due with interest accrued to December 31 of the year in which said prepayment is made. If the assessment roll is retained by the municipal clerk, the installment and interest in process of collection on the current tax list shall be paid to the county treasurer and the remaining principal balance of the assessment, if paid, shall be paid to the municipal treasurer. The council may by ordinance authorize the partial prepayment of assessments, in such manner as the ordinance may provide, prior to certification of the assessment or the first installment thereof to the county auditor.

Sec. 60. Minnesota Statutes 1988, section 469.171, is amended by adding a subdivision to read:

Subd. 7a. [PROPERTY TAX CREDIT; APPROPRIATION.] There is annually appropriated from the general fund to the commissioner of revenue the amounts required to reimburse taxing jurisdictions for the revenue lost due to the property tax credit provided in subdivision 1, clause (4). Payment shall be made to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Payment shall be made to taxing jurisdictions, other than school districts, at the times provided in section 477A.015. If the abstracts of tax lists are not timely filed under section 275.29, the July 20 payment to the county must be delayed. For each month or fraction of a month that the abstract was filed late, the July 20 payment must be delayed one month.

Sec. 61. Minnesota Statutes 1988, section 469.177, subdivision 6, is amended to read:

Subd. 6. [REQUEST FOR CERTIFICATION OF NEW TAX INCREMENT FINANCING DISTRICT.] A request for certification of a new tax increment financing district pursuant to subdivision 1 or of a modification to an existing tax increment financing district pursuant to section 469.175, subdivision 4, received by the county auditor on or before ~~October 10~~ *July 1* of the calendar year shall be recognized by the county auditor in determining tax capacity rates for the current and subsequent levy years. Requests received by the county auditor after ~~October 10~~ *July 1* of the calendar year shall not be recognized by the county auditor in determining tax capacity rates for the current levy year but shall be recognized by the county auditor in determining tax capacity rates for subsequent levy years.

Sec. 62. Minnesota Statutes 1988, section 473.167, subdivision 4, is amended to read:

Subd. 4. [STATE REVIEW.] *The council must certify its property tax levy to the commissioner of revenue by August 1 of the levy year. The commissioner of revenue shall annually determine whether the property tax for the right-of-way acquisition loan fund certified by the metropolitan council for levy following the adoption of its budget is within the levy limitation imposed by this section. To the extent practicable, The determination must be completed prior to November 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculation.*

Sec. 63. Minnesota Statutes 1988, section 473.249, subdivision 2, is amended to read:

Subd. 2. *The council must certify its property tax levy to the commissioner of revenue by August 1 of the levy year.* The commissioner of revenue shall annually determine whether the ad valorem property tax certified by the metropolitan council for levy following the adoption of its budget is within the levy limitation imposed by this section. ~~To the extent practicable,~~ The determination shall be completed prior to ~~December~~ September 1 of each year. If current information regarding gross tax capacity in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current gross tax capacity within that county for purposes of making the calculation.

Sec. 64. Minnesota Statutes 1988, section 473.446, subdivision 8, is amended to read:

Subd. 8. [STATE REVIEW.] *The board must certify its property tax levy to the commissioner of revenue by August 1 of the levy year.* The commissioner of revenue shall annually determine whether the property tax for general purposes certified by the regional transit board for levy following the adoption of its budget is within the levy limitation imposed by subdivision 1. The commissioner shall also annually determine whether the transit tax imposed on all taxable property within the metropolitan transit area but outside of the metropolitan transit taxing district is within the levy limitation imposed by subdivision 1a. ~~To the extent practicable,~~ The determination must be completed prior to ~~November~~ September 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculations.

Sec. 65. Minnesota Statutes 1988, section 473.711, subdivision 5, is amended to read:

Subd. 5. [STATE REVIEW.] *The commission must certify its property tax levy to the commissioner of revenue by August 1 of the levy year.* The commissioner of revenue shall annually determine whether the property tax certified by the metropolitan mosquito control commission for levy following the adoption of its budget is within the levy limitation imposed by subdivision 2. ~~To the extent practicable,~~ The determination must be completed prior to ~~November~~ September 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculation.

Sec. 66. Minnesota Statutes 1988, section 473F05, is amended to read:
473F05 [GROSS TAX CAPACITY; 1988 AND SUBSEQUENT YEARS.]

On or before ~~November 20~~ August 5 of 1988 and each subsequent year, the assessors within each county in the area shall determine and certify to the county auditor the gross tax capacity in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3.

Sec. 67. Minnesota Statutes 1988, section 473F06, is amended to read:
473F06 [INCREASE IN GROSS TAX CAPACITY.]

On or before ~~September 4~~ *July 15* of 1976 and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the gross tax capacity determined in the preceding year pursuant to section 473F05, of commercial-industrial property subject to taxation within each municipality in the auditor's county exceeds the gross tax capacity in 1971 of commercial-industrial property subject to taxation within that municipality. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 473F05 to the county auditor who is responsible under other provisions of law for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 473F07. Notwithstanding any other provision of sections 473F01 to 473F13 to the contrary, in the case of a municipality which is designated on July 24, 1971, as a redevelopment area pursuant to section 401(a)(4) of the Public Works and Economic Development Act of 1965, Public Law Number 89-136, the increase in its gross tax capacity of commercial-industrial property for purposes of this section shall be determined in each year subsequent to the termination of such designation by using as a base the gross tax capacity of commercial-industrial property in that municipality in the year following that in which such designation is terminated, rather than the gross tax capacity of such property in 1971. The increase in gross tax capacity determined by this section shall be reduced by the amount of any decreases in the gross tax capacity of commercial-industrial property resulting from any court decisions, court related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on ~~June 30~~ *May 15* of the current assessment year, where such decreases, if originally reflected in the determination of a prior year's gross tax capacity under section 473F05, would have resulted in a smaller contribution from the municipality in that year. An adjustment for such decreases shall be made only if the municipality made a contribution in a prior year based on the higher gross tax capacity of the commercial-industrial property.

Sec. 68. Minnesota Statutes 1988, section 473F07, subdivision 1, is amended to read:

Subdivision 1. Each county auditor shall certify the determinations pursuant to sections 473F05 and 473F06 to the administrative auditor on or before ~~November 20~~ *August 10* of each year. The administrative auditor shall determine the sum of the amounts certified pursuant to section 473F06, and divide that sum by 2-1/2. The resulting amount shall be known as the "areawide gross tax capacity for (year)."

Sec. 69. Minnesota Statutes 1988, section 473F07, subdivision 2, is amended to read:

Subd. 2. The commissioner of revenue shall certify to the administrative auditor, on or before ~~November 20~~ *August 10* of each year, the population of each municipality for the preceding year, the proportion of that population which resides within the area, the average fiscal capacity of municipalities for the preceding year, and the fiscal capacity of each municipality for the preceding year.

Sec. 70. Minnesota Statutes 1988, section 473F07, subdivision 5, is amended to read:

Subd. 5. The product of the multiplication prescribed by subdivision 4

shall be known as the "areawide gross tax capacity for (year) attributable to (municipality)." The administrative auditor shall certify such product to the auditor of the county in which the municipality is located on or before ~~November 25~~ August 15.

Sec. 71. Minnesota Statutes 1988, section 473F08, subdivision 3, is amended to read:

Subd. 3. ~~On or before October 15 of 1976 and each subsequent year,~~ The county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) *by August 20*, determine the areawide portion of the levy for each governmental unit by multiplying the tax capacity rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) *by September 5*, determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

Sec. 72. Minnesota Statutes 1988, section 473F08, subdivision 5, is amended to read:

Subd. 5. ~~On or before November 30 of 1972 and August 25 of each subsequent year,~~ the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (a). The administrative auditor shall then determine the tax capacity rate sufficient to yield an amount equal to the sum of such levies from the areawide gross tax capacity. ~~On or before December 5~~ *September 1 of each year*, the administrative auditor shall certify said rate to each of the county auditors.

Sec. 73. Minnesota Statutes 1988, section 473F09, is amended to read:

473F09 [ADJUSTMENTS IN DATES.]

If, by reason of the enactment of any other law, the date by which the commissioner of revenue is required to certify to the county auditors the records of proceedings affecting the gross tax capacity of property is advanced to a date earlier than ~~November 15~~ *June 30*, the dates specified in sections 473F07 and 473F10 may be modified in the years to which such other law applies in the manner and to the extent prescribed by the administrative auditor.

Sec. 74. Minnesota Statutes 1988, section 473H.10, subdivision 3, is amended to read:

Subd. 3. [COMPUTATION OF TAX; STATE REIMBURSEMENT.] (a) After having determined the market value of all land valued according to subdivision 2, the assessor shall compute the gross tax capacity of those properties by applying the appropriate classification percentages. When computing the rate of tax pursuant to section 275.08, the county auditor shall include the gross tax capacity of land as provided in this clause.

(b) The county auditor shall compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the gross tax capacity times the total rate of tax for all purposes as provided in clause (a).

(c) The county auditor shall then compute the maximum ad valorem property tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the gross tax capacity times 105 percent of the previous

year's statewide average tax capacity rate levied on property located within townships for all purposes.

(d) The tax due and payable by the owner of preserve land valued according to subdivision 2 and nonresidential buildings will be the amount determined in clause (b) or (c), whichever is less. If the gross tax in clause (c) is less than the gross tax in clause (b), the state shall reimburse the taxing jurisdictions for the amount of difference. Residential buildings shall continue to be valued and classified according to the provisions of sections 273.11 and 273.13, as they would be in the absence of this section, and the tax on those buildings shall not be subject to the limitation contained in this clause.

The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the tax lost as a result of this subdivision or to pay taxing jurisdictions within the county for the tax lost. The county auditor shall certify to the commissioner of revenue on or before June 1 the total amount of tax lost to the county and taxing jurisdictions located within the county as a result of this subdivision and the extent that the tax lost exceeds funds available in the county conservation account. Payments shall be made by the state as provided in section 273.13, subdivision 15a, at the times provided in section 477A.015 to each of the affected taxing jurisdictions, other than school districts, in the same proportion that the ad valorem tax is distributed if the county conservation account is insufficient to make the reimbursement. If the abstract of tax lists is not timely filed the July 20 payment to counties must be delayed. For each month or fraction of a month that the abstract was filed late, the July 20 payment must be delayed one month. There is annually appropriated from the Minnesota conservation fund under section 40A.151 to the commissioner of revenue an amount sufficient to make the reimbursement provided in this subdivision. If the amount available in the Minnesota conservation fund is insufficient, the balance that is needed is appropriated from the general fund.

Sec. 75. Minnesota Statutes 1988, section 477A.011, subdivision 3, is amended to read:

Subd. 3. [POPULATION.] Population means the population established by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the metropolitan council, or by a population estimate of the state demographer made pursuant to section 116K.04, subdivision 4, clause (10), whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year. The term "per capita" refers to population as defined by this subdivision.

Sec. 76. Minnesota Statutes 1988, section 477A.011, subdivision 3a, is amended to read:

Subd. 3a. [NUMBER OF HOUSEHOLDS.] Number of households means the number of households established by the most recent federal census, by a special census conducted under contract with the United States bureau of the census, by an estimate made by the metropolitan council, or by an estimate of the state demographer made pursuant to section 116K.04, subdivision 4, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year.

Sec. 77. [APPROPRIATION.]

\$1,840,000 is appropriated for fiscal year 1990 from the general fund to

the commissioner of revenue to reimburse counties for costs of compliance with Minnesota Statutes, section 275.065, for taxes payable in 1990.

Sec. 78. [APPROPRIATION; COMPLEMENT INCREASE.]

\$80,000 is appropriated for fiscal year 1990 and \$80,000 for fiscal year 1991 is appropriated from the general fund to the commissioner of education for costs to administer Minnesota Statutes, section 275.065. The complement of the department of education is increased by two.

Sec. 79. [SCHOOL DISTRICT CASH FLOW FUND.]

A permanent school district cash flow revolving fund of \$3,000,000 is created. \$3,000,000 is appropriated from the general fund to the cash flow fund. The amount in the fund is annually appropriated to the commissioner of education. The commissioner may loan the money in the fund to school districts who demonstrate to the satisfaction of the commissioner that the delay of property tax settlement payments due to implementation of this article has an adverse cash flow impact on the district. Each school district receiving money under this section must reimburse the commissioner at the time required by the commissioner. The reimbursements must be deposited by the commissioner in the revolving fund.

Sec. 80. [REPEALER.]

Minnesota Statutes 1988, sections 270.81, subdivision 5; 275.065, subdivisions 2 and 5; and 275.51, subdivision 3j, are repealed.

Sec. 81. [EFFECTIVE DATES.]

Sections 2 to 6, 11, 16, 18, 20 to 23, 36 to 60, 62 to 65, and 80 are effective for taxes levied in 1989, payable in 1990, and thereafter.

Sections 1, 7 to 10, 12, 15, 19, 24 to 28, and 66 to 73 are effective for taxes levied in 1990, payable in 1991, and thereafter.

Section 17 is effective for sales after July 1, 1989.

Sections 29 to 35 are effective for taxes levied in 1989, payable in 1990, except as otherwise provided.

Sections 61, 77, 78, and 79 are effective July 1, 1989.

ARTICLE 9

SALES TAX

Section 1. Minnesota Statutes 1988, section 270.77, is amended to read:
270.77 [SUBSTANTIAL UNDERSTATEMENT OF LIABILITY.]

The commissioner of revenue shall impose a penalty for substantial understatement of any tax payable to the commissioner, except a tax imposed under chapter 297A.

There must be added to the tax an amount equal to 25 percent of the amount of any underpayment attributable to the understatement. There is a substantial understatement of tax for the period if the amount of the understatement for the period exceeds the greater of: (1) ten percent of the tax required to be shown on the return for the period; or (2)(a) \$10,000 in the case of a corporation other than an S corporation as defined in section 290.9725 when the tax is imposed by chapter 290, or (b) \$5,000 in the case of any other taxpayer, and in the case of a corporation any tax not imposed by chapter 290. The term "understatement" means the excess of

the amount of the tax required to be shown on the return for the period, over the amount of the tax imposed which is shown on the return. The amount of the understatement shall be reduced by that portion of the understatement which is attributable to the tax treatment of any item by the taxpayer if there is or was substantial authority for the treatment, or any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return. The special rules in cases involving tax shelters provided in section 6661(b)(2)(C) of the Internal Revenue Code of 1954, as amended through December 31, 1985, shall apply and shall apply to a tax shelter the principal purpose of which is the avoidance or evasion of state taxes. The commissioner may abate all or any part of the addition to the tax provided by this section on a showing by the taxpayer that there was reasonable cause for the understatement, or part of it, and that the taxpayer acted in good faith. The additional tax and penalty shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid.

Sec. 2. Minnesota Statutes 1988, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals or drinks, not including meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, except meals furnished at no charge to employees of hospitals, nursing homes, boarding care homes, sanitariums, group homes, and correctional, detention, and detoxification facilities, who are required to eat with the patients, residents, or inmates residing in them. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

(ii) sandwiches prepared by the retailer;

(iii) single sales of prepackaged ice cream or ice milk novelties prepared

by the retailer;

(iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;

(v) soft drinks and other beverages prepared or served by the retailer;

(vi) gum;

(vii) ice;

(viii) all food sold in vending machines;

(ix) party trays prepared by the retailers; and

(x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, massage parlors, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. *The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause.* Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale;

(g) The furnishing for a consideration of cable television services, including charges for basic monthly service, charges for monthly premium service, and charges for any other similar television services;

(h) Notwithstanding subdivision 4, and section 297A.25, subdivision 9, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies to sales and fees with respect to a horse to be used for racing whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association;

(i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including

services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services; and

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub planting, pruning, bracing, spraying, and surgery; and tree trimming for public utility lines.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(l) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply

to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, for educational and social activities for young people primarily age 18 and under.

Sec. 3. Minnesota Statutes 1988, section 297A.02, subdivision 2, is amended to read:

Subd. 2. [MACHINERY AND EQUIPMENT.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of special tooling, ~~and capital equipment~~ is four percent, and upon sales of *capital equipment and farm machinery* is two percent.

Sec. 4. Minnesota Statutes 1988, section 297A.25, subdivision 5, is amended to read:

Subd. 5. [OUTSTATE TRANSPORT OR DELIVERY.] The gross receipts from the following sales of tangible personal property are exempt:

(1) property which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use; *except that sales of cement mixers mounted on truck chassis that are shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the property is shipped or transported but at a rate that does not exceed the rate of tax imposed under section 297A.02,* and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; or

(2) property which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce.

Sec. 5. Minnesota Statutes 1988, section 297A.39, is amended by adding a subdivision to read:

Subd. 9. [INTENTIONAL DISREGARD OF LAW OR RULES.] *If any part of any underpayment resulting from an additional assessment is due to negligence or intentional disregard of the provisions of this chapter or rules of the commissioner of revenue (but without intent to defraud), there shall be added to the tax an amount equal to ten percent of such additional assessment. The penalty imposed by this subdivision shall be collected as part of the tax and shall be in addition to any other penalties provided by this chapter. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid.*

Sec. 6. [EFFECTIVE DATE.]

Sections 1 and 5 are effective for penalties imposed after June 30, 1989.

Sections 2, 3, and 4 are effective for sales after June 30, 1989, provided that section 2 does not apply to sales made under bona fide contracts that were enforceable before July 1, 1989, if delivery is made before January 1, 1990.

ARTICLE 10

CHARITABLE GAMBLING TAX

Section 1. Minnesota Statutes 1988, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals or drinks, not including meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, except meals furnished at no charge to employees of hospitals, nursing homes, boarding care homes, sanitariums, group homes, and correctional, detention, and detoxification facilities, who are required to eat with the patients, residents, or inmates residing in them. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

- (i) heated food or drinks;
- (ii) sandwiches prepared by the retailer;
- (iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;
- (iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;
- (v) soft drinks and other beverages prepared or served by the retailer;
- (vi) gum;
- (vii) ice;
- (viii) all food sold in vending machines;

(ix) party trays prepared by the retailers; and

(x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events and the privilege of having access to and the use of amusement devices, *including the use of gambling equipment as defined in section 349.12, subdivision 15*, tanning facilities, reducing salons, steam baths, turkish baths, massage parlors, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale;

(g) The furnishing for a consideration of cable television services, including charges for basic monthly service, charges for monthly premium service, and charges for any other similar television services;

(h) Notwithstanding subdivision 4, and section 297A.25, subdivision 9, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies to sales and fees with respect to a horse to be used for racing whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association;

(i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services; and

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub planting, pruning, bracing, spraying, and surgery; and tree trimming for public utility lines.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; **and**

(l) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, for educational and social activities for young people primarily age 18 and under; *and*

(m) the sale of state lottery tickets.

Sec. 2. Minnesota Statutes 1988, section 349.12, subdivision 11, is amended to read:

Subd. 11. (a) "Lawful purpose" means one or more of the following:

~~(a)~~ (1) benefiting persons by enhancing their opportunity for religious or educational advancement, by relieving or protecting them from disease, suffering or distress, by contributing to their physical well-being, by assisting them in establishing themselves in life as worthy and useful citizens, or by increasing their comprehension of and devotion to the principles upon which this nation was founded; ~~(b)~~ (2) initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures; ~~(c)~~ (3) lessening the burdens borne by government or voluntarily supporting, augmenting or supplementing services which government would normally render to the people; ~~or~~ ~~(d)~~ (4) payment of taxes imposed under this chapter, and other taxes imposed by the state or the United States on receipts from lawful gambling; or (5) payment of real estate taxes and assessments on licensed gambling premises wholly owned by the licensed organization.

(b) "Lawful purpose" does not include the erection, acquisition, improvement, expansion, repair, or maintenance of any real property owned or leased by ~~the~~ an organization, unless the board has first specifically ~~authorizes~~ authorized the expenditures after finding: (1) that the property will be used exclusively for one or more of the purposes specified in paragraph (a), clauses ~~(a)~~ (1) to ~~(c)~~ (3); or (2) with respect to expenditures for repair or maintenance only, that the property is or will be used as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; or (3) with respect to expenditures for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance. The board ~~may~~ shall by rule adopt procedures and standards to administer this subdivision.

Sec. 3. Minnesota Statutes 1988, section 349.151, subdivision 4, is amended to read:

Subd. 4. [POWERS AND DUTIES.] The board has the following powers and duties:

- (1) to issue, revoke, and suspend licenses to organizations, distributors, and manufacturers under sections 349.16, 349.161, and 349.163;
- (2) to collect and deposit license fees ~~and taxes~~ due under this chapter;
- (3) to receive reports required by this chapter and inspect the records, books, and other documents of organizations and suppliers to insure compliance with all applicable laws and rules;
- (4) to make rules, including emergency rules, required by this chapter;
- (5) to register gambling equipment and issue registration stamps under section 349.162;
- (6) to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling;
- (7) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing charitable gambling; and
- (8) impose civil penalties of not more than \$500 per violation on organizations, distributors, and manufacturers for failure to comply with any

provision of sections 349.12 to 349.23 or any rule of the board.

Sec. 4. Minnesota Statutes 1988, section 349.22, subdivision 1, is amended to read:

Subdivision 1. [GROSS MISDEMEANOR.] A person who in any manner ~~violates sections 349.11 to 349.214 to evade the tax imposed by this chapter, or who aids and abets evasion of the tax, or hinders or interferes with a seizing authority when a seizure is made as provided by section 349.2125, is guilty of a gross misdemeanor.~~

Sec. 5. [STATE TO BE SUPPLIER OF GAMBLING EQUIPMENT.]

Notwithstanding any other law to the contrary, after June 30, 1990, the state of Minnesota will be the sole supplier of all gambling equipment under Minnesota Statutes, chapter 349. The commissioner of revenue shall no later than January 15, 1990, submit to the legislature a bill making all statutory changes required to implement this section including proposing the required staff and appropriation. The bill shall include provisions requiring the state to provide an adequate supply and variety of gambling equipment and to supply it efficiently. The commissioner of revenue shall provide copies of this bill to the chair of the house of representatives tax committee and to the chair of the senate committee on taxes and tax laws.

Sec. 6. [REFUND.]

Every organization that has paid the tax under Minnesota Statutes 1988, section 349.2121, on pull-tabs or tipboards that it has in inventory on July 1, 1989, shall submit a request for a refund of the tax to the commissioner of revenue. When the organization has provided proof satisfactory to the commissioner of its eligibility for the refund claimed, the commissioner shall pay the refund. Claims for refunds must be submitted no later than September 1, 1989. The amount necessary to pay the refunds is appropriated to the commissioner of revenue from the general fund.

Sec. 7. [REPEALER.]

Minnesota Statutes 1988, sections 349.212, subdivisions 1, 2, and 4; and 349.2121, are repealed.

Sec. 8. [EFFECTIVE DATES.]

Sections 1, 2, 3, 4, 6, and 7 are effective July 1, 1989.

ARTICLE 11

BUDGET RESERVE

Section 1. Minnesota Statutes 1988, section 16A.15, subdivision 6, is amended to read:

Subd. 6. [BUDGET AND CASH FLOW RESERVE ACCOUNT.] A budget and cash flow reserve account is created in the general fund in the state treasury. The commissioner of finance shall, as authorized from time to time by law, restrict part or all of the budgetary balance in the general fund for use as the budget and cash flow reserve account. The commissioner of finance shall transfer to the budget and cash flow reserve account such amounts as are available to bring the total amount, including any existing balance in the account on June 30, ~~1988~~ 1989, to ~~\$265,000,000~~ \$550,000,000. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under section 16A.1541.

Sec. 2. Minnesota Statutes 1988, section 16A.1541, is amended to read:
16A.1541 [ADDITIONAL REVENUES; PRIORITY.]

If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money to the budget and cash flow reserve account until the total amount in the account equals ~~\$550,000,000~~ five percent of net nondedicated general fund revenues.

The amounts necessary to meet the requirements of this section are appropriated from the general fund.

Sec. 3. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 12

MISCELLANEOUS

Section 1. Minnesota Statutes 1988, section 93.55, subdivision 4, is amended to read:

Subd. 4. After the mineral interest has forfeited to the state pursuant to this section, a person claiming an ownership interest before the forfeiture may recover the fair market value of the interest, either: (1) as an alternative claim raised in the hearing on the order to show cause why the mineral interest should not forfeit absolutely, with fair market value to be determined and paid as provided in this subdivision, or (2) in a separate action brought as follows. An action may be commenced within six years after ~~the forfeiture~~ *entry of judgment* under this section to determine the ownership and the fair market value of the mineral interests in the property both at the time of forfeiture and at the time of bringing the action. The action shall be brought in the manner provided in chapter 559, for an action to determine adverse claims, to the extent applicable. The person bringing the action shall serve notice of the action on the commissioner of natural resources in the same manner as is provided for service of notice of the action on a defendant. The commissioner may appear and contest the allegations of ownership and value in the same manner as a defendant in such actions. Persons determined by the court to be owners of the interests at the time of forfeiture to the state under this section may present to the commissioner of finance a verified claim for refund of the fair market value of the interest. A copy of the court's decree shall be attached to the claim. Thereupon the commissioner of finance shall refund to the claimant the fair market value at the time of forfeiture, *which is the expiration of the period within which tax forfeiture would not have been possible had the mineral interest been properly and timely filed for record under section 93.52*, or at the time of bringing the action, whichever is lesser, less any taxes, penalties, costs, and interest which could have been collected during the period following the forfeiture under this section, had the interest in minerals been valued and assessed for tax purposes at the time of forfeiture under this section. There is appropriated from the general fund to the persons entitled to a refund an amount sufficient to pay the refund.

Sec. 2. Minnesota Statutes 1988, section 469.167, subdivision 2, is amended to read:

Subd. 2. [DURATION.] The designation of an area as an enterprise zone

shall be effective for seven years after the date of designation, *except that enterprise zones in border cities eligible to receive allocations for tax reductions under section 469.169, subdivisions 7 and 8, and under section 469.171, subdivision 6a, shall be effective until these allocations have been expended.*

Sec. 3. Minnesota Statutes 1988, section 469.171, subdivision 7, is amended to read:

Subd. 7. [DURATION.] Each tax reduction provided to a business pursuant to this subdivision shall terminate not longer than five years after the effective date of the tax reduction for the business unless the business is located in a border city enterprise zone designated under section 469.168, subdivision 4, clause (c), that is not a city of the first class. Each tax reduction provided to a business that is located in a border city enterprise zone designated under section 469.168, subdivision 4, clause (c), that is not located in a city of the first class ~~shall terminate not longer than seven years after the effective date of the tax reduction for the business, may be provided until the allocations provided under subdivision 6a, and under section 469.169, subdivisions 7 and 8, have been expended.~~ Subject to the ~~five-year or the seven-year~~ limitation in this subdivision, the tax reductions may be provided after expiration of the zone's designation.

Sec. 4. [DURATION OF TAX INCREMENT FINANCING DISTRICT.]

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1, tax increment financing district No. 2 in development district No. 1 within the city of Chanhassen may continue to receive tax increments through the year 1992, provided that any increment received during the years 1990 through 1992 may only be used to pay development costs associated with improvement of those portions of state trunk highway 101 or 5 within the development district or to pay the administrative expenses of the tax increment financing district.

Sec. 5. [CONTINUATION OF PRODUCTION TAX LIABILITY.]

Notwithstanding Minnesota Statutes, section 298.25, or any other law to the contrary, the provisions of Minnesota Statutes, section 298.24, will continue to apply to a taconite production facility that has ceased production in 1986 for production years 1989 and 1990 if ownership of that facility is transferred in 1989 to a new owner that intends to resume taconite production at that facility no later than December 31, 1991. The new owner must provide evidence to the commissioner of revenue of its intent and ability to do so. If the new owner fails to resume taconite production at the facility by December 31, 1991, the property shall become subject to ad valorem taxes for the 1991 levy year, taxes payable in 1992, and thereafter, and an additional tax equal to the amount of ad valorem tax that would have been payable on the property for taxes payable in 1990 and 1991, less any taxes paid under Minnesota Statutes, section 298.24, during 1990 and 1991, shall also be extended against the property on the tax list for 1992.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment. Section 4 is effective the day after compliance with Minnesota Statutes, section 645.021, by the Chanhassen city council."

Amend the title as follows:

Page 1, delete lines 2 to 8 and insert:

“relating to the financing of government in Minnesota; changing tax rates and bases; modifying the administration, collection, and enforcement of taxes; imposing taxes; creating tax exemptions; changing the computation, administration, and payment of aids, credits, and refunds; providing new aids and credits; making technical corrections and clarifications; changing proposed property tax notice provisions; changing levy limits and other local government powers and duties; specifying the amount of a budget reserve; clarifying provisions relating to claims regarding severed mineral interests; authorizing extension of duration of a tax increment financing district in the city of Chanhassen; providing penalties and appropriating money; amending Minnesota Statutes 1988, sections 3.983, subdivision 3; 10A.31, subdivision 5; 16A.15, subdivision 6; 16A.1541; 18.022, subdivision 2; 18.111, subdivision 1; 40A.15, subdivision 2; 60A.15, subdivision 1; 88.04, subdivision 3; 93.55, subdivision 4; 110.71, subdivision 2; 110B.20; 112.61, subdivisions 2, 3, and 8; 124.155, subdivision 2; 124.2131, subdivision 1; 124.2139; 124.42, subdivisions 1 and 4; 124.83, subdivision 1; 124A.23, subdivision 1; 124A.26, subdivision 1; 138.053; 162.07, subdivisions 3 and 4; 162.081, subdivision 4; 164.04, subdivision 3; 164.05, subdivision 1; 174.27; 193.145, subdivision 2; 237.35; 256.018; 256.82, subdivision 1; 256.871, subdivision 6; 256B.041, subdivision 5; 256D.051, subdivision 6a; 270.071, subdivision 6; 270.072, subdivisions 2 and 3; 270.075, subdivision 2; 270.11, subdivision 2; 270.12, subdivisions 2 and 3, and by adding a subdivision; 270.13; 270.18; 270.77; 270.82; 270.84; 270.85; 270.87; 272.01, subdivision 2; 272.02, subdivisions 1, 4, and by adding a subdivision; 272.115, subdivision 1; 273.064; 273.065; 273.11, subdivision 1, and by adding a subdivision; 273.1102, subdivision 3; 273.111, subdivision 3; 273.119, subdivision 2; 273.123, subdivisions 4 and 5; 273.124, subdivisions 1, 6, 9, and 13, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, and 25; 273.135, subdivisions 2 and 2a; 273.1391, subdivisions 2 and 2a; 273.1392; 273.1393; 273.1398, subdivisions 1, 2, 3, 4, 5, and 6, and by adding a subdivision; 273.33, subdivision 2; 273.37, subdivision 2; 274.14; 275.011, subdivisions 1 and 2; 275.065, subdivisions 1, 3, 4, 6, and 7, and by adding subdivisions; 275.07, subdivisions 1 and 3, and by adding a subdivision; 275.077, subdivision 2; 275.08, subdivisions 2 and 3; 275.124; 275.125, subdivisions 5 and 5b; 275.28, subdivision 1; 275.29; 275.50, subdivisions 2 and 5; 275.51, subdivisions 3f, 3h, 3i, and 3j, and by adding subdivisions; 275.56; 275.58, subdivisions 1, 2, and 3; 276.01; 276.04, subdivisions 2 and 3; 276.09; 276.10; 276.11, subdivision 1; 277.01, subdivision 1; 277.02; 277.05; 277.06; 277.13; 278.03; 278.05, subdivisions 4 and 5; 279.01, subdivisions 1 and 3; 279.37, subdivision 7; 290.015, subdivisions 3 and 4; 290.02; 290.05, subdivision 3; 290.06, subdivisions 1 and 21; 290.067, subdivision 2, and by adding a subdivision; 290.091, subdivision 2, and by adding a subdivision; 290.092, subdivision 1; 290.17, by adding a subdivision; 290.191, subdivision 6; 290.21, subdivision 4; 290.35, subdivision 1; 290.37, subdivision 1; 290.38; 290.92, subdivisions 4b and 21; 290.934, subdivision 3a; 290A.03, subdivisions 11 and 12; 290A.04, subdivisions 1, 2, 2b, 2h, and 3, and by adding subdivisions; 295.34, subdivision 1; 297A.01, subdivision 3; 297A.02, subdivision 2; 297A.25, subdivision 5; 297A.39, by adding a subdivision; 298.01, by adding subdivisions; 298.28, subdivisions 3, 4, and 6; 298.282, subdivision 2; 349.12, subdivision 11; 349.151, subdivision 4; 349.22, subdivision 1; 366.27;

373.40, subdivisions 4 and 6; 375.167, subdivision 1; 375.18, subdivision 3; 375.192, subdivision 2; 375.555; 383A.03, subdivision 4; 383A.411, subdivision 5; 383A.49, subdivision 2; 383B.152; 383B.245; 383B.73, subdivisions 1 and 2; 383C.42, subdivision 1; 398A.04, subdivision 8; 412.251; 412.531, subdivision 1; 414.035; 414.041, subdivision 7; 426.04; 429.061, subdivision 3; 447.10; 449.06; 449.08; 449.09; 449.10; 450.19; 450.25; 458A.10; 458A.31, subdivision 1; 459.06, subdivision 1; 459.14, subdivision 2; 462.396, subdivision 2; 469.033, subdivision 6; 469.053, subdivisions 4 and 6; 469.107, subdivision 1; 469.167, subdivision 2; 469.171, subdivision 7, and by adding a subdivision; 469.174, subdivision 8; 469.175, subdivision 7; 469.176, subdivision 4c; 469.177, subdivision 6; 469.180, subdivision 2; 469.187; 469.188; 471.191, subdivision 2; 471.1921; 471.571, subdivisions 1 and 2; 473.167, subdivision 4; 473.249, subdivision 2; 473.325, subdivision 2; 473.446, subdivisions 1 and 8; 473.661, subdivision 3; 473.667, subdivision 9; 473.671; 473.711, subdivision 5; 473.882, subdivision 3; 473.883, subdivision 6; 473E05; 473E06; 473E07, subdivisions 1, 2, and 5; 473F08, subdivisions 3 and 5; 473F09; 473H.10, subdivision 3; 475.53, subdivision 4; 475.58, subdivision 1; 477A.011, subdivisions 1a, 3, 3a, 15, and 20, and by adding subdivisions; 477A.013, subdivisions 1 and 3; 477A.014, subdivisions 1 and 3; and 641.23; amending Laws 1988, chapter 719, article 1, section 22; chapter 719, article 8, section 37; and chapter 719, article 12, section 29; proposing coding for new law in Minnesota Statutes, chapters 273; 274; 276; 290; and 477A; repealing Minnesota Statutes 1988, sections 38.17; 38.28; 69.36; 134.34, subdivision 6; 270.81, subdivision 5; 275.065, subdivisions 2 and 5; 275.50, subdivision 3g; 275.51, subdivision 3j; 275.57; 275.58, subdivision 4; 276.13; 276.14; 290.092, subdivision 5; 349.212, subdivisions 1, 2, and 4; 349.2121; 423.376; 423.47; 423.807; 424.12; 424.13; and 477A.013, subdivision 4.”

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

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

S.F. No. 1480: A bill for an act relating to education; proposing a formula allowance and general education tax capacity rate for fiscal year 1991; amending Minnesota Statutes 1988, sections 124A.22, subdivision 2; and 124A.23, subdivision 1.

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

Delete everything after the enacting clause and insert:

“ARTICLE 1

GENERAL EDUCATION REVENUE

Section 1. Minnesota Statutes 1988, section 124.19, is amended by adding a subdivision to read:

Subd. 7. [ALTERNATIVE PROGRAMS.] (a) This subdivision applies to an alternative program that has been approved by the state board of education pursuant to Minnesota Rules, part 3500.3500, as exempt from Minnesota Rules, part 3500.1500, requiring a school day to be at least six hours in duration.

(b) To receive general education revenue for a pupil in an alternative program, a school district must meet the requirements in this paragraph. The program must be approved by the commissioner of education. In approving a program, the commissioner may use the process used for approving state designated area learning centers under section 129B.56.

(c) In addition to the requirements in paragraph (b), to receive general education revenue for a pupil in an alternative program that has an independent study component, a school district must meet the requirements in this paragraph.

For a course having an independent study component, the pupil must complete coursework and receive credit for each course for which the aid is claimed.

The school district must develop with the pupil a continual learning plan for the pupil. A district must allow a minor pupil's parent or guardian to participate in developing the plan, if the parent or guardian wants to participate. The plan must identify the learning experiences and expected outcomes needed for satisfactory credit for the year and for graduation. The plan must be updated each year.

General education revenue for a pupil in an approved alternative program without an independent study component must be prorated for a pupil participating for less than a full school year, or its equivalent.

General education revenue for a pupil in an approved alternative program that has an independent study component must be prorated for a pupil receiving fewer than six credits in a year.

For an alternative program having an independent study component, the commissioner shall require a description of the courses in the program, the kinds of independent study involved, the expected learning outcomes of the courses, and the means of measuring student performance against the expected outcomes.

A credit for a year in an approved alternative program shall, for the purposes of audit, be considered to be 170 hours of teacher contact time and independent study time.

Sec. 2. Minnesota Statutes 1988, section 124A.03, subdivision 2, is amended to read:

Subd. 2. [REFERENDUM LEVY.] ~~(+)~~ (a) The levy authorized by section 124A.23, subdivision 2, may be increased in ~~any~~ the amount that is approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the school board or shall be called by the school board upon written petition of qualified voters of the district. *One election may be held in a calendar year to approve an increase that is initiated by a school board and one election may be held in a calendar year to approve an increase invoked by petition.* The referendum shall be held on a date set by the school board. ~~Only two elections may be held to approve a levy increase that will commence in a specific school year.~~ The ballot shall state the maximum amount of the increased levy in mills as a percentage of net tax capacity, the amount that will be raised by that tax capacity rate in the first year it is to be levied, and that the tax capacity rate shall be used to finance school operations. The ballot may designate a specific number of years for which the referendum authorization shall apply. The ballot may contain a textual portion with the information required

in this subdivision and a question stating substantially the following:

"Shall the increase in the levy proposed by (petition to) the board of, School District No., be approved?"

If approved, the amount provided by the approved tax capacity rate applied to ~~each year's gross~~ *the net tax capacity for the year preceding the year the levy is certified* shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(2) (b) A referendum on the question of revoking or reducing the increased levy amount authorized pursuant to ~~clause (1) paragraph (a)~~ may be called by the school board and shall be called by the school board upon the written petition of qualified voters of the district. A levy approved by the voters of the district pursuant to ~~clause (1) paragraph (a)~~ must be made at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one such revocation or reduction election may be held to revoke or reduce a levy for any specific year and for years thereafter.

(3) A petition authorized by clause (1) shall be effective if signed by a number of qualified voters in excess of 15 percent, or ten percent if the school board election is held in conjunction with a general election, of the average number of voters at the two most recent district wide school elections. A referendum invoked by petition shall be held within three months of submission of the petition to the school board.

(4) (c) A petition authorized by ~~clause (2) paragraph (a) or (b)~~ shall be effective if signed by a number of qualified voters in excess of ~~five~~ 15 percent of the ~~residents~~ *registered voters* of the school district as ~~determined by the most recent census~~. A ~~revocation or reduction~~ referendum invoked by petition shall be held within three months of submission of the petition to the school board.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum *authorized by this subdivision*.

(6) (e) Within 30 days after the district holds a referendum pursuant to this clause, the district shall notify the commissioner of education of the results of the referendum.

Sec. 3. Minnesota Statutes 1988, section 124A.22, subdivision 2, is amended to read:

Subd. 2. [BASIC REVENUE.] The basic revenue for each district equals the formula allowance times the actual pupil units for the school year. ~~The formula allowance is \$2,755 for the 1988-1989 school year. The formula allowance is \$2,800 for fiscal year 1990. The formula allowance for subsequent fiscal years is \$2,910.~~

Sec. 4. Minnesota Statutes 1988, section 124A.22, subdivision 5, is amended to read:

Subd. 5. [DEFINITIONS.] The definitions in this subdivision apply only to subdivision 6.

(a) "High school" means a secondary school that has pupils enrolled in at least the 10th, 11th, and 12th grades. *Except for districts that cooperate under sections 122.541 or article 6, sections 3 to 11*. If there is no secondary school in the district that has pupils enrolled in at least the 10th, 11th, and 12th grades, the commissioner shall designate one school in the district as a high

school for the purposes of this section.

(b) "Secondary average daily membership" means, for a district that has only one high school, the average daily membership of resident pupils in grades 7 through 12. For a district that has more than one high school, "secondary average daily membership" for each high school means the product of the average daily membership of resident pupils in grades 7 through 12 in the high school, times the ratio of six to the number of grades in the high school.

(c) "Attendance area" means the total surface area of the district, in square miles, divided by the number of high schools in the district.

(d) "Isolation index" for a high school means the square root of one-half the attendance area plus the distance in miles, according to the usually traveled routes, between the high school and the nearest high school.

(e) "Qualifying high school" means a high school that has an isolation index greater than 23 and that has secondary average daily membership of less than 400 420.

(f) "Qualifying elementary school" means an elementary school that is located 20 miles or more from the nearest elementary school or from the nearest elementary school within the district and, in either case, has an elementary average daily membership of an average of 20 or fewer per grade.

(g) "Elementary average daily membership" means, for a district that has only one elementary school, the average daily membership of resident pupils in kindergarten through grade 6. For a district that has more than one elementary school, "average daily membership" for each school means the average daily membership of kindergarten through grade 6 multiplied by the ratio of seven to the number of grades in the elementary school.

Sec. 5. Minnesota Statutes 1988, section 124A.22, subdivision 6, is amended to read:

Subd. 6. [SECONDARY SPARSITY REVENUE.] A district's secondary sparsity revenue for a school year equals the sum of the results of the following calculation for each qualifying high school in the district:

- (1) the formula allowance for the school year, multiplied by
- (2) the secondary average daily membership of the high school, multiplied by
- (3) the quotient obtained by dividing 400 420 minus the secondary average daily membership by 400 420 plus the secondary daily membership, multiplied by
- (4) the lesser of one or the quotient obtained by dividing the isolation index minus 23 by ten.

Sec. 6. Minnesota Statutes 1988, section 124A.22, is amended by adding a subdivision to read:

Subd. 6a. [ELEMENTARY SPARSITY REVENUE.] A district's elementary sparsity revenue equals the sum of the following amounts for each qualifying elementary school in the district:

- (1) the formula allowance for the year, multiplied by
- (2) the elementary average daily membership of the school, multiplied by
- (3) the quotient obtained by dividing 140 minus the elementary average

daily membership by 140 plus the average daily membership.

Sec. 7. Minnesota Statutes 1988, section 124A.22, subdivision 9, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) \$105 for fiscal year 1990 and \$215 for subsequent fiscal years.

Sec. 8. Minnesota Statutes 1988, section 124A.23, subdivision 1, is amended to read:

Subdivision 1. [GENERAL EDUCATION TAX CAPACITY RATE.] The commissioner of revenue shall establish the general education tax capacity rate and certify it to the commissioner of education by September 1 of each year for levies payable in the following year. The general education tax capacity rate shall be a rate, rounded up to the nearest ~~tenth of a mill~~ *hundredth of a percent*, that, when applied to the adjusted gross tax capacity for all districts, raises the amount specified in this subdivision. The general education

tax capacity rate ~~for the 1990 fiscal year~~ shall be the rate that raises ~~\$1,100,580,000~~ \$1,156,000,000 *for fiscal year 1991 and \$1,213,800,000 for subsequent fiscal years.* The general education tax capacity rate certified by the commissioner of revenue may not be changed due to changes or corrections made to a district's adjusted gross tax capacity after the tax capacity rate has been certified.

Sec. 9. Minnesota Statutes 1988, section 124A.26, subdivision 1, is amended to read:

Subdivision 1. [REVENUE REDUCTION.] A district's general education revenue for a ~~school~~ fiscal year shall be reduced if the net ~~unappropriated operating fund~~ *unreserved balance of the general fund* as of June 30 in the second prior ~~school~~ year exceeds \$600 times the actual pupil units in the second prior year. The amount of the reduction shall equal the lesser of:

- (1) the amount of the excess, or
- (2) \$150 times the actual pupil units ~~for the school year.~~

Sec. 10. [CONVERSION OF EXISTING REFERENDUM LEVIES.]

The department of education shall convert the referendum levy authority existing under Minnesota Statutes, section 124A.03, for 1988 taxes payable in 1989, for future years, as follows:

The tax capacity rate equals the rate determined by dividing the district's maximum levy under Minnesota Statutes, section 124A.03, for 1988 taxes payable in 1989 by the district's 1987 net tax capacity. A district's maximum levy for all subsequent years for which the levy is authorized equals the amount provided by the tax capacity rate applied to the net tax capacity for the year preceding the year the levy is certified.

However, if a district's levy is limited to a dollar amount, the maximum levy under Minnesota Statutes, section 124A.03, must not exceed the dollar amount.

Sec. 11. [ADDITIONAL CONVERSION PROCEDURES.]

For a referendum levy authorized after December 1, 1988, and before the effective date of article 13, section 24, the department of education shall convert the approved levy amount to the appropriate net tax capacity rate. Levy amounts approved prior to the effective date of this act are validated.

Sec. 12. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] *The sums indicated in this section are appropriated from the general fund to the department of education for the fiscal years designated.*

Subd. 2. [GENERAL EDUCATION AID.] *For general education aid:*

\$1,175,021,600 1990,

\$1,276,350,400 1991.

The 1990 appropriation includes \$174,824,000 for 1989 and \$1,000,197,600 for 1990.

The 1991 appropriation includes \$173,077,700 for 1990 and \$1,103,272,700 for 1991.

Subd. 3. [EXCEPTIONAL NEED AID.] *For exceptional need aid according to Minnesota Statutes, section 124.217:*

\$420,000 1990,

\$479,000 1991.

The 1990 appropriation includes \$23,000 for 1989 and \$397,000 for 1990.

The 1991 appropriation includes \$70,000 for 1990 and \$409,000 for 1991.

Sec. 13. [EFFECTIVE DATE.]

Section 2 is effective the day following final enactment.

Sections 4, paragraphs (f) and (g), 6, and 9 are effective for revenue for fiscal year 1991 and thereafter.

ARTICLE 2

PUPIL TRANSPORTATION

Section 1. Minnesota Statutes 1988, section 123.39, is amended by adding a subdivision to read:

Subd. 14. [STUDENT PARENTS AND CHILDREN.] The board may provide transportation to a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school.

Sec. 2. Minnesota Statutes 1988, section 124.223, is amended to read:

124.223 [TRANSPORTATION AID AUTHORIZATION.]

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

(1) [TO AND FROM SCHOOL; BETWEEN SCHOOLS.] (a) Transportation or board of resident elementary pupils who reside one mile or more from the public schools which they could attend; transportation or board of resident secondary pupils who reside two miles or more from the public schools which they could attend; transportation to and from schools the resident pupils attend according to a program approved by the commissioner of education, or between the schools the resident pupils attend for instructional classes; transportation of resident elementary pupils who reside one mile or more from a nonpublic school actually attended; transportation of resident secondary pupils who reside two miles or more from a nonpublic school actually attended; but with respect to transportation of pupils to nonpublic schools actually attended, only to the extent permitted by sections 123.76 to 123.79; transportation of ~~pupils~~ *a pupil who are is a custodial parents to and from parent and that pupil's child between the pupil's home and the child care provider of child care services for the pupil's child and between the provider and the school, if the home and provider are within the attendance area of the school the pupil attends*;

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

(c) *Transportation to and from school of an elementary pupil who moves during the school year within an area designated by the district as a mobility zone, but only for the remainder of the school year.*

The attendance areas of schools in a mobility zone must be contiguous. To be in a mobility zone, a school must meet both of the following requirements:

(1) more than 50 percent of the pupils enrolled in the school are eligible for free or reduced school lunch; and

(2) the pupil withdrawal rate for the prior year is more than 12 percent.

A pupil withdrawal rate is determined by dividing (i) the sum of the number of pupils who withdraw from the school, during the school year, and the number of pupils enrolled in the school as a result of transportation provided under this paragraph, by (ii) the number of pupils enrolled in the school.

The district may establish eligibility requirements for individual pupils to receive transportation in the mobility zone.

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

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

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

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

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

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

(8) [SUMMER INSTRUCTIONAL PROGRAMS.] Services described

in clauses (1) to (7), (9), and (10) when provided in conjunction with a summer program that meets the requirements of section 124A.27, subdivision 9;

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

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

Sec. 3. Minnesota Statutes 1988, section 124.225, subdivision 1, is amended to read:

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

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

(b) "Authorized cost for regular transportation" means the sum of:

(1) all expenditures for transportation in the regular category, as defined in clause (e)(1), for which aid is authorized in section 124.223, plus

(2) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 12-1/2 percent per year of the cost of the fleet, plus

(3) an amount equal to one year's depreciation on district school buses reconditioned by the department of corrections computed on a straight line basis at the rate of 33-1/3 percent per year of the cost to the district of the reconditioning, plus

(4) an amount equal to one year's depreciation on the district's type three school buses, as defined in section 169.44, subdivision 15, which were purchased after July 1, 1982, for authorized transportation of pupils, with the prior approval of the commissioner, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses.

(c) "Adjusted authorized predicted cost per FTE" means the authorized cost predicted by a multiple regression formula determined by the department of education, and adjusted pursuant to subdivision 7a.

(d) "~~Aid entitlement per FTE~~ *Regular transportation allowance*" means the adjusted authorized predicted cost per FTE, inflated pursuant to subdivision 7b.

(e) "Transportation category" means a category of transportation service provided to pupils.

(4) For the purposes of this section, transportation categories for the 1986-1987 and 1987-1988 school years are as follows:

(i) ~~regular transportation is transportation services provided during the regular school year under section 124.223, clauses (1) and (2); excluding transportation between schools under section 124.223, clause (1); and~~

(ii) ~~nonregular transportation is transportation services provided between~~

~~schools under section 124.223, clause (1); and transportation services provided under section 124.223, clauses (3), (4), (5), (6), (7), (8), (9), and (10).~~

~~(2) (1) For purposes of this section, for the 1988-1989 and 1989-1990 school year and after years:~~

~~(i) regular transportation is transportation services provided during the regular school year under section 124.223, clauses (1) and (2), excluding the following transportation services provided under section 124.223, clause (1): transportation between schools; noon transportation to and from school for kindergarten pupils attending half-day sessions; late transportation home from school for pupils involved in after school activities; transportation of pupils to and from schools located outside their normal attendance areas under the provisions of a plan for desegregation mandated by the state board of education or under court order; and transportation of elementary pupils to and from school within a mobility zone;~~

~~(ii) nonregular transportation is transportation services provided under section 124.223, clause (1), that are excluded from the regular category, and transportation services provided under section 124.223, clauses (3), (4), (5), (6), (7), (8), (9), and (10); and~~

~~(iii) excess transportation is transportation to and from school for secondary pupils residing at least one mile but less than two miles from the public school they could attend or from the nonpublic school actually attended, and transportation to and from school for pupils residing less than one mile from school who are transported because of extraordinary traffic hazards.~~

~~(2) For purposes of this section, for 1990-1991 and later school years:~~

~~(i) regular transportation is transportation services provided during the regular school year under section 124.223, clauses (1) and (2), excluding the following transportation services provided under section 124.223, clause (1): transportation between schools; noon transportation to and from school for kindergarten pupils attending half-day sessions; late transportation home from school for pupils involved in after school activities; transportation of pupils to and from schools located outside their normal attendance areas under the provisions of a plan for desegregation mandated by the state board of education or under court order; transportation of elementary pupils to and from school within a mobility zone; and transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and child care provider and between the provider and the school, if the home and the provider are within the attendance area of the school;~~

~~(ii) nonregular transportation is transportation services provided under section 124.223, clause (1), that are excluded from the regular category, and transportation services provided under section 124.223, clauses (3), (4), (5), (6), (7), (8), (9), and (10); and~~

~~(iii) excess transportation is transportation to and from school for secondary pupils residing at least one mile but less than two miles from the public school they could attend or from the nonpublic school actually attended, and transportation to and from school for pupils residing less than one mile from school who are transported because of extraordinary traffic hazards.~~

(f) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123.932, subdivision 9.

(g) "Current year" means the school year for which aid will be paid.

(h) "Base year" means the second school year preceding the school year for which aid will be paid.

(i) "~~Base cost~~" ~~for the 1984-1985 and 1985-1986 base years means the authorized regular transportation cost per FTE in the base year in the regular transportation category, excluding summer school transportation. Base cost for the 1986-1987 base year and after~~ means the ratio of:

(1) the sum of:

(i) the authorized cost in the base year for regular transportation as defined in clause (b), plus

(ii) the actual cost in the base year for ~~excess transportation to and from school of secondary pupils who live more than one mile but less than two miles from the public school that they could attend or from the nonpublic school actually attended, plus~~

~~(iii) the actual cost in the base year for transportation costs which are necessary because of extraordinary traffic hazards as defined in paragraph (e), clauses (1)(iii) and (2)(iii),~~

(2) to the sum of:

(i) the number of FTE pupils transported in the regular category in the base year, plus

(ii) the number of ~~secondary~~ FTE pupils transported ~~to and from school in the base year who live more than one mile but less than two miles from the public school that they could attend or from the nonpublic school actually attended, plus~~

~~(iii) the number of FTE pupils residing less than one mile from school who were transported to and from school in the base year because of extraordinary traffic hazards in the excess category.~~

(j) "Predicted base cost" means the base cost as predicted by subdivision 3.

Sec. 4. Minnesota Statutes 1988, section 124.225, subdivision 7b, is amended to read:

Subd. 7b. [INFLATION FACTORS.] The adjusted authorized predicted cost per FTE determined for a district under subdivision 7a for the base year shall be increased by ~~6.0 percent to determine the district's aid entitlement per FTE for the 1986-1987 school year, by 4.9 percent to determine the district's aid entitlement per FTE for the 1987-1988 school year, and by 4.1 5.8 percent to determine the district's aid entitlement per FTE for the 1988-1989 school fiscal year 1990 and 3.7 percent for subsequent fiscal years.~~

Sec. 5. Minnesota Statutes 1988, section 275.125, subdivision 5, is amended to read:

Subd. 5. [BASIC TRANSPORTATION LEVY.] Each year, a school district may levy for school transportation services an amount not to exceed the amount raised by the basic transportation tax capacity rate times the adjusted gross tax capacity of the district for the preceding year. The commissioner of revenue shall establish the basic transportation tax capacity rate and certify it to the commissioner of education by September 1 of each year for levies payable in the following year. The basic transportation tax capacity rate shall be a rate, rounded up to the nearest ~~hundredth of a mill~~ *thousandth percent*, that, when applied to the adjusted gross tax capacity of taxable property for all districts, raises the amount specified in this subdivision. The basic transportation tax capacity rate for transportation ~~for the 1990 fiscal year~~ shall be the rate that raises ~~\$72,681,200~~ *\$76,315,300 for fiscal year 1991 and \$80,131,000 for subsequent fiscal years*. The basic transportation tax capacity rate certified by the commissioner of revenue must not be changed due to changes or corrections made to a district's adjusted gross tax capacity after the tax capacity rate has been certified.

Sec. 6. Minnesota Statutes 1988, section 275.125, subdivision 5c, is amended to read:

Subd. 5c. [NONREGULAR TRANSPORTATION LEVY.] A school district may also make a levy for unreimbursed nonregular transportation costs pursuant to this subdivision. The amount of the levy shall not exceed the product of:

- (a) the district's unreimbursed nonregular transportation revenue determined pursuant to section 124.225, subdivision 8j, clause (a), times
- (b) the lesser of
 - (i) one, or
 - (ii) the ratio of the district's adjusted gross tax capacity for the preceding year per total pupil unit in the school year to which the levy is attributable, to ~~\$83,800~~ *\$10,261*.

Sec. 7. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the department of education for the fiscal years designated.

Subd. 2. [TRANSPORTATION AID.] For transportation aid under Minnesota Statutes, section 124.225:

\$91,979,500 1990,

\$96,716,900 1991.

The 1990 appropriation includes \$12,773,000 for 1989 and \$79,206,500 for 1990.

The 1991 appropriation includes \$13,977,600 for 1990 and \$82,739,300 for 1991.

Subd. 3. [TRANSPORTATION AID FOR POST-SECONDARY ENROLLMENT OPTIONS.] For transportation of pupils attending post-secondary institutions under Minnesota Statutes, section 123.3514:

\$50,000 1990,

\$50,000 1991.

Subd. 4. [TRANSPORTATION AID FOR OPEN ENROLLMENT.] For transportation of pupils attending nonresident districts under Minnesota Statutes, sections 120.062 and 123.3515:

\$50,000 1990,

\$50,000 1991.

ARTICLE 3

SPECIAL PROGRAMS

Section 1. Minnesota Statutes 1988, section 120.17, subdivision 3, is amended to read:

Subd. 3. [RULES OF THE STATE BOARD.] The state board shall promulgate rules relative to qualifications of essential personnel, courses of study, methods of instruction, ~~pupil~~ *eligibility for special instruction and services*, size of classes, rooms, equipment, supervision, parent consultation, and any other rules it deems necessary for instruction of handicapped children. These rules shall provide standards and procedures appropriate for the implementation of and within the limitations of subdivisions 3a and 3b. These rules shall also provide standards for the discipline, control, management, and protection of handicapped children. The state board shall not adopt rules for pupils served in level 1, 2, or 3, as defined in Minnesota Rules, part 3525.2340, establishing either case loads or the maximum number of pupils that may be assigned to special education teachers. The state board, in consultation with the departments of health and human services, shall adopt permanent rules for instruction and services for children under age five and their families. ~~Until June 30, 1988, a developmental achievement center under contract to a school district to provide special instruction and services is eligible for variance from rules relating to personnel licensure. Until June 30, 1988, the licensure variance for a developmental achievement center shall be granted according to the same procedures and criteria used for granting a variance to a school district.~~ The state board shall, according to section 14.05, subdivision 4, notify a district applying for a variance from the rules within 45 calendar days of receiving the request whether the request for the variance has been granted or denied. If a request is denied, the board shall specify the program standards used to evaluate the request and the reasons for denying the request.

Sec. 2. Minnesota Statutes 1988, section 120.17, subdivision 3b, is amended to read:

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

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

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

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

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

(b) The district shall not proceed with the initial formal assessment of

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

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

(d) Parents, guardians, and the district shall have an opportunity to obtain an impartial due process hearing initiated and conducted in *either* the school district where the child resides *or the district providing special instruction and services, as determined by the parent or guardian*, if the parent or guardian continues to object to:

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

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

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

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

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

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

The hearing shall take place before an impartial hearing officer mutually agreed to by the school board and the parent or guardian. If the school board and the parent or guardian are unable to agree on a hearing officer, the school board shall request the commissioner to appoint a hearing officer. The hearing officer shall not be a school board member or employee of the school district where the child resides or of the child's school district of residence, an employee of any other public agency involved in the education or care of the child, or any person with a personal or professional interest which would conflict with the person's objectivity at the hearing. A person who otherwise qualifies as a hearing officer is not an employee of the district solely because the person is paid by the district to serve as a hearing officer. If the hearing officer requests an independent educational assessment of a child, the cost of the assessment shall be at district expense. The proceedings shall be recorded and preserved, at the expense of the school district, pending ultimate disposition of the action.

(e) The decision of the hearing officer pursuant to clause (d) shall be rendered not more than 45 calendar days from the date of the receipt of the request for the hearing. A hearing officer may grant specific extensions of time beyond the 45-day period at the request of either party. The decision of the hearing officer shall be binding on all parties unless appealed to the

hearing review officer by the parent, guardian, or the school board of the district where the child resides pursuant to clause (f).

The local decision shall:

- (1) be in writing;
- (2) state the controlling facts upon which the decision is made in sufficient detail to apprise the parties and the hearing review officer of the basis and reason for the decision;
- (3) state whether the special education program or special education services appropriate to the child's needs can be reasonably provided within the resources available to the responsible district or districts;
- (4) state the amount and source of any additional district expenditure necessary to implement the decision; and
- (5) be based on the standards set forth in subdivision 3a and the rules of the state board.

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

If the decision is appealed, a written transcript of the hearing shall be made by the school district and shall be accessible to the parties involved within five calendar days of the filing of the appeal. The hearing review officer shall issue a final decision based on an impartial review of the local decision and the entire record within 30 calendar days after the filing of the appeal. The hearing review officer shall seek additional evidence if necessary and may afford the parties an opportunity for written or oral argument; provided any hearing held to seek additional evidence shall be an impartial due process hearing but shall be deemed not to be a contested case hearing for purposes of chapter 14. The hearing review officer may grant specific extensions of time beyond the 30-day period at the request of any party.

The final decision shall:

- (1) be in writing;
- (2) include findings and conclusions; and
- (3) be based upon the standards set forth in subdivision 3a and in the rules of the state board.

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

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

- (1) the commissioner has a personal interest in or specific involvement with the student who is a party to the hearing;
- (2) the commissioner has been employed as an administrator by the district that is a party to the hearing;

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

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

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

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

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

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

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

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

Sec. 3. Minnesota Statutes 1988, section 120.17, subdivision 11a, is amended to read:

Subd. 11a. [STATE INTERAGENCY COORDINATING COUNCIL.] An interagency coordinating council of 15 members is established. The members and the chair shall be appointed by the governor. The council shall be composed of at least three parents of ~~handicapped~~ children under age seven *with handicaps*, ~~a representative of each of the commissioners of education, health, and human services~~, three representatives of public or private providers of services for ~~handicapped~~ children under age five *with handicaps*, one member of the senate, one member of the house of representatives, one representative of teacher preparation programs in early childhood-special education, at least one representative of advocacy organizations for ~~handicapped~~ children *with handicaps*, *at least one representative of a school district or a school district cooperative*, and other members knowledgeable about ~~handicapped~~ children under age five *with handicaps*. Section 15.059, subdivisions 2 to 5, apply to the council. The council shall meet at least quarterly. *A representative of each of the commissioners of education, health, and human services shall attend council meetings as a nonvoting member of the council.*

The council shall address methods of implementing the state policy of developing and implementing comprehensive, coordinated, multidisciplinary interagency programs of early intervention services for ~~handicapped~~ children *with handicaps* and their families.

The duties of the council include recommending policies to ensure a comprehensive and coordinated system of all state and local agency services for ~~handicapped~~ children under age five *with handicaps* and their families. The policies must address how to incorporate each agency's services into

a unified state and local system of multidisciplinary assessment practices, individual intervention plans, comprehensive systems to find children in need of services, methods to improve public awareness, and assistance in determining the role of interagency early intervention committees.

It is the joint responsibility of county boards and school districts to coordinate, provide, and pay for appropriate services, and to facilitate payment for services from public and private sources. Appropriate services must be determined in consultation with parents, physicians, and other educational, medical, health, and human services providers. Appropriate services include family education and counseling, home visits, occupational and physical therapy, speech pathology, audiology, psychological services, case management, medical services for diagnostic and evaluation purposes, early identification, and screening, assessment, and health services necessary to enable ~~handicapped~~ children with handicaps to benefit from early intervention services. School districts must be the primary agency in this cooperative effort.

Each year by January 15 the council shall submit its recommendations to the education committees of the legislature, the governor, and the commissioners of education, health, and human services.

Sec. 4. Minnesota Statutes 1988, section 124.195, subdivision 8, is amended to read:

Subd. 8. [PAYMENT PERCENTAGE FOR REIMBURSEMENT AIDS.] One hundred percent of the aid for the last fiscal year must be paid for the following aids: ~~abatement aid according to section 124.214, subdivision 2;~~ special education residential aid according to section 124.32, subdivision 5; ~~special education aid according to section 124.32, subdivision 6;~~ special education summer school aid, according to section 124.32, subdivision 10; and planning, evaluating, and reporting process aid according to section 124.274.

Sec. 5. Minnesota Statutes 1988, section 124.273, subdivision 4, is amended to read:

Subd. 4. [APPLICATION DATES.] (a) *By June 1 a district that expects to enroll pupils in educational programs for pupils of limited English proficiency during the next fiscal year shall submit an initial application for aid by October 15 and. The district shall submit an amended application by ~~February~~ November 15 or and by June February 15 if the number of enrolled pupils of limited English proficiency has changed since filing a previous application. ~~Districts which do~~ A district that does not submit an initial application by ~~October 15 June 1~~ but ~~enroll~~ enrolls pupils of limited English proficiency after that date ~~may need not wait until November 15 or February 15~~ to submit an initial application by ~~February 15 or by June 15~~. A final report for the prior fiscal year with actual salary and enrollment information shall be submitted by August 15 for calculation of the final payment.*

(b) All applications shall be submitted to the department in the manner prescribed by the commissioner. Each application shall include (1) the number of pupils ~~or additional pupils~~ enrolled who meet the criteria in section 126.262, subdivision 2; (2) the number, dates of hire, full-time equivalency, and salaries of essential licensed personnel ~~or additional essential licensed personnel~~ employed in the district's educational program for pupils of limited English proficiency who meet the criteria in section 126.262,

subdivision 3; and (3) any other information deemed necessary by the commissioner to implement this section. School districts may submit joint applications for aid pursuant to this section and may share essential instructional personnel employed in educational programs for pupils of limited English proficiency.

Sec. 6. Minnesota Statutes 1988, section 124.273, subdivision 5, is amended to read:

Subd. 5. [NOTIFICATION; AID PAYMENTS.] The department shall inform each applicant district of the amount of aid it will receive pursuant to this section within ~~a month~~ 45 days after the application deadline.

Sec. 7. [124.311] [ASSURANCE OF MASTERY REVENUE.]

Subdivision 1. [INSTRUCTION IN REGULAR CLASSROOM.] A school district may receive assurance of mastery revenue to provide direct instructional services to eligible pupils in the pupils' regular classroom.

Subd. 2. [ELIGIBLE DISTRICTS.] To be eligible to receive assurance of mastery revenue, a district must have a policy adopted according to section 126.67, subdivision 3a, that identifies the direct instructional services to be used to assure that individual pupils master the learner outcomes in communications and mathematics.

Subd. 3. [ELIGIBLE PUPILS.] A pupil is eligible to receive services provided with assurance of mastery revenue if the pupil has not demonstrated mastery of learner outcomes in communications or mathematics, or both, after receiving instruction that was designed to enable the pupil to master the learner outcomes in a regular classroom setting. To determine pupil eligibility, a district must use the learner outcomes and the evaluation process, adopted by the school board under section 126.666, subdivision 1, clauses (2) and (3), for the subjects and at the grade level at which the district uses the revenue.

Subd. 4. [ELIGIBLE SERVICES.] Assurance of mastery revenue must be used to provide direct instructional services to an eligible pupil, or group of eligible pupils, under the following conditions:

(a) Instruction may be provided at one or more grade levels.

(b) Instruction must be provided in the usual and customary classroom of the eligible pupil.

(c) Instruction must be provided under the supervision of the eligible pupil's regular classroom teacher. Instruction may be provided by the eligible pupil's classroom teacher, by another teacher, by a team of teachers, or by an education assistant or aide. A special education teacher may provide instruction, but instruction that is provided under this section is not eligible for aid under section 124.32.

(d) The instruction that is provided must differ from the initial instruction the pupil received in the regular classroom setting. The instruction may differ by presenting different curriculum than was initially presented in the regular classroom, or by presenting the same curriculum:

(1) at a different rate or in a different sequence than it was initially presented;

(2) using different teaching methods or techniques than were used initially; or

(3) using different instructional materials than were used initially.

Subd. 5. [REVENUE AMOUNT.] Assurance of mastery revenue is the sum of state and district money. The sum may equal up to \$20 for fiscal year 1990 and \$30 for fiscal year 1991 and thereafter times the number of actual pupil units in the district. The district shall determine the amount of money it will provide and the state shall provide an equal amount of money.

Subd. 6. [USES OF REVENUE.] Assurance of mastery revenue may be used only to provide eligible services to eligible pupils.

Subd. 7. [DISTRICT REPORT.] A district that receives assurance of mastery revenue shall include the following in the report required by section 126.666, subdivision 4:

(a) A summary of initial assessment results used to determine pupil eligibility to receive instructional services must be included. The summary must include:

(1) a description of the assessment device used;

(2) the number of pupils who were assessed; and

(3) the number of pupils who were determined to be eligible to receive services.

(b) A description of the services provided to eligible pupils must be included.

(c) A summary of assessment results for eligible pupils obtained after providing the services must be included.

Sec. 8. Minnesota Statutes 1988, section 124.32, subdivision 1b, is amended to read:

Subd. 1b. [TEACHERS SALARIES.] Each year the state shall pay to a district a portion of the salary of each essential person employed in the district's program for handicapped children during the regular school year, whether the person is employed by one or more districts. The portion for a full-time person shall be an amount not to exceed the lesser of 66 58 percent of the salary or ~~\$18,400~~ \$15,000. The portion for a part-time or limited-time person shall be an amount not to exceed the lesser of 66 58 percent of the salary or the product of ~~\$18,400~~ \$15,000 times the ratio of the person's actual employment to full-time employment.

Sec. 9. Minnesota Statutes 1988, section 124.574, subdivision 2b, is amended to read:

Subd. 2b. [SALARIES.] Each year the state shall pay to any district or cooperative center a portion of the salary of each essential licensed person employed during that school year for services rendered in that district or center's secondary vocational education programs for handicapped children. The portion for a full-time person shall be an amount not to exceed the lesser of 66 58 percent of the salary or ~~\$18,400~~ \$15,000. The portion for a part-time or limited-time person shall be the lesser of 66 58 percent of the salary or the product of ~~\$18,400~~ \$15,000 times the ratio of the person's actual employment to full-time employment.

Sec. 10. Minnesota Statutes 1988, section 124.574, subdivision 5, is amended to read:

Subd. 5. The aid provided pursuant to this section shall be paid only for services rendered as designated in subdivision 2 or for the costs designated in subdivision 3 which are incurred in secondary vocational education programs for handicapped children which are approved by the commissioner of education and operated in accordance with rules promulgated by the state board. These rules shall be subject to the restrictions provided in section 124.573, subdivision 3. The procedure for application for approval of these programs shall be as provided in section 124.32, subdivisions 7 and 10 and the application review process shall be conducted jointly by the ~~division of special and compensatory education and the division of vocational technical education~~ *section of the state department.*

Sec. 11. Minnesota Statutes 1988, section 124A.28, subdivision 1, is amended to read:

Subdivision 1. [USE OF THE REVENUE.] The compensatory education revenue under section 124A.22, subdivision 3, may be used *to provide eligible services to eligible pupils according to section 7, subdivisions 3 and 4. It also may be used* to meet the educational needs of pupils whose educational achievement is below the level that is appropriate for pupils of their age. These needs may be met by providing at least some of the following:

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

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

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

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

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

(6) programs to reduce truancy, encourage completion of high school, enhance self-concept, provide health services, provide nutrition services, provide a safe and secure learning environment, provide coordination for pupils receiving services from other governmental agencies, provide psychological services to determine the level of social, emotional, cognitive, and intellectual development, and provide counseling services, guidance services, and social work services; and

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

Sec. 12. Minnesota Statutes 1988, section 126.151, subdivision 2, is amended to read:

Subd. 2. [ACCOUNTS OF THE ORGANIZATION.] The state boards of education and vocational technical education may retain dues and other money collected on behalf of students participating in approved vocational

student organizations and may deposit the money in separate accounts. The money in these accounts shall be available for expenditures for state and national activities related to specific organizations. Administration of money collected under this section is not subject to the provisions of chapters 15, 16A, and 16B, and may be deposited outside the state treasury. Money shall be administered under the policies of the applicable state board or agency relating to post-secondary and secondary vocational student organizations and is subject to audit by the legislative auditor. Any unexpended money shall not cancel but may be carried forward to the next fiscal year.

Sec. 13. [GRANTS FOR INDIAN TEACHERS.]

Subdivision 1. [ESTABLISHMENT.] A grant program is established during the biennium to assist American Indian people to become teachers and to provide additional education for American Indian teachers. The state board may award a joint grant to each of the following: (1) the University of Minnesota, Duluth, and independent school district No. 709, Duluth; (2) Bemidji state university and independent school district No. 38, Red Lake; and (3) Moorhead state university and one of the school districts located within the White Earth reservation. To obtain a joint grant, a joint application must be submitted to the state board of education. The application must be developed with the participation of the district parent advisory committee, established according to Minnesota Statutes, section 126.51, and the Indian advisory committee at the post-secondary institution.

Subd. 2. [GRANT APPLICATION.] The application must set forth the in-kind services to be provided by the post-secondary institution. The coordination and mentorship services to be provided by the post-secondary institution and the school district must also be set forth in the application.

Subd. 3. [LOAN FORGIVENESS.] The portion of the scholarship attributable to living expenses and additional needs, according to subdivision 4, clause (4), shall be in the form of a loan to be forgiven if the recipient teaches for five years in the school district receiving the joint grant. If the recipient is placed on unrequested leave of absence by that school district, the loan may be forgiven if the recipient teaches in another Minnesota school district for an amount of time that, when added to the previous amount of time, equals five years. The loan forgiveness program and procedures to administer the program shall be approved by the higher education coordinating board.

Subd. 4. [ELIGIBILITY FOR SCHOLARSHIPS.] The following American Indian people are eligible for scholarships:

(1) a student who intends to become a teacher and who is enrolled in a post-secondary institution receiving a joint grant;

(2) a teacher aide who intends to become a teacher and who is employed by a district receiving a joint grant;

(3) a licensed employee of a district receiving a joint grant who is enrolled in a master of education degree program; and

(4) a student who, after receiving federal and state financial aid and an Indian scholarship according to Minnesota Statutes, section 124.48, has financial needs that remain unmet. Financial need shall be determined according to the uniform methodology for needs determination. Additional needs attributable to living expenses may be included in the forgivable loan.

Subd. 5. [REVIEW AND COMMENT.] The joint application shall be submitted to the Minnesota Indian scholarship committee for review and comment.

Subd. 6. [GRANT AMOUNT.] The state board may award a joint grant in the amount it determines appropriate. Scholarship money shall be included in the joint grant.

Sec. 14. [LEVY ADJUSTMENT.]

The department of education shall adjust the 1989 levy for each school district by the amount of the increase in the district's special education levy for fiscal year 1990 according to Minnesota Statutes, section 275.125, subdivision 8c, resulting from the changes to special education aid under sections 8 and 9. Notwithstanding Minnesota Statutes, section 121.904, the entire amount of this levy shall be recognized as revenue for fiscal year 1990.

Sec. 15. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the department of education for the fiscal years designated.

Subd. 2. [SPECIAL EDUCATION AID.] For special education aid:

\$150,623,400 1990,

\$154,033,200 1991.

The 1990 appropriation includes \$23,074,000 for 1989 and \$127,549,400 for 1990.

The 1991 appropriation includes \$22,508,800 for 1990 and \$131,524,400 for 1991.

Subd. 3. [ASSURANCE OF MASTERY.] For assurance of mastery revenue:

\$6,900,100 1990,

\$11,764,600 1991.

The 1990 appropriation includes \$6,900,100 for 1990.

The 1991 appropriation includes \$1,217,700 for 1990 and \$10,546,900 for 1991.

Subd. 4. [SPECIAL EDUCATION-SPECIAL PUPIL AID.] For special education-special pupil aid according to Minnesota Statutes, section 124.32, subdivision 6:

\$284,000 1990,

\$158,000 1991.

Subd. 5. [SPECIAL EDUCATION SUMMER SCHOOL AID.] For special education summer school aid according to Minnesota Statutes, section 124.32, subdivision 10:

\$5,836,000 1990,

\$5,435,600 1991.

Subd. 6. [TRAVEL FOR HOME-BASED SERVICES AID.] For aid for teacher travel for home-based services according to Minnesota Statutes, section 124.32, subdivision 2b:

\$51,000 1990,

\$51,000 1991.

The 1990 appropriation includes \$8,000 for 1989 and \$43,000 for 1990.

The 1991 appropriation includes \$8,000 for 1990 and \$43,000 for 1991.

Subd. 7. [RESIDENTIAL FACILITIES AID.] For residential facilities aid according to Minnesota Statutes, section 124.32, subdivision 5:

\$1,398,000 1990,

\$1,374,000 1991.

Subd. 8. [AMERICAN INDIAN EDUCATION AID.] For certain American Indian education programs:

\$174,755 1990,

\$174,755 1991.

The 1990 appropriation includes \$26,213 for 1989 and \$148,542 for 1990.

The 1991 appropriation includes \$26,213 for 1990 and \$48,542 for 1991.

These appropriations are available for expenditure with the approval of the commissioner of education.

The commissioner shall not approve the payment of any amount to a school district pursuant to this subdivision unless that school district is in compliance with all applicable laws of this state.

Up to the following amounts may be distributed to the following school districts for each fiscal year: \$54,848 to independent school district No. 309, Pine Point School; \$9,685 to independent school district No. 166; \$14,949 to independent school district No. 432; \$14,053 to independent school district No. 435; \$42,163 to independent school district No. 707; and \$39,057 to independent school district No. 38. These amounts shall be expended only for the benefit of American Indian students and for the purpose of meeting established state educational standards or statewide requirements.

These appropriations are available only if there will not be available for the districts enumerated in this subdivision for the applicable school year any operation support funds from the federal Bureau of Indian Affairs pursuant to the Johnson-O'Malley Act, Public Law Number 73-167, or Code of Federal Regulations, title 25, section 273.31, or equivalent money from the same or another source.

Before a district can receive money pursuant to this subdivision, the district must submit to the commissioner of education evidence that it has:

(1) complied with the uniform financial accounting and reporting standards act, Minnesota Statutes, sections 121.90 to 121.917. For each school year, compliance with Minnesota Statutes, section 121.908, subdivision 3a, shall require the school district to prepare one budget including the amount available to the district pursuant to this subdivision and one budget which does not include this money. The budget of that school district for the 1991-1992 school year prepared according to Minnesota Statutes, section 121.908, subdivision 3a, shall be submitted to the commissioner of education at the same time as 1990-1991 budgets and shall not include any money appropriated in this subdivision; and

(2) compiled accurate daily pupil attendance records.

Subd. 9. [AMERICAN INDIAN LANGUAGE AND CULTURE PROGRAM GRANTS.] For grants to American Indian language and culture education programs according to Minnesota Statutes, section 126.54, subdivision 1:

\$590,000 1990,

\$590,000 1991.

The 1990 appropriation includes \$89,000 for 1989 and \$501,000 for 1990.

The 1991 appropriation includes \$89,000 for 1990 and \$501,000 for 1991.

Subd. 10. [AMERICAN INDIAN POST-SECONDARY PREPARATION GRANTS.] For Indian post-secondary preparation grants according to Minnesota Statutes, section 124.481:

\$857,000 1990,

\$857,000 1991.

Subd. 11. [AMERICAN INDIAN TEACHER GRANTS.] For joint grants to assist American Indian people to become teachers:

\$150,000 1990,

\$150,000 1991.

Up to \$70,000 each year is for a joint grant to the University of Minnesota-Duluth and the Duluth school district.

Up to \$40,000 each year is for a joint grant to Bemidji state university and Red Lake school district.

Up to \$40,000 each year is for a joint grant to Moorhead state university and a school district located within the White Earth reservation.

Subd. 12. [LIMITED ENGLISH PROFICIENCY PUPILS PROGRAM AID.] For aid to educational programs for pupils of limited English proficiency according to Minnesota Statutes, section 124.273:

\$3,270,000 1990,

\$3,403,000 1991.

The 1990 appropriation includes \$454,000 for 1989 and \$2,816,000 for 1990.

The 1991 appropriation includes \$497,000 for 1990 and \$2,906,000 for 1991.

Subd. 13. [SECONDARY VOCATIONAL EDUCATION AID.] For secondary vocational education aid according to Minnesota Statutes, section 124.573:

\$11,471,000 1990,

\$11,720,000 1991.

The 1990 appropriation includes \$1,525,000 for 1989 and \$9,946,000 for 1990.

The 1991 appropriation includes \$1,755,000 for 1990 and \$9,965,000 for 1991.

Subd. 14. [SECONDARY VOCATIONAL HANDICAPPED AID.] For aid for secondary vocational education for handicapped pupils according to

Minnesota Statutes, section 124.574:

\$4,993,000 1990,

\$5,847,400 1991.

The 1990 appropriation includes \$645,000 for 1989 and \$4,348,000 for 1990.

The 1991 appropriation includes \$767,300 for 1990 and \$5,080,100 for 1991.

Sec. 16. [EFFECTIVE DATE.]

Section 5 is effective the day following final enactment.

ARTICLE 4

COMMUNITY AND ADULT EDUCATION

PART A

COMMUNITY EDUCATION AND EARLY CHILDHOOD FAMILY EDUCATION

Section 1. Minnesota Statutes 1988, section 121.88, subdivision 8, is amended to read:

Subd. 8. [YOUTH DEVELOPMENT PLANS.] A district advisory council may prepare a youth development plan. The council is encouraged to use the state model plan developed under section 121.87, subdivision 1a, when developing the local plan. ~~If The school board approves may approve the youth development plan and the district makes a community education levy, the district is eligible for additional community education revenue under section 124.271, subdivision 2b.~~

Sec. 2. Minnesota Statutes 1988, section 121.88, subdivision 9, is amended to read:

Subd. 9. [~~COMMUNITY~~ YOUTH SERVICE PROGRAMS.] A school board may offer, as part of a community education program ~~with a youth development program~~, a ~~community~~ youth service program for public school pupils ~~for the purpose of promoting to promote~~ active citizenship and ~~addressing to address~~ community needs through youth service. ~~The school board may award up to one credit, or the equivalent, toward graduation for a pupil who completes the youth service requirements of the district.~~ The community education advisory council shall design the ~~service~~ program in cooperation with the district planning, evaluating and reporting committee and local organizations that train volunteers or need volunteers' services. Programs must include:

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

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

(3) sufficient opportunity, *in a positive setting for human development, for pupil volunteers to develop general skills in preparation for employment, to enhance self esteem and self worth, and to give genuine service to their community; and*

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

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

Youth service projects include, but are not limited to, the following:

(1) human services for the elderly, including home care and related services;

(2) tutoring and mentoring;

(3) training for and providing emergency services;

(4) services at extended day programs; and

(5) environmental services.

The commissioner shall maintain a list of acceptable projects with a description of each project. A project that is not on the list must be approved by the commissioner.

A youth service project must have a community sponsor that may be a governmental unit or nonprofit organization. To assure that pupils provide additional services, each sponsor must assure that pupil services do not displace employees or reduce the workload of any employee.

The commissioner must assist districts in planning youth service programs, implementing programs, and developing recommendations for obtaining community sponsors.

Sec. 3. Minnesota Statutes 1988, section 121.882, subdivision 4, is amended to read:

Subd. 4. [PARTICIPANTS' FEES.] ~~A district may charge a reasonable fee but it shall waive the fee for a participant unable to pay. A district shall establish a fee schedule that exempts a participant who would be eligible for free school lunch from paying a fee.~~

Sec. 4. Minnesota Statutes 1988, section 121.912, is amended by adding a subdivision to read:

Subd. 1b. [TRA AND FICA TRANSFER.] *Notwithstanding subdivision 1, a district shall transfer money from the general fund to the community education fund for teacher retirement and FICA obligations attributable to community education programs.*

Sec. 5. Minnesota Statutes 1988, section 124.271, subdivision 4, is amended to read:

Subd. 4. (a) Each district providing community education programs pursuant to sections 121.85 to 121.88 shall establish and maintain accounts separate from all other district accounts for the receipt and disbursement of all ~~funds~~ money related to these community education programs. All ~~funds~~ money received pursuant to this section and to the levy authorized in section 275.125, subdivision 8, shall be utilized solely for the purposes of community education programs. ~~These funds~~ The money may be used to reimburse G.E.D. testing centers for each battery of G.E.D. tests or each individual test administered by that center.

(b) *In addition to money from other sources, a district may use up to*

ten percent of its community education revenue for equipment that is used exclusively in community education programs. This revenue may be used only for the following purposes:

- (1) to purchase or lease computers and related materials;*
- (2) to purchase or lease equipment for instructional programs; and*
- (3) to purchase textbooks and library books.*

Sec. 6. [124.2713] [COMMUNITY EDUCATION REVENUE.]

Subdivision 1. [TOTAL COMMUNITY EDUCATION REVENUE.] Community education revenue equals the sum of a district's general community education revenue, youth development plan revenue, and youth service program revenue.

Subd. 2. [ELIGIBILITY.] To be eligible for community education revenue, a district must:

(1) operate a community education program that complies with section 121.88; and

(2) file a certificate of compliance with the commissioner of education. The certificate of compliance shall certify that a meeting was held to discuss methods of increasing cooperation among the governing boards of each county, city, and township in which the district, or any part of the district, is located, and that each governing board was sent a written notice of the meeting at least 15 working days before the meeting. The failure of a governing board to attend the meeting shall not affect the authority of the district to obtain community education revenue.

Subd. 3. [GENERAL COMMUNITY EDUCATION REVENUE.] For fiscal year 1991 and thereafter, the general community education revenue for a district equals \$5.95 times the population of the district or \$7,941, whichever is greater. The population of the district is determined according to section 275.14.

Subd. 3a. [1990 GENERAL COMMUNITY EDUCATION REVENUE.] For fiscal year 1990, the general community education revenue for each district equals \$5.75 times the population of the district or \$7,674, whichever is greater.

Subd. 4. [YOUTH DEVELOPMENT PLAN REVENUE.] Youth development plan revenue for a district with a plan approved by the school board equals 50 cents times the population of the district or \$660, whichever is greater.

Subd. 5. [YOUTH SERVICE REVENUE.] Youth service program revenue is available to a district that has implemented a youth development plan and a youth service program. Youth service revenue equals 50 cents times the population of the district or \$660, whichever is greater.

Subd. 6. [COMMUNITY EDUCATION LEVY.] To obtain community education revenue, a district may levy the amount raised by a gross tax capacity rate of 0.7 percent times the adjusted gross tax capacity of the district for taxes payable in 1990 or a net tax capacity rate of .88 percent times the adjusted net tax capacity of the district for taxes payable in 1991 and thereafter. If the amount of the community education levy would exceed the community education revenue, the community education levy shall equal the community education revenue.

Subd. 7. [COMMUNITY EDUCATION AID.] A district's community education aid is the difference between its community education revenue and the community education levy. If the district does not levy the entire amount permitted, the community education aid shall be reduced in proportion to the actual amount levied.

Subd. 8. [USES OF GENERAL REVENUE.] General community education revenue may be used for:

- (1) nonvocational, recreational, and leisure time activities and programs;*
- (2) handicapped adult programs, if the programs and budgets are approved by the department of education;*
- (3) adult basic education programs, according to section 124.26;*
- (4) summer programs for elementary and secondary pupils;*
- (5) implementation of a youth development plan;*
- (6) implementation of a youth service program;*
- (7) early childhood family education programs, according to section 121.882; and*
- (8) extended day programs, according to section 121.88, subdivision 10.*

Subd. 9. [USE OF YOUTH REVENUE.] Youth development revenue may be used only to implement the youth development plan approved by the school board. Youth service revenue may be used only to provide a youth service program according to section 121.88, subdivision 9.

Sec. 7. [124.2714] [ADDITIONAL COMMUNITY EDUCATION REVENUE.]

A district that is eligible under section 6, subdivision 2, may levy an amount up to the amount authorized by Minnesota Statutes 1986, section 275.125, subdivision 8, clause (2). The proceeds of the levy may be used for the purposes set forth in section 6, subdivision 8.

Sec. 8. [124.2715] [HANDICAPPED ADULT REVENUE.]

Subdivision 1. [REVENUE AMOUNT.] A district that is eligible according to section 6, subdivision 2, may receive revenue for a handicapped adult program. Handicapped adult program revenue for a district or a group of districts equals the lesser of:

- (1) the actual expenditures for approved programs and budgets; or*
- (2) \$60,000.*

Subd. 2. [AID.] Handicapped adult program aid equals the lesser of:

- (1) one-half of the actual expenditures for approved programs and budgets; or*
- (2) \$30,000.*

Subd. 3. [LEVY.] A district may levy for a handicapped adult program an amount up to the amount designated in subdivision 2. In the case of a program offered by a group of districts, the levy amount shall be apportioned among the districts according to the agreement submitted to the department of education.

Subd. 4. [OUTSIDE REVENUE.] A district may receive money from public or private sources to supplement handicapped adult program revenue. Aid may not be reduced as a result of receiving money from these sources.

Subd. 5. [USE OF REVENUE.] Handicapped adult program revenue may be used only to provide handicapped adult programs.

Sec. 9. Minnesota Statutes 1988, section 275.14, is amended to read:
275.14 [CENSUS.]

For the purposes of sections 6 and 275.11 to 275.16, the population of a city shall be that established by the last federal census, by a special census taken by the United States Bureau of the Census, by an estimate made by the metropolitan council, or by the state demographer made according to section 116K.04, subdivision 4, whichever has the latest stated date of count or estimate, before July 2 of the current levy year. The population of a school district must be ~~determined by~~ as certified by the department of education from the most recent federal census.

In any year in which no federal census is taken pursuant to law in any school district affected by sections 275.11 to 275.16 a population estimate may be made and submitted to the state demographer for approval as hereinafter provided. The school board of a school district, in case it desires a population estimate, shall pass a resolution by September 1 containing a current estimate of the population of the school district and shall submit the resolution to the state demographer. The resolution shall describe the criteria on which the estimate is based and shall be in a form and accompanied by the data prescribed by the state demographer. The state demographer shall determine whether or not the criteria and process described in the resolution provide a reasonable basis for the population estimate and shall inform the school district of that determination within 30 days of receipt of the resolution. If the state demographer determines that the criteria and process described in the resolution do not provide a reasonable basis for the population estimate, the resolution shall be of no effect. If the state demographer determines that the criteria and process do provide a reasonable basis for the population estimate, the estimate shall be treated as the population of the school district for the purposes of sections 275.11 to 275.16 until the population of the school district has been established by the next federal census or until a more current population estimate is prepared and approved as provided herein, whichever occurs first. The state demographer shall establish guidelines for acceptable population estimation criteria and processes. The state demographer shall issue advisory opinions upon request in writing to cities or school districts as to proposed criteria and processes prior to their implementation in an estimation. The advisory opinion shall be final and binding upon the demographer unless the demographer can show cause why it should not be final and binding.

In the event that a census tract employed in taking a federal or local census overlaps two or more school districts, the county auditor shall, on the basis of the best information available, allocate the population of said census tract to the school districts involved.

The term "council," as used in sections 275.11 to 275.16, means any board or body, whether composed of one or more branches, authorized to make ordinances for the government of a city within this state.

Sec. 10. [COMMUNITY EDUCATION LEVY INCREASE FOR 1990.]

A district may levy in 1989 an amount equal to the difference between the amount the district could have levied in 1988, if section 6 had been in effect, and the amount the district could have levied in 1988 under Minnesota Statutes, section 275.125, subdivision 8, paragraph (a) or (b). Notwithstanding Minnesota Statutes, section 121.904, the entire amount of this levy must be recognized as revenue for fiscal year 1990.

PART B

HEALTH AND DEVELOPMENTAL SCREENING

Sec. 11. [123.706] [EARLY CHILDHOOD SCREENING.]

Subdivision 1. [OBJECTIVES.] The objectives of an early childhood screening program are to:

- (1) detect health and developmental conditions that may impede learning;*
- (2) encourage further assessment, if needed; and*
- (3) refer children to appropriate programs.*

Subd. 2. [SCREENING.] Early childhood screening is a program for making a preliminary determination whether a child has a health or developmental condition that may impede learning. After screening, a child who may have such a condition is referred to a qualified individual or organization for assessment.

Subd. 3. [PROGRAM AVAILABLE.] Beginning in fiscal year 1994, a school district shall make a screening program available to children who are three years old and older but who have not entered kindergarten. No child may be required to be screened. A district shall follow up on referrals to determine whether a child needs or has obtained additional services. To the extent possible, a district shall cooperate with public and private organizations in the community to deliver, finance, and provide volunteer and in-kind services.

Subd. 3a. [DISTRICT OPTIONS DURING INTERIM YEARS.] During fiscal years 1990, 1991, 1992, and 1993, a school district may conduct a screening program according to this section. A school district shall continue to conduct a screening program according to sections 123.702 and 123.704.

Subd. 4. [REQUIREMENTS FOR ALL CHILDREN.] The following must be available for all children who are screened:

- (1) developmental screening;*
- (2) vision and hearing screening;*
- (3) height and weight assessment;*
- (4) immunization review and immunizations;*
- (5) review of health and family history;*
- (6) identification of additional health and developmental factors that may influence learning;*
- (7) a summary interview with the parent;*
- (8) referral for assessment when potential needs are identified; and*
- (9) referral to a qualified health, developmental, education, or social service provider.*

Subd. 5. [REQUIREMENTS FOR CERTAIN CHILDREN.] (a) Additional services must be offered to children:

- (1) who have not had a physical examination within one year; or*
- (2) for whom information from a physical examination conducted within one year cannot be provided by the parent.*

(b) The following must be available for the children described in paragraph (a):

- (1) nutrition assessment;*
- (2) physical examination;*
- (3) laboratory tests;*
- (4) oral inspection and dental referral; and*
- (5) any other service required by medical assistance rules set forth in Minnesota Rules, parts 9505.0275 and 9505.1693 to 9505.1748.*

Services in this subdivision may be offered in conjunction with the screening program or provided by a public or private individual or health care organization within 30 days before the screening program.

Subd. 6. [DEVELOPMENTAL SCREENING.] Developmental screening, according to subdivision 4, clause (1), must be conducted by an individual who is licensed as, or has the equivalent training of, a special education teacher, school psychologist, kindergarten teacher, prekindergarten teacher, school nurse, public health nurse, registered nurse, or physician. The individual may be a volunteer.

Subd. 7. [DATA PRIVACY.] Data on individuals collected in a screening program is private, as defined in section 13.02, subdivision 12. Summary data shall be reported by the health provider who performs the screening to the school district for the purposes of developing educational and health programs. If the child's parent or guardian consents in writing, individual data shall also be reported.

Subd. 8. [STATE AGENCY COOPERATION.] The commissioner of education shall consult regularly with the commissioners of human services, health, and jobs and training, about the development of effective policies, practices, and cooperative arrangements to maximize the participation of preschool children and in follow-up services to enhance their health, preparation for formal education, and family nurturing. The commissioners of education and human services shall assist school districts in identifying children eligible for medical assistance or the children's health plan, providing outreach, and providing or paying for services with medical assistance or other available money, including private insurance.

Sec. 12. [124.2718] [HEALTH AND DEVELOPMENTAL SCREENING AID.]

Subdivision 1. [ELIGIBILITY FOR AID.] A district is eligible for screening aid if the district establishes and maintains procedures:

- (1) to coordinate services with or obtain reimbursement from the medical assistance program and the children's health plan; and*
- (2) after July 1, 1990, to process claims to obtain reimbursement from private health insurance and health maintenance organizations.*

Subd. 2. [FOUR-, FIVE-, AND SIX-YEAR-OLD AID.] A district is eligible for aid under this subdivision if it:

- (1) complies with sections 123.702 and 123.704 or with section 11;*
- (2) does not screen children who were previously screened without professional justification; and*
- (3) screens a total number of children ages four and older that is not more than the number of children of any single age group.*

A district shall receive \$8.15 for each child screened who is four, five, or six years old but has not entered kindergarten.

Subd. 3. [FY 1991 AID FOR THREE-YEAR-OLDS.] Beginning in fiscal year 1991, a district is eligible for three-year-old screening aid if:

- (1) the district is enrolled in the medical assistance program as a provider of early periodic screening, diagnosis, and treatment services;*
- (2) the screening program complies with rules of the department of human services for early periodic screening, diagnosis, and treatment set forth in Minnesota Rules, parts 9505.0275 and 9505.1693 to 9505.1748;*
- (3) the district complies with section 11;*
- (4) the district provides assurances that no age cohort has been denied screening; and*
- (5) the district cooperates with human service agencies to encourage and facilitate timely enrollment of eligible children in the medical assistance program or the children's health plan.*

For each three-year-old child screened who is enrolled in the medical assistance program or the children's health plan, a district shall receive \$4. For each child who is covered by private health insurance or a health maintenance organization, a district shall receive \$30 minus the reimbursement the district is eligible to receive, but not less than \$4. Failure to process a claim for private health insurance or a health maintenance organization for a child does not alter the reduction. For each child who is not enrolled in the medical assistance program or the children's health plan and who is not covered by private health insurance or a health maintenance organization, a district shall receive \$30.

Subd. 3a. [FY 1990 THREE-YEAR-OLD AID.] During fiscal year 1990, a district is eligible for three-year-old screening aid if:

- (1) the district is enrolled in the medical assistance program as a provider of early periodic screening, diagnosis, and treatment services;*
- (2) the screening program complies with rules of the department of human services for early periodic screening, diagnosis, and treatment set forth in Minnesota Rules, parts 9505.0275 and 9505.1693 to 9505.1748; and*
- (3) the district complies with section 11.*

A district that is enrolled according to clause (1) on April 24, 1989, shall receive up to \$30 for each three-year-old child screened. A district that enrolls according to clause (1) during fiscal year 1990 shall receive up to \$30 for a percentage of the number of three-year-old children in the district. The department shall determine the percentage according to the appropriation for screening aid for fiscal year 1990.

For each three-year-old child screened who is enrolled in the medical assistance program or the children's health plan, a district shall receive \$4. For each child who is covered by private health insurance or a health maintenance organization, a district shall receive \$30 minus the reimbursement the district is eligible to receive, but not less than \$4. Failure to process a claim for private health insurance or a health maintenance organization for a child does not alter the reduction. For each child who is not enrolled in the medical assistance program or the children's health plan and who is not covered by private health insurance or a health maintenance organization, a district shall receive \$30.

Subd. 4. [DISTRICT INFORMATION.] To receive screening aid, a district or a group of districts must submit information on a form provided by the department of education.

Sec. 13. [HEALTH AND DEVELOPMENT SCREENING.]

By November 15, 1990 and 1991, the commissioner of education shall report to the education committees of the legislature about the health and developmental screening program.

Sec. 14. [REALLOCATE DURING FISCAL 1990 OR CARRY-OVER.]

During fiscal year 1990 the commissioner may reallocate money to districts that request additional money to serve a higher percentage of the eligible children or carry money forward into fiscal year 1991, as determined by the commissioner.

PART C

ADULT BASIC EDUCATION

Sec. 15. Minnesota Statutes 1988, section 124.26, subdivision 1c, is amended to read:

Subd. 1c. [PROGRAM APPROVAL.] ~~A district receiving~~ *To receive aid under this section, a district must have its program submit an application by June 1 describing the program, on a form provided by the department. The program must be approved by the commissioner according to the following criteria:*

- (1) how the needs of all different levels of learners learning will be met;*
- (2) for continuing programs, an evaluation of results;*
- (3) anticipated number and education level of participants;*
- (4) coordination with other resources and services;*
- (5) participation in a consortium, if any, and funds money available from other participants;*
- (6) management and program design;*
- (7) volunteer training and use of volunteers;*
- (8) staff development services;*
- (9) program sites and schedules; and*
- (10) program expenditures that qualify for aid.*

The commissioner may contract with a private, nonprofit organization to provide services that are not offered by a district or that are supplemental to a district's program. The program provided under a contract must be

approved according to the same criteria used for district programs.

Sec. 16. Minnesota Statutes 1988, section 124.26, subdivision 7, is amended to read:

Subd. 7. [ADULT BASIC AND CONTINUING EDUCATION AID.] Each district shall receive aid for approved adult basic ~~and continuing~~ education programs equal to 75 percent of the salary for each teacher, counselor, coordinator of volunteers, and nonlicensed instructional staff. In addition, the state shall pay aid equal to 75 percent of the expenditures for benefits, contracted services, supplies, and materials. Expenditures for which the district receives federal aid shall not qualify for state aid. *Up to five percent of the combined state and federal aid may be for the administrative costs of coordinating services with human services, employment, training, corrections, or other agencies providing educational services to adults.*

Sec. 17. Minnesota Statutes 1988, section 124.26, is amended by adding a subdivision to read:

Subd. 8. [ADULT BASIC EDUCATION LEVY.] *To obtain adult basic education aid, a district may levy an amount not to exceed the amount raised by a gross tax capacity rate of .16 percent times the adjusted gross tax capacity of the district for the preceding year for taxes payable in 1990 or a net tax capacity rate of .20 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 1991 and thereafter.*

Sec. 18. [129B.13] [INTERAGENCY ADULT LEARNING ADVISORY COUNCIL AND GRANTS.]

Subdivision 1. [SPECIFIC GOALS.] The interagency adult learning initiative is intended to:

(1) increase the number of adults improving their basic skills and completing general educational development, high school diploma, and technical skills training programs;

(2) reduce the dropout rate in adult programs by ensuring that transportation, child care, and other barriers to learning are addressed;

(3) be a catalyst to upgrade existing adult education programs;

(4) expand cooperation among education, human services, and job training agencies; and

(5) support employer, labor union, or other initiatives to improve employed workers' basic skills.

Subd. 2. [MEMBERS; MEETINGS; OFFICERS.] *The interagency adult learning advisory council shall have 16 to 18 members. Members must have experience in educating adults or in programs addressing welfare recipients and incarcerated, unemployed, and underemployed people.*

The members of the interagency adult learning advisory council are appointed by the state board of education. Recommendations may be made as follows:

(1) one member by the commissioner of education;

(2) one member by the commissioner of jobs and training;

(3) one member by the commissioner of human services;

(4) one member by the director of the refugee and immigrant assistance division of the department of human services;

(5) one member by the commissioner of corrections;

(6) one member by the commissioner of the state planning agency;

(7) one member by the director of the state board of vocational technical education;

(8) one member by the chancellor of community colleges;

(9) one member by the Minnesota adult literacy campaign or by another nonprofit literacy organization, as designated by the commissioner of education;

(10) one member by the council on Black Minnesotans;

(11) one member by the Spanish-speaking affairs council;

(12) one member by the council on Asian-Pacific Minnesotans;

(13) one member by the Indian affairs council; and

(14) one member by the disability council.

Up to four additional members of the council may be nominated by the participating agencies. Based on the council's recommendations, the state board of education must appoint at least two, but not more than four, additional members. Nominees shall include, but are not limited to, representatives of local education, government, nonprofit agencies, employers, labor organizations, and libraries.

The council shall elect its officers.

Subd. 3. [STAFF] The commissioner of education shall provide space and administrative services to the council.

Subd. 4. [COMPENSATION.] Compensation of members is governed by section 15.059, subdivision 6.

Subd. 5. [EXPIRATION DATE.] The advisory council expires on June 30, 1995.

Subd. 6. [COUNCIL RESPONSIBILITIES.] The responsibilities of the council are to make recommendations to:

(1) coordinate planning and activities of participating agencies;

(2) assist program coordination at the local level;

(3) develop policy recommendations on adult literacy for the state, and make recommendations to the participating commissioners and the state board;

(4) establish standards for effective programs and promote statewide implementation of such standards;

(5) award grant funds;

(6) evaluate programs funded by the state; and

(7) provide technical assistance and staff development services, in coordination with participating agencies.

Subd. 7. [TARGETED ADULT LITERACY GRANTS.] The council may make recommendations to award grants to qualified programs to serve

people who are on public assistance, are unemployed, or underemployed and who:

- (1) are functioning below the eighth grade level;*
- (2) have not completed high school or a GED program;*
- (3) need basic skills remediation for employment, occupational training, or post-secondary education; or*
- (4) do not speak English.*

The council may prioritize funding for services for people described in clause (1) or to persons with learning disabilities.

Priority must be given to qualified programs for the recipients of aid to families with dependent children who are identified for self-sufficiency services under section 256.736, and qualified programs for recipients of general assistance or work readiness assistance.

Subd. 8. [STANDARDS FOR QUALIFIED PROGRAMS.] (a) Except as provided in paragraph (b) and subdivision 9, a program qualifying for a grant must:

- (1) be directed to the unemployed, the underemployed, the incarcerated, public assistance recipients, or to non-English speaking immigrants;*
- (2) integrate learning and support services such as child care, transportation, and counseling;*
- (3) have intensive learning that maximizes the weekly hours available to learners;*
- (4) be accessible year-round and during daytime or evening hours as needed, except where otherwise appropriate to learners' needs;*
- (5) have individualized learning plans and outcome based learning;*
- (6) provide instruction in transferable basic skills;*
- (7) have context based learning linked to individual occupational or self-sufficiency goals;*
- (8) provide for reporting and evaluation;*
- (9) have appropriate coordination and differentiation of services among adult literacy services and agencies in the local area;*
- (10) be coordinated with human services and employment and training agencies, as appropriate to the target population; and*
- (11) maximize use of available local resources.*

(b) The state board may waive a standard because of client need or local conditions. The reason for the waiver must be documented.

Subd. 9. [INNOVATION GRANTS.] The state board may award grants for innovative programs. An innovation grant need not comply with the standards in subdivision 8. The nature and extent of the proposed innovation must be described in the award.

Subd. 10. [NO FUNDING REQUIRED.] The state board need not award a grant for any proposal that, in the determination of the state board, does not meet the standards in subdivision 8.

Subd. 11. [ELIGIBLE GRANTEES.] To be eligible for a grant, one or

more public agencies, or public or private nonprofit organizations, must submit a plan to create or maintain a qualified program. A profit-making organization cannot receive a grant but may be a subcontractor on a grant.

Grantees may not reduce existing expenditure levels for the target population.

Subd. 12. [GEOGRAPHIC DISTRIBUTION.] The state board shall seek to award grants throughout the state, taking into account the incidence of the target population. It shall provide technical assistance to local agencies to enhance fulfillment of this subdivision.

Subd. 13. [SUPPLEMENTAL GRANTS.] A grant may supplement existing local programs by financing additional services or hours of instruction.

Subd. 14. [GRANT SCHEDULE.] The state board must award initial grants by April 1, 1990. Beginning in 1991, grants must be awarded by July 1 of each year. Grants may be awarded for a period not to exceed 24 months.

Subd. 15. [LOCAL AND REGIONAL JOINT PLANNING.] The state board may require grant applicants and existing adult basic education providers in a locality to present a joint services plan as a condition of receiving a grant under this section.

Subd. 16. [REPORTING AND EVALUATION.] The state board shall evaluate the performance of the grantees and report to the legislature by November 15 of each year, except that a preliminary report may be submitted by February 15, 1991.

Sec. 19. [CONVENING THE INTERAGENCY ADULT LEARNING COUNCIL.]

The state board of education shall convene the state agency members of the interagency adult learning council on an interim basis by August 1, 1989, and the full council by September 1, 1989.

Sec. 20. [ADULT BASIC EDUCATION LEVY INCREASE FOR 1990.]

A district may levy in 1989 an amount equal to the difference between what the district could have levied in 1988 if Minnesota Statutes, section 124.26, subdivision 8, had been in effect and the district's actual levy in 1988 under Minnesota Statutes, section 275.125, subdivision 8, paragraph (d). Notwithstanding Minnesota Statutes, section 121.904, the entire amount of this levy must be recognized as revenue for fiscal year 1990.

PART D

APPROPRIATIONS AND REPEALER

Sec. 21. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] Except as otherwise provided, the sums indicated in this section are appropriated from the general fund to the department of education for the fiscal years designated.

Subd. 2. [ADULT BASIC EDUCATION AID.] For adult basic education aid according to Minnesota Statutes, section 124.26:

\$4,780,000 1990,

\$5,043,000 1991.

The 1990 appropriation includes \$638,000 for 1989 and \$4,142,000 for

1990.

The 1991 appropriation includes \$731,000 for 1990 and \$4,312,000 for 1991.

Up to \$200,000 each year may be used for contracts with private, non-profit organizations for approved programs.

Subd. 3. [ADULT HANDICAPPED PROGRAM AID.] For handicapped adult programs according to Minnesota Statutes, section 124.271:

\$610,000 1990,

\$670,000 1991.

Any unexpended balance remaining from the appropriations in this subdivision for 1990 does not cancel and is available for the second year of the biennium.

Subd. 4. [COMMUNITY EDUCATION AID.] For community education aid according to Minnesota Statutes, section 124.271:

\$4,523,000 1990,

\$5,222,000 1991.

The 1990 appropriation includes \$516,000 for 1989 and \$4,007,000 for 1990.

The 1991 appropriation includes \$708,000 for 1990 and \$4,514,000 for 1991.

Subd. 5. [EARLY CHILDHOOD FAMILY EDUCATION AID.] For early childhood family education aid according to Minnesota Statutes, section 124.2711:

\$9,424,900 1990,

\$9,572,000 1991.

The 1990 appropriation includes \$1,235,000 for 1989 and \$8,189,900 for 1990.

The 1991 appropriation includes \$1,445,300 for 1990 and \$8,126,700 for 1991.

Subd. 6. [HEALTH AND DEVELOPMENTAL SCREENING AID.] For health and developmental screening aid:

\$819,000 1990,

\$1,829,000 1991.

The 1990 appropriation includes \$60,000 for 1989 and \$759,000 for 1990.

The 1991 appropriation includes \$134,000 for 1990 and \$1,695,000 for 1991.

Any unexpended balance for fiscal year 1990 does not cancel but is available for fiscal year 1991.

Subd. 7. [HEARING IMPAIRED SUPPORT SERVICES AID.] For payment of support services for hearing impaired persons:

\$70,000 1990,

\$70,000 1991.

Subd. 8. [ADULT LITERACY GRANTS.] For grants awarded by the interagency adult literacy council:

\$800,000 1990,

\$1,000,000 1991.

\$50,000 each year is appropriated for technical assistance to employers.

Sec. 22. [REPEALER.]

Subdivision 1. Minnesota Statutes 1988, sections 123.703; 123.705; 124.271, subdivisions 2b, 3, 4, and 7; 129B.48; and 275.125, subdivision 8, are repealed July 1, 1989. Sections 6, subdivision 3a; and 12, subdivision 3a, are repealed July 1, 1990. Minnesota Statutes, sections 123.702 and 123.704, and section 11, subdivision 3a, are repealed July 1, 1993. Section 18 is repealed June 30, 1995.

Subd. 2. Notwithstanding the repeal of Minnesota Statutes, section 123.703, the rules of the state board of education adopted under the authority of Minnesota Statutes, section 123.703, remain in effect until amended or superseded.

Sec. 23. [EFFECTIVE DATE.]

Section 4 is effective the day following final enactment.

ARTICLE 5

EDUCATION FACILITIES

Section 1. Minnesota Statutes 1988, section 123.36, subdivision 1, is amended to read:

Subdivision 1. According to section 11 or 12, when funds are available therefor, the board may locate and acquire necessary sites of schoolhouses or enlargements, or additions to existing schoolhouse sites by lease, purchase or condemnation under the right of eminent domain; it may erect schoolhouses thereon; it may erect or purchase garages for district-owned school buses. When property is taken by eminent domain by authority of this subdivision when needed by the school district for such purposes, the fact that the property so needed has been acquired by the owner under the power of eminent domain or is already devoted to public use, shall not prevent its acquisition by the school district. The board may sell or exchange schoolhouses or sites, and execute deeds of conveyance thereof.

Sec. 2. Minnesota Statutes 1988, section 123.36, subdivision 13, as amended by 1989 H.F. No. 141, section 10, is amended to read:

Subd. 13. [PROCEEDS OF SALE OR EXCHANGE.] Proceeds of the sale or exchange of school buildings or real property of the school district shall be used as provided in this subdivision.

~~(1)~~ **(a)** In districts with outstanding bonds, the proceeds of the sale or exchange shall first be deposited in the debt retirement fund of the district in an amount sufficient to meet when due that percentage of the principal and interest payments for outstanding bonds which is ascribable to the payment of expenses necessary and incidental to the construction or purchase of the particular building or property which is sold.

~~(2)~~ **(b)** After satisfying the requirements of ~~clause (1)~~ paragraph (a), a district with outstanding bonds may deposit proceeds of the sale or exchange in its capital expenditure fund if the amount deposited is used for the

following:

~~(a) for expenditures for the removal of asbestos from school buildings or property or for asbestos encapsulation, if the method for asbestos removal or encapsulation is approved by the department of education;~~

~~(b) (1) for expenditures for the cleanup of polychlorinated biphenyls, if the method for cleanup is approved by the department of education;~~

~~(c) (2) for capital expenditures for the betterment, as defined in section 475.51, subdivision 8, of district-owned school buildings; other than as provided in clause (a); or~~

~~(d) (3) to replace the building or property sold.~~

~~The amount of the proceeds used for the purposes specified in clauses (a) and (b) shall be deducted from the levy limitation computed for the levy authorized in section 124.83, subdivision 4, in the first year after the deposit and from levy limitations computed for this levy in succeeding years until the entire amount is deducted.~~

~~(3) (c) In a district with outstanding bonds, the amount of the proceeds of the sale or exchange remaining after the application of clauses (1) and (2) paragraphs (a) and (b), which is sufficient to meet when due that percentage of the principal and interest payments for the district's outstanding bonds which is not governed by clause (1) paragraph (a), shall be deposited in the debt retirement fund.~~

~~(4) (d) Any proceeds of the sale or exchange remaining in districts with outstanding bonds after the application of clauses (1), (2), and (3) paragraphs (a), (b), and (c), and all proceeds of the sale or exchange in districts without outstanding bonds shall be deposited in the capital expenditure fund of the district.~~

~~(5) (e) Notwithstanding clauses (2) and (3) paragraphs (b) and (c), a district with outstanding bonds may deposit in its capital expenditure fund and use for any lawful capital expenditure without the reduction of any levy limitation the same percentage of the proceeds of the sale or exchange of a building or property as the percentage of the initial cost of purchasing or constructing the building or property which was paid using revenue from the capital expenditure fund.~~

~~(6) Every district which sells or exchanges a building or property shall report to the commissioner in the form and at the time the commissioner prescribes on the disposition of the proceeds of the sale or exchange.~~

Sec. 3. Minnesota Statutes 1988, section 124.243, subdivision 2, is amended to read:

Subd. 2. [CAPITAL EXPENDITURE FACILITIES REVENUE.] Capital expenditure facilities revenue for a district equals the lesser of:

(1) ~~\$137~~ \$130 times its actual pupil units for the school year; or

(2) the difference between \$400 times the actual pupil units for the school year and the unreserved balance in the capital expenditure facilities account on June 30 of the second prior school year. For the purpose of determining revenue for the 1989-1990 and the 1990-1991 school years, the unreserved balance in the capital expenditure facilities account on June 30 of the second prior school year is zero.

Sec. 4. Minnesota Statutes 1988, section 124.243, subdivision 3, is

amended to read:

Subd. 3. [CAPITAL EXPENDITURE FACILITIES LEVY.] To obtain capital expenditure facilities revenue, a district may levy an amount not to exceed the capital expenditure facilities revenue determined in subdivision 2 multiplied by the lesser of one, or the ratio of:

(1) the quotient derived by dividing the adjusted gross tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) ~~75~~ 70 percent of the equalizing factor for the school year to which the levy is attributable.

Sec. 5. Minnesota Statutes 1988, section 124.244, subdivision 1, is amended to read:

Subdivision 1. [REVENUE AMOUNT.] The capital expenditure equipment revenue for each district equals ~~\$70~~ \$65 times its actual pupil units counted according to section 124.17, subdivision 1, for the school year.

Sec. 6. Minnesota Statutes 1988, section 124.244, subdivision 2, is amended to read:

Subd. 2. [CAPITAL EXPENDITURE EQUIPMENT LEVY.] To obtain capital expenditure equipment revenue, a district may levy an amount not to exceed the district's capital expenditure equipment revenue as determined in subdivision 1 multiplied by the lesser of one, or the ratio of:

(1) the quotient derived by dividing the adjusted gross tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) ~~75~~ 70 percent of the equalizing factor for the school year to which the levy is attributable.

Sec. 7. Minnesota Statutes 1988, section 124.245, subdivision 3b, is amended to read:

Subd. 3b. [HAZARDOUS SUBSTANCE REVENUE AND AID.] (a) A district's "hazardous substance revenue" *for fiscal year 1989* equals the approved cost of the hazardous substance plan for the ~~school~~ *fiscal year* to which the levy is attributable, minus the unexpended portion of levies certified *and aids earned* by the district in earlier years under ~~section~~ *sections 124.245, subdivision 3, and 275.125, subdivision 11c.*

(b) A district's "hazardous substance levy limitation" means its levy limitation computed according to section 275.125, subdivision 11c.

(c) A district's "hazardous substance aid" for 1988-1989 and later school years equals:

(i) the difference between its hazardous substance revenue and its hazardous substance levy limitation for the levy for that school year, multiplied by

(ii) the ratio of the amount actually levied to the amount of its hazardous substance levy limitation.

(d) Aid paid under this subdivision may be used only for the purposes

for which the proceeds of the levy authorized in section 275.125, subdivision 11c, may be used.

(e) In the event that the aid available for any year is prorated, a district having its aid prorated may levy an additional amount equal to the amount not paid by the state due to proration.

Sec. 8. Minnesota Statutes 1988, section 124.83, subdivision 3, is amended to read:

Subd. 3. [HEALTH AND SAFETY REVENUE.] A district's health and safety revenue *for a fiscal year equals the approved cost of the health and safety program for the school year to which the levy is attributable, minus the unexpended portion of levies certified by the district in earlier years under section 275.125, subdivision 11e:*

(1) the sum of (a) the total approved cost of the district's hazardous substance plan for fiscal years 1985 to 1989, plus (b) the total approved cost of the district's health and safety program for fiscal year 1990 to the fiscal year for which the revenue is attributable, minus

(2) the sum of (a) the district's total hazardous substance aid and levy for fiscal years 1985 to 1989 under sections 124.245, subdivision 3, and 275.125, subdivision 11c, plus (b) the district's health and safety revenue under this subdivision, for years prior to the fiscal year for which the revenue is attributable, plus (c) the amount of any other federal, state, or local receipts for the district's hazardous substance or health and safety programs for fiscal year 1985 to the fiscal year for which the revenue is attributable.

Sec. 9. Minnesota Statutes 1988, section 124.83, subdivision 4, is amended to read:

Subd. 4. [HEALTH AND SAFETY LEVY.] To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lessor of one, or the ratio of:

(1) the quotient derived by dividing the adjusted gross tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) ~~75~~ 70 percent of the equalizing factor for the school year to which the levy is attributable.

Sec. 10. Minnesota Statutes 1988, section 124.83, subdivision 6, is amended to read:

Subd. 6. [USES OF HEALTH AND SAFETY REVENUE.] Health and safety revenue may be used only for *approved* expenditures necessary to correct fire safety hazards, life safety hazards, or for the removal or encapsulation of asbestos from school buildings or property, asbestos-related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, or the cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01.

Sec. 11. Minnesota Statutes 1988, section 275.125, subdivision 11d, is amended to read:

Subd. 11d. [EXTRA CAPITAL EXPENDITURE LEVY FOR LEASING BUILDINGS.] When a district finds it economically advantageous to rent or lease a building, *or to purchase a building and site under an installment purchase agreement, lease purchase agreement, or any other deferred payment agreement authorized under section 465.71, for a secondary vocational cooperative program* any instructional purposes and it determines that the capital expenditure facilities revenues authorized under section 124.243 are insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease *or agreement*, and a description of the space to be leased *or purchased according to any type of deferred payment agreement*, and its proposed use. The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the ~~leased~~ building, conformity of the lease *or agreement* to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease *or agreement* to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing *or purchasing* a building for approved purposes. The proceeds of this levy must not be used ~~for leasing or renting a facility owned by a district or for custodial or other maintenance services or to purchase a building newly constructed under an installment purchase agreement, lease purchase agreement, or any other deferred payment agreement authorized under section 465.71.~~

Sec. 12. Minnesota Statutes 1988, section 465.71, is amended to read:

465.71 [INSTALLMENT AND LEASE PURCHASES; CITIES; COUNTIES; SCHOOL DISTRICTS.]

A home rule charter city, statutory city, county, town, or school district may purchase real or personal property under an installment contract, or lease *real or personal property with an option to purchase under a lease purchase agreement*, by which contract or agreement title is retained by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any, but such purchases are subject to statutory and charter provisions applicable to the purchase of real or personal property. For purposes of the bid requirements contained in section 471.345, "the amount of the contract" shall include the total of all lease payments for the entire term of the lease under a lease-purchase agreement. The obligation created by a lease purchase agreement *or installment contract* shall not be included in the calculation of net debt for purposes of section 475.53, *shall be deemed to constitute the issuance of an obligation under section 475.58, subdivision 1, clause (6),* and shall not constitute debt under any other statutory provision. No election shall be required in connection with the execution of a lease purchase agreement *or installment contract* authorized by this section. The city, county, town, or school district shall have the right to terminate a lease purchase agreement at the end of any fiscal year during its term.

Sec. 13. Laws 1959, chapter 462, section 3, subdivision 10, as renumbered, as amended by Laws 1963, chapter 645, section 3, Laws 1967, chapter 661, section 3, Laws 1969, chapter 994, section 1, Laws 1975, chapter 320, section 1, and Laws 1980, chapter 525, section 2, is amended

to read:

Subd. 10. [SPECIAL SCHOOL DISTRICT NO. 1; MINNEAPOLIS, CITY OF; EXTENDING BONDING AUTHORITY.] As used in this act the word "project" shall mean any proposed new or enlarged school building site, any proposed new school building or any proposed new addition to a school building, and "undertaking" shall mean any other purpose for which bonds may be issued as authorized in this subdivision. Subject to the limitations of subdivision 11, the special independent school district of Minneapolis may issue and sell bonds with the approval of 53 percent of the electors voting on the question at a general school district election or at a school district election held at the same time and place within the district as a state general or primary election, as determined by the board of education. Subject to the provisions of subdivision 11, the school district may also by a two-thirds majority vote of all the members of its board of education and without any election by the voters of the district, issue and sell in each calendar year bonds of the district in an amount not to exceed one-half of one percent of the assessed value of the taxable property in the district (plus, for each of the calendar years 1980 through 1984 year 1990, an amount not to exceed 50 percent of the amount of indebtedness to be retired during the calendar year \$7,500,000; with an additional provision that any amount of bonds so authorized for sale in a specific year and not sold can be carried forward and sold in the year immediately following); provided, however, that the board shall submit the list of projects and undertakings to be financed by a proposed issue to the city planning commission as provided in subdivision 11(c). All bonds of the school district shall be payable in not more than 20 30 years. The proceeds of the sale of the bonds shall be used only for the rehabilitating, remodeling, expanding and equipping of existing school buildings and for the acquisition of sites, construction and equipping of new school buildings, and for acquisition and betterment purposes, and no part of the proceeds shall be used for maintenance. The provisions of this act shall apply to the issuance and sale of the bonds and to the purposes for which the bonds may be issued notwithstanding any provisions to the contrary in any other existing law relating thereto.

Sec. 14. [INSTRUCTIONS TO THE DEPARTMENT.]

The department of education shall make adjustments to the capital expenditure facilities levy, the capital expenditure equipment levy, and the health and safety levy certified for fiscal year 1991, according to sections 2, 3, 4, 5, and 8, for revenue for fiscal year 1990.

Sec. 15. [RED LAKE FUND TRANSFER.]

By June 30, 1990, independent school district No. 38, Red Lake, may permanently transfer up to \$160,000 from the general fund to the capital expenditure fund to obtain portable classrooms. According to Minnesota Statutes, section 645.023, subdivision 1, clause (a), this section is effective without local approval the day following final enactment.

Sec. 16. [SCHOOL DISTRICT NO. 710 BONDS.]

Subdivision 1. [AUTHORIZATION.] Independent school district No. 710, St. Louis county, may issue bonds in an aggregate principal amount not exceeding \$1,000,000, in addition to any bonds already issued or authorized, to provide funds to construct, equip, furnish, remodel, rehabilitate, and acquire land for school facilities and buildings. The district may spend

the proceeds of the bond sale for those purposes and any architects', engineers', and legal fees incidental to those purposes or the sale. Bonds may be issued under this section without a referendum. Except as permitted by this section, the bonds shall be authorized, issued, sold, executed, and delivered in the manner provided by Minnesota Statutes, chapter 475. An election on the question of issuing the bonds is not required. A resolution of the board levying taxes for the payment of the bonds and interest on them as authorized by this section and pledging the proceeds of the levies for the payment of the bonds and interest on them shall be deemed to be in compliance with the provisions of chapter 475 with respect to the levying of taxes for their payment.

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

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

Subd. 4. [LEVY LIMITATIONS.] Taxes levied pursuant to this section shall be disregarded in the calculation of any other tax levies or limits on tax levies provided by other law.

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

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

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

Sec. 17. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the department of education for the fiscal years designated.

Subd. 2. [CAPITAL EXPENDITURE FACILITIES AID.] For capital expenditure facilities aid according to Minnesota Statutes, section 124.243, subdivision 5:

\$33,233,600 1990,

\$40,373,200 1991.

The 1990 appropriation includes \$33,233,600 for 1990.

The 1991 appropriation includes \$5,864,800 for 1990 and \$34,508,400 for 1991.

Subd. 3. [CAPITAL EXPENDITURE EQUIPMENT AID.] For capital expenditure equipment aid according to Minnesota Statutes, section 124.244, subdivision 3:

\$16,616,800 1990,

\$20,186,600 1991.

The 1990 appropriation includes \$16,616,800 for 1990.

The 1991 appropriation includes \$2,932,400 for 1990 and \$17,254,200 for 1991.

Subd. 4. [HEALTH AND SAFETY AID.] For health and safety aid according to Minnesota Statutes, section 124.83, subdivision 5:

\$8,018,300 1990,

\$10,613,300 1991.

The 1990 appropriation includes \$8,018,300 for 1990.

The 1991 appropriation includes \$1,415,000 for 1990 and \$9,198,300 for 1991.

Subd. 5. [CAPITAL EXPENDITURE AID.] For the final adjustment payment of capital expenditure aid according to Minnesota Statutes 1987 Supplement, section 124.244, subdivision 3:

\$5,628,000 1990.

The 1990 appropriation includes \$5,628,000 for 1989.

Subd. 6. [HAZARDOUS SUBSTANCE AID.] For the final adjustment payment of hazardous substance aid under Minnesota Statutes 1987 Supplement, section 124.245, subdivision 3b:

\$9,000 1990.

The 1990 appropriation includes \$9,000 for 1989.

Subd. 7. [FACILITY REMODELING GRANTS.] For a grant to special school district No. 1, Minneapolis, for facility remodeling:

\$250,000 1990.

The grant shall be used to remodel a public building for use as a public school. The remodeled building must meet all the requirements that apply to a school building.

Sec. 18. [REPEALER.]

Minnesota Statutes 1988, sections 124.243, subdivision 4; 129B.71; 129B.72; and 129B.73, are repealed.

Sec. 19. [EFFECTIVE DATE.]

Section 7 is effective the day following final enactment.

ARTICLE 6

EDUCATION ORGANIZATION AND COOPERATION

PART A

COOPERATION

Section 1. Minnesota Statutes 1988, section 122.41, is amended to read:

122.41 [POLICY.]

The policy of the state is to encourage organization of school districts into units of administration to afford better educational opportunities for all pupils, make possible more economical and efficient operation of the schools, and insure more equitable distribution of public school revenue. To this end all area of the state shall be included in an independent or special school district maintaining classified elementary and secondary schools, grades 1 through 12, unless a district has made an agreement with another district or districts as provided in ~~section~~ *sections* 122.535 ~~or~~, 122.541, *or sections 3 to 11.*

Sec. 2. Minnesota Statutes 1988, section 122.541, is amended to read:

122.541 [INTERDISTRICT COOPERATION.]

Subdivision 1. [DISTRICT REQUIREMENTS.] The *school* boards of two or more ~~school~~ districts may, after consultation with the department of education, enter into an agreement providing for ~~the~~:

(1) ~~discontinuance by a district all districts except one of any of at least the 10th, 11th, and 12th grades kindergarten through 12 or portions of those grades; and the~~

(2) ~~instruction in a cooperating district of the pupils in the discontinued grades or portions of grades; provided, the board of a district discontinuing a grade pursuant to the agreement in one of the cooperating districts. Each district shall continue to maintain operate a school enrolling pupils in with at least three grades. Before making entering into a final an agreement permitted by this subdivision, the boards shall provide a copy of this agreement to the commissioner of education.~~

Subd. 2. [AID; TRANSPORTATION.] ~~A (a) Each district entering into an agreement permitted in subdivision 1 shall:~~

(1) ~~continue to count its resident pupils who are educated in a cooperating district as resident pupils in the calculation of pupil units for all purposes, including the calculation of state aids and levy limitations. Notwithstanding section 124.18, subdivision 2, an The agreement permitted by subdivision 1 shall provide for the tuition payments between or among the cooperating districts determine are necessary and equitable to compensate each district for the instruction of nonresident pupils; and.~~

(2) ~~(b) Each district shall continue to provide transportation and collect transportation aid for its resident pupils pursuant to sections 123.39, 124.223, and 124.225. This clause shall not be construed to prohibit A district from providing may provide some or all transportation to its resident pupils by~~

contracting with a *cooperating* district ~~that has entered the agreement~~. For purposes of ~~aid calculations pursuant to~~ section 124.225, the commissioner may adjust the base cost per eligible pupil transported to reflect changes in costs resulting from ~~an the agreement which provides for a district to discontinue at least one grade~~.

Subd. 3. [TEACHER DEFINED.] As used in this section, the term "teacher" ~~shall have~~ *has* the meaning given it in section 125.12, subdivision 1.

Subd. 4. [NEGOTIATED PLAN FOR DISCONTINUED TEACHERS.] The school board and exclusive bargaining representative of the teachers in each district discontinuing grades ~~pursuant to an agreement permitted by subdivision 1~~ may negotiate a plan ~~for the assignment to assign or employment employ~~ in a cooperating district or ~~the placement to place~~ on unrequested leave of absence ~~of all~~ teachers whose positions are discontinued as a result of the agreement. The school board and exclusive bargaining representative of the teachers in each district providing instruction to nonresident pupils ~~pursuant to an agreement permitted by subdivision 1~~ may negotiate a plan ~~for the employment of~~ *to employ* teachers from a cooperating district whose positions are discontinued as a result of the agreement. If ~~such~~ plans are negotiated ~~in cooperating districts~~ and if the boards determine the plans are compatible ~~with one another~~, the boards ~~of the districts~~ shall include the plans in their agreement.

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

Subd. 6. [NOTICE AND HEARING.] Prior to ~~making~~ *entering into* an agreement ~~permitted by subdivision 1~~, the school board ~~of a district participating in the agreement~~ shall consult with the community at an informational meeting. The board shall publish notice of the meeting in the ~~official newspaper of with the greatest circulation in the district~~ and may send written notice of the meeting to parents of pupils who would be affected ~~by the plan~~.

Subd. 7. [MEETING LOCATION.] Notwithstanding any law to the contrary, ~~the school boards of districts with that have an agreement under this section~~ may hold a valid joint meeting at any location that would be permissible for one of the school boards participating in the meeting.

PART B

SHORT-TERM COOPERATION

AND PERMANENT COMBINATION

Sec. 3. [122.241] [COOPERATION AND COMBINATION.]

Subdivision 1. [SCOPE.] Sections 3 to 11 establish procedures for school

boards that adopt, by resolution, a five-year written agreement:

(1) to provide at least secondary instruction cooperatively for at least two years; and

(2) to combine into one district after cooperating.

Subd. 2. [COOPERATION REQUIREMENTS.] Cooperating districts shall:

(1) have a written agreement according to section 2;

(2) all be members of one education district, if any one of the districts is a member; and

(3) all be members of one ECSU, if any one of the districts is a member.

Subd. 3. [COMBINATION REQUIREMENTS.] Combining districts must be contiguous and meet one of the following requirements at the time of combination:

(1) at least two districts with at least 420 resident pupils enrolled in grades 7 through 12 in the combined district and projections, approved by the department of education, of enrollment at least at that level for five years;

(2) at least two districts, each of which qualifies for sparsity revenue under section 124A.22, subdivision 6, and has an isolation index over 30; or

(3) at least three districts with fewer than 420 resident pupils enrolled in grades 7 through 12 in the combined district.

A combination under clause (3) must be approved by the state board of education. The state board shall disapprove a combination under clause (3) if the combination is educationally unsound or would not reasonably enable the districts to fulfill statutory and rule requirements.

Sec. 4. [122.242] [COOPERATION AND COMBINATION PLAN.]

Subdivision 1. [ADOPTION AND STATE BOARD REVIEW.] Each school board must adopt, by resolution, a plan for cooperation and combination. The plan must address each item in this section. The plan must be specific for any item that will occur within three years and may be general or set forth alternative resolutions for an item that will occur in more than three years. The plan must be submitted to the state board of education for review and comment. Every six months, significant modifications and specific resolutions of items must be submitted to the state board for review and comment. In the newspaper with the greatest circulation in the districts proposed for combination, the school board must publish at least a summary of the adopted plans, each significant modification and resolution of items, and each state board review and comment.

Subd. 2. [RULE EXEMPTIONS.] The plan must identify the rules of the state board of education from which the district intends to request exemption, according to Minnesota Rules, part 3500.1000. The plan may provide information about state laws that deter or impair cooperation or combination.

Subd. 3. [BOARD FORMATION.] The plan must state:

(1) whether the new district would have one elected school board or whether it would have one elected school board and one elected board for

each elementary school exercising powers and duties delegated to it by the school board of the entire district;

(2) whether all of the members of each district would become members of the school board of the combined district and, if so, a method to gradually reduce the membership to six or seven; and

(3) if desired, election districts for school board members that include areas from each of the combining districts.

Subd. 4. [ADMINISTRATION.] The plan must provide for:

(1) selection of one superintendent for the combined district at a specified time, according to section 123.34, subdivision 9; and

(2) alterations, if any, in administrative personnel and duties.

Subd. 5. [EMPLOYEES.] The plan must state:

(1) procedures needed, at the time of combination, to combine teachers into one bargaining unit, with the exclusive representative determined according to section 122.532;

(2) procedures needed, at the time of combination, to combine other bargaining units;

(3) procedures to negotiate, with the assistance of the bureau of mediation services, an employment plan for licensed employees affected by the agreement;

(4) procedures to negotiate, with the assistance of the bureau of mediation services, an employment plan for nonlicensed employees affected by the agreement; and

(5) incentives for superintendents, principals, teachers, and other licensed and nonlicensed employees, such as early retirement, severance pay, and health insurance benefits.

Subd. 6. [ACADEMIC PROGRAMS.] The plan must set forth:

(1) elementary curriculum and programs;

(2) increased secondary course offerings in at least communications, mathematics, science, social studies, foreign languages, physical education, health, and career education;

(3) procedures for involving parents, teachers, and other interested people in developing learner outcomes in curricular areas;

(4) procedures for involving teachers in determining levels of learner outcomes;

(5) implications for special education cooperatives, secondary vocational cooperatives, joint powers agreements, education districts, and other cooperative arrangements if the districts combined and if they did not; and

(6) a description of the long-range educational services of the combined district and of the individual districts if the combination is not achieved.

Subd. 7. [PUPIL ACTIVITIES.] The plan must provide for combining extracurricular and cocurricular activities.

Subd. 8. [REFERENDUM.] The plan must set forth:

(1) procedures for a referendum, held prior to the year of the proposed combination, to approve combining the school districts;

(2) whether a majority of those voting in each district proposed for combination or a majority of those voting on the question in the entire area proposed for combination would be needed to pass the referendum; and

(3) whether a referendum within the attendance area of an elementary school that a school board proposes to close should be authorized to provide revenue for the school.

Subd. 9. [FINANCES.] The plan must state:

(1) whether debt service for the bonds outstanding at the time of combination remains solely with the district that issued the bonds or whether the debt service for the bonds will be assumed by the combined district and paid by the combined district on behalf of the district that issued the bonds;

(2) the treatment of debt service levies and referendum levies;

(3) two-, five-, and ten-year projections, prepared by the department of education upon the request of any district, of revenues, expenditures, and property taxes for each district if it cooperated and combined and if it did not.

Subd. 10. [BUILDING SITES.] The plan must provide for:

(1) locations for elementary schools which need not be altered; and

(2) one location, if possible, for a secondary school.

Subd. 11. [TIMING.] The plan must contain a time schedule for implementation.

Sec. 5. [122.243] [STATE BOARD AND VOTER APPROVAL.]

Subdivision 1. [STATE BOARD APPROVAL.] Before submitting the question of combining school districts to the voters at a referendum, the cooperating districts shall submit the proposed combination to the state board of education. The state board shall determine the date for submission and may require any information it determines necessary. The state board shall disapprove the proposed combination if it is educationally unsound, will not reasonably enable the combined district to fulfill statutory and rule requirements, or if the plan or modifications are incomplete. If disapproved by the state board, the referendum shall be postponed, but not canceled, by the school boards.

Subd. 2. [VOTER APPROVAL.] During the second year of cooperation, a referendum on the question of combination shall be conducted. The referendum shall be on a date called by the school boards. The referendum shall be conducted by the school boards according to the Minnesota election law, as defined in section 200.01. If the referendum fails, the same question or a modified question may be submitted the following school year. If a question is submitted, the second referendum must be conducted on a date before October 1. If the referendum fails again, the same question may not be submitted. A different question may be submitted on any date before October 1. Referendums shall be conducted on the same date in all districts.

Sec. 6. [122.244] [EFFECTIVE DATE OF COMBINATION.]

The effective date for combination of districts shall be July 1. If the effective date is July 1 of an even-numbered year, the terms of each employment contract shall continue in effect and shall be enforceable upon the parties, including the combined school board, until a successor contract is negotiated.

Sec. 7. [122.245] [EMPLOYEES OF COOPERATING AND COMBINING DISTRICTS.]

Subdivision 1. [COMBINED SENIORITY LIST.] During the school year before the cooperation begins and during the school years of cooperation, the districts shall comply with section 122.541, subdivision 5, unless compatible plans are negotiated according to section 122.541, subdivision 4. During the school year before the combination becomes effective, the cooperating districts shall comply with section 122.532.

Subd. 2. [NONLICENSED EMPLOYEES TERMINATION.] If compatible plans are not negotiated according to section 4, subdivision 5, the school boards shall comply with this subdivision with respect to nonlicensed employees. Nonlicensed employees whose positions are discontinued as a result of cooperation or combination, as applicable, shall be:

- (1) employed by a cooperating board or the combined board, if possible;*
- (2) assigned to work in a cooperating district or the combined district, if possible; or*
- (3) terminated in the inverse order in which they were employed in a district, according to a combined seniority list of nonlicensed employees in the cooperating or combined district, as applicable.*

Subd. 3. [EMPLOYMENT LAWS.] Unless otherwise explicitly provided, chapter 179A governs the rights and duties of employers and employees. Either party may promptly submit questions of procedure, interpretation, or application to the commissioner of mediation services.

Sec. 8. [122.246] [COUNTY AUDITOR PLAT.]

Upon the request of two or more districts that have adopted a resolution to cooperate and combine, the county auditor shall prepare a plat. If the proposed combined district is located in more than one county, the request shall be submitted to the county auditor of the county that has the greatest land area in the proposed district. The plat shall show:

- (1) the boundaries of each of the present districts;*
- (2) the boundaries of the proposed district;*
- (3) the boundaries of proposed election districts, if requested; and*
- (4) other information deemed pertinent by the school boards or the county auditor.*

Sec. 9. [122.247] [LEVIES FOR DISTRICTS AT THE TIME OF COMBINATION.]

Subdivision 1. [REFERENDUM LEVIES.] The referendum levy authorization of the combined district shall be one of the methods set forth in section 122.531, subdivision 2a, 2b, or 2c, and must be consistent with the plan adopted according to section 4, and any subsequent modifications.

Subd. 2. [BONDED DEBT.] Debt service for bonds outstanding at the time of the combination may be levied by the combined school board

consistent with the plan adopted according to section 4, and any subsequent modifications, subject to section 475.61. The primary obligation to pay the bonded indebtedness that is outstanding on the effective date of combination remains with the district that issued the bonds. However, the combined district may make debt service payments on behalf of a preexisting district.

Subd. 3. [TRANSITIONAL LEVY.] The board of the combined district may levy for the expenses of negotiation, administrative expenses directly related to the transition from cooperation to combination, and the cost of necessary new athletic and music uniforms. The board may levy this amount over three or fewer years. All expenses must be approved by the state board of education.

Sec. 10. [122.248] [ELEMENTARY SCHOOL REFERENDUM LEVY.]

(a) The levy in an elementary school attendance area may be increased in the amount approved by the voters in the attendance area at a referendum called for the purpose. The amount may not exceed 15 percent of the formula allowance times the number of actual pupil units for the year to which the proceeds of the levy are attributable. The referendum may be called by the school board or shall be called by the school board upon written petition of qualified voters residing in the attendance area. The referendum shall be held on a date set by the school board. One election may be held in a calendar year to approve an increase that is initiated by a school board and one election may be held in a calendar year to approve an increase invoked by petition. The ballot shall state the maximum amount of the increased levy in dollars and as a percentage of net tax capacity in the first year it is to be levied, and that the proceeds of the levy shall be used to prevent the elementary school from being closed. The ballot may designate a specific number of years for which the levy authorization shall apply. The ballot may contain a textual portion with the required information and a question stating substantially the following:

"Shall the increase in the levy proposed by (petition to) the board of School District No. , be approved?"

If approved, the amount provided shall be authorized for certification for the number of years approved, if applicable.

(b) A petition shall be effective if signed by a number of qualified voters in excess of 15 percent of the average number of voters at the two most recent districtwide school elections. A referendum invoked by petition shall be held within three months of submission of the petition to the school board.

Sec. 11. [122.249] [REPORTS TO DEPARTMENT OF EDUCATION.]

Cooperating districts may submit joint reports and jointly provide information required by the department of education. The joint reports must allow information to be attributed to each district. A combined district must report and provide information as a single unit.

Sec. 12. Minnesota Statutes 1988, section 122.43, subdivision 1, is amended to read:

Subdivision 1. ~~Any organized school district not a part of an independent~~
~~A school district maintaining classified shall maintain elementary and secondary schools, grades 1 through 12 is dissolved, unless the district has made~~
~~an agreement with another district or districts as provided in section sections~~
~~122.535 or, 122.541, or sections 3 to 11.~~

Sec. 13. [124.2725] [COOPERATION AND COMBINATION REVENUE.]

Subdivision 1. [ELIGIBILITY.] A school district is eligible for cooperation and combination revenue if it has adopted a plan according to section 4 and has submitted it to the state board of education.

Subd. 2. [COOPERATION AND COMBINATION REVENUE.] Cooperation and combination revenue equals, for each resident and nonresident pupil receiving instruction in a cooperating or combined district, \$100 times the actual pupil units. A district may not receive revenue under this section if it receives revenue under section 275.125, subdivision 8e.

Subd. 3. [COOPERATION AND COMBINATION LEVY.] To obtain cooperation and combination revenue, a district may levy an amount equal to the cooperation and combination revenue multiplied by the lesser of one or the following ratio:

(1) the quotient derived by dividing the adjusted gross tax capacity for the district in the year preceding the year the levy is certified by the actual pupil units in the district for the year to which the levy is attributable, to

(2) the percentage, specified in subdivision 4, of the equalizing factor for the school year to which the levy is attributable.

Subd. 4. [INCREASING LEVY.] The percentage in subdivision 3, clause (2), shall be:

(1) 100 percent for the first year of cooperation;

(2) 75 percent for the second year of cooperation;

(3) 50 percent for the first year of combination; and

(4) 25 percent for the second year of combination.

Subd. 5. [COOPERATION AND COMBINATION AID.] For the first two years of cooperation and the first two years of combination, cooperation and combination aid is equal to the difference between the cooperation and combination revenue and cooperation and combination levy. Aid shall not be paid after two years of combining.

Subd. 6. [ADDITIONAL AID.] In addition to the aid in subdivision 5, districts shall receive aid under this subdivision. For the first year of cooperation, a district shall receive, for each resident and nonresident pupil receiving instruction in a cooperating district, \$100 times the actual pupil units. For the first year of combination, the combined district shall receive, for each resident and nonresident pupil receiving instruction in the combined district, \$100 times the actual pupil units.

Subd. 7. [PROPORTIONAL AID.] If a district does not levy the entire amount permitted under subdivision 3, the aid in subdivisions 5 and 6 must be reduced in proportion to the actual amount levied.

Subd. 8. [PERMANENT REVENUE.] For the third year of combination and thereafter, a combined district may levy an amount equal to the cooperation and combination revenue, defined in subdivision 2.

Subd. 9. [REVENUE LIMIT.] Revenue under this section shall not exceed the revenue received by cooperating districts or a combined district with 2,000 actual pupil units.

Subd. 10. [USE OF REVENUE.] Revenue under this section shall be used for expenses of cooperating and combining school districts, including, but

not limited to:

(1) secondary course offerings in communications, mathematics, science, social studies, foreign languages, physical education, health, and career education if the courses have specific learner outcomes;

(2) participation by teachers in determining the learner outcomes;

(3) staff in-service related to cooperation and combination;

(4) any of the purposes set forth in section 124.243, subdivision 6, clauses (3), (4), and (15), and section 124.244, subdivision 4, clauses (2), (3), (4), (5), and (6), if the purposes are related to courses offered cooperatively; and

(5) incentives for superintendents, principals, teachers, and other licensed and nonlicensed employees, such as early retirement, severance pay, and health insurance benefits.

Subd. 11. [JOINT PURPOSES.] Cooperating district revenue may only be used for purposes of joint efforts between cooperating districts. The revenue shall be in a separate account. School boards shall mutually determine cooperative expenditures.

Subd. 12. [REVENUE FOR EXTENDED COOPERATION.] If the state board disapproves of the plan according to section 5, subdivision 1, or if a second referendum fails under section 5, subdivision 2, cooperation and combination revenue shall equal \$60 times the actual pupil units. Cooperation and combination aid must be reduced by an amount equal to the aid paid under subdivision 6 plus the difference between the aid paid under subdivision 5 for the first two years of the agreement and the aid that would have been paid if the revenue had been \$60 times the actual pupil units. If the aid is insufficient to recover the entire amount, the department of education shall reduce other aids due the district to recover the entire amount. The cooperation and combination levy shall be reduced by an amount equal to the difference between the levy for the first two years of the agreement and the levy that would have been authorized if the revenue had been \$60 times the actual pupil units. A district that receives revenue under this subdivision may not also receive revenue according to sections 124.2721 and 124.575.

Subd. 13. [CESSATION OF REVENUE.] At any time the districts cease cooperating, aid shall not be paid and the authority to levy ceases.

Subd. 14. [RETIREMENT AND SEVERANCE LEVY.] A cooperating or combined district may levy for severance pay or early retirement incentives for licensed and nonlicensed employees who retire early as a result of the cooperation or combination.

Sec. 14. [124.497] [COOPERATIVE SECONDARY FACILITIES GRANT.]

Subdivision 1. [AUTHORIZATION.] One or two incentive grants for a secondary school may be awarded by the state board of education for districts that combine under sections 3 to 11.

Subd. 2. [ELIGIBILITY AND APPLICATION.] To be eligible to apply for a grant, districts must have cooperated under sections 3 to 11 for at least one year, adopted a specific plan for combination, and have received state board approval for the plan. The application must be submitted before the referendum to combine is submitted to the voters and must contain the intentions of the school boards should they not receive a grant. The state board

shall determine the dates, form, and requirements of an application.

Subd. 3. [CONSTRUCTION, APPROVAL.] The commissioner of education shall review and comment on the proposed construction. A grant may not be awarded unless the proposal receives a positive review and comment.

Subd. 4. [USE OF GRANT MONEY.] A grant shall be used to provide not more than 75 percent of the cost to acquire, construct, remodel, or improve a secondary school building or site.

Subd. 5. [PAYMENT OF GRANT MONEY.] Grant money shall be paid according to a schedule, terms, and conditions established by the commissioner of finance. The commissioner shall consider the progress of construction when determining payments. No money may be paid until a construction contract has been awarded.

Subd. 6. [CANCELLATION.] If construction has not commenced within one year of the grant award, payments of grant money shall cease. Any money that has been paid shall be promptly returned by the district.

Sec. 15. [129B.12] [GRANTS FOR COOPERATION AND COMBINATION.]

Subdivision 1. [ELIGIBILITY.] Two or more districts that have adopted a plan according to section 4 may apply for a grant under this section. The grant shall be awarded after the districts combine according to sections 3 to 11.

Subd. 2. [PROCEDURES.] The state board shall establish procedures and deadlines for the grants. The state board shall review each application for a grant and may require modifications consistent with sections 3 to 11.

Subd. 3. [GRANT AMOUNT.] The state board shall determine the amount of a grant according to the needs of the districts to effectuate combination. A grant may not exceed \$250,000.

Subd. 4. [USE OF GRANT MONEY.] The grant money may be used for any purpose related to combining school districts, including, but not limited to:

(1) secondary course offerings in communications, mathematics, science, social studies, foreign languages, physical education, health, and career education if the courses have specific learner outcomes;

(2) staff development related to cooperation; and

(3) any of the purposes set forth in section 124.243, subdivision 6, clauses (3), (4), and (15), and section 124.244, subdivision 4, clauses (2), (3), (4), (5), and (6), in all cases only if related to courses offered cooperatively.

PART C

OTHER ORGANIZATION AND COOPERATION MATTERS

Sec. 16. Minnesota Statutes 1988, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. [LEVY RECOGNITION.] (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to ~~section~~ sections 124.2721, subdivision 3; 124.575, subdivision 3; and 275.125, subdivision 9a; and

Laws 1976, chapter 20, section 4.

(b) In June of each year, the school district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the June and July school district tax settlement revenue received in that calendar year; or

(2) the sum of the state aids and credits enumerated in section 124.155, subdivision 2, which are for the fiscal year payable in that fiscal year plus 27 percent of the amount of the levy certified in the prior calendar year according to section 124A.03, subdivision 2, plus or minus auditor's adjustments, not including levy portions that are assumed by the state; or

(3) 27 percent of the amount of the levy certified in the prior calendar year, plus or minus auditor's adjustments, not including levy portions that are assumed by the state, which remains after subtracting, by fund, the amounts levied for the following purposes:

(i) reducing or eliminating projected deficits in the reserved fund balance accounts for unemployment insurance and bus purchases;

(ii) statutory operating debt pursuant to section 275.125, subdivision 9a, and Laws 1976, chapter 20, section 4; and

(iii) retirement and severance pay pursuant to ~~section~~ sections 124.4945 and 275.125, subdivision 6a, and Laws 1975, chapter 261, section 4; and

(iv) amounts levied for bonds issued and interest thereon, amounts levied for debt service loans and capital loans, and amounts levied pursuant to section 275.125, subdivision 14a.

(c) In July of each year, the school district shall recognize as revenue that portion of the school district tax settlement revenue received in that calendar year and not recognized as revenue for the previous fiscal year pursuant to clause (b).

(d) All other school district tax settlement revenue shall be recognized as revenue in the fiscal year of the settlement. Portions of the school district levy assumed by the state, including prior year adjustments and the amount to fund the school portion of the reimbursement made pursuant to section 273.425, shall be recognized as revenue in the fiscal year beginning in the calendar year for which the levy is payable.

Sec. 17. Minnesota Statutes 1988, section 121.904, is amended by adding a subdivision to read:

Subd. 4e. [COOPERATION LEVY RECOGNITION.] (a) A cooperative district is a district or cooperative that receives revenue according to section 124.2721 or 124.575.

(b) In June of each year, the cooperative district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of the state aids and credits enumerated in section 124.155, subdivision 2, that are for the fiscal year payable in that fiscal year; or

(2) 27 percent of the difference between

(i) the sum of the amount of levies certified in the prior year according to sections 124.2721, subdivision 3, and 124.575, subdivision 3; and

(ii) the amount of transition aid paid to the cooperative unit according

to section 273.1392 for the fiscal year to which the levy is attributable.

Sec. 18. Minnesota Statutes 1988, section 122.91, subdivision 3, is amended to read:

Subd. 3. [REQUIREMENTS FOR FORMATION.] An education district must have one of the following at the time of formation:

- (1) at least five *contiguous* districts;
- (2) at least four *contiguous* districts with a total of at least 5,000 pupils in average daily membership; or
- (3) at least four *contiguous* districts with a total of at least 2,000 square miles.

Districts with a cooperation agreement according to section 2 may join an education district only as a unit.

Sec. 19. Minnesota Statutes 1988, section 123.58, subdivision 4, is amended to read:

Subd. 4. [MEMBERSHIP AND PARTICIPATION.] Full membership in an ECSU shall be limited to public school districts of the state but nonvoting associate memberships shall be available to nonpublic school administrative units within the ECSU. Participation in programs and services provided by the ECSU shall be discretionary ~~and~~. No school district shall be compelled to participate in these services under authority of this section; ~~except that~~. *However, all school districts whose central administrative offices are within that ECSU whose boundaries coincide with those of development region 11 shall participate in the planning and planning research functions of that ECSU. All of the members of an education district shall belong to the same ECSU, if any members belong to an ECSU. No planning or planning research decision of that ECSU shall be binding on these region 11 districts. Nonpublic school students and personnel are encouraged to participate in programs and services to the extent allowed by law.*

Sec. 20. Minnesota Statutes 1988, section 124.155, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF ADJUSTMENT.] ~~In fiscal year 1984 and~~ Each year ~~thereafter~~, state aids and credits enumerated in subdivision 2 payable to any school district, *education district, or secondary vocational cooperative* for that fiscal year shall be adjusted, in the order listed, by an amount equal to (1) the amount the district, *education district, or secondary vocational cooperative* recognized as revenue for the prior fiscal year pursuant to section 121.904, subdivision 4a, clause (b), *plus revenue recognized according to section 17*, minus (2) the amount the district recognizes as revenue for the current fiscal year pursuant to section 121.904, subdivision 4a, clause (b), *plus revenue recognized according to section 17*. For the purposes of making the aid adjustment under this subdivision, the amount the district recognizes as revenue for either the prior fiscal year or the current fiscal year pursuant to section 121.904, subdivision 4a, clause (b), *plus revenue recognized according to section 17*, shall not include any amount levied pursuant to section 124A.03, subdivision 2. Payment from the permanent school fund shall not be adjusted pursuant to this section. The school district shall be notified of the amount of the adjustment made to each payment pursuant to this section.

Sec. 21. Minnesota Statutes 1988, section 124.155, subdivision 2, is

amended to read:

Subd. 2. [ADJUSTMENT TO AIDS.] The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) general education aid authorized in section 124A.23;
- (b) secondary vocational aid authorized in section 124.573;
- (c) special education aid authorized in section 124.32;
- (d) secondary vocational aid for handicapped children authorized in section 124.574;
- (e) aid for pupils of limited English proficiency authorized in section 124.273;
- (f) transportation aid authorized in section 124.225;
- (g) community education programs aid authorized in section 124.271;
- (h) adult education aid authorized in section 124.26;
- (i) early childhood family education aid authorized in section 124.2711;
- (j) capital expenditure aid authorized in sections 124.244 and 124.245;
- (k) *education district aid according to section 124.2721*;
- (l) *secondary vocational cooperative aid according to section 124.575*;
- (m) homestead credit under section 273.13 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter;
- ~~(n)~~ (n) agricultural credit under section 273.132 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter; and
- ~~(m)~~ (o) transition aid and disparity reduction aid authorized in section 273.1398;
- ~~(n)~~ (p) attached machinery aid authorized in section 273.138, subdivision 3.

The commissioner of education shall schedule the timing of the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible.

Sec. 22. Minnesota Statutes 1988, section 124.2721, subdivision 2, is amended to read:

Subd. 2. [REVENUE.] ~~Education district revenue is \$60 per actual pupil unit in each district that is a member of an education district. Each year the education district board shall certify to the department of education the amount of revenue to be raised. Revenue for the education district shall be the lesser of:~~

- (1) \$60 times the actual pupil units in the education district, or
- (2) the amount certified by the education district board.

Sec. 23. Minnesota Statutes 1988, section 124.2721, subdivision 3, is amended to read:

Subd. 3. [LEVY.] ~~To obtain education district revenue, an eligible education district may levy the lesser of its education district revenue or the amount raised by 1.3 mills times the adjusted gross tax capacity of each~~

~~participating district for the preceding year. Each year, the education district board shall certify to the county auditor or county auditors the amount of taxes to be levied under this section. The education district levy is equal to the following:~~

(1) the education district revenue according to subdivision 2, times

(2) the greater of

(a) one, or

(b) the ratio of the adjusted gross tax capacity for taxes payable in 1990 and adjusted net tax capacity for taxes payable in 1991 and thereafter of the education district divided by the number of actual pupil units in the education district to an amount equal to \$60 divided by 1.6 percent for taxes payable in 1990 and 1.99 percent for taxes payable in 1991 and thereafter.

The department of education shall allocate the levy amount proportionately among the member districts based on adjusted tax capacity. The member districts shall levy the amount allocated.

Sec. 24. Minnesota Statutes 1988, section 124.2721, is amended by adding a subdivision to read:

Subd. 3a. [REVENUE TRANSFER.] Each year a member district shall transfer revenue to the education district board according to this subdivision. By June 20 and November 30 of each year, an amount shall be transferred equal to:

(1) 50 percent times

(2) the amount certified in subdivision 3 minus transition aid allocated for that levy according to section 273.1398, subdivision 6.

Sec. 25. Minnesota Statutes 1988, section 124.575, subdivision 2, is amended to read:

~~Subd. 2. [REVENUE.] Secondary vocational cooperative revenue is \$20 per actual pupil unit in the participating school districts of a secondary vocational cooperative. Each year the secondary vocational cooperative board shall certify to the department of education the amount of revenue to be raised. Revenue for the secondary vocational cooperative shall be the lesser of:~~

(1) \$20 times the actual pupil units in the secondary vocational cooperative, or

(2) the amount certified by the secondary vocational cooperative board.

Sec. 26. Minnesota Statutes 1988, section 124.575, subdivision 3, is amended to read:

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

(1) the secondary vocational cooperative revenue according to subdivision 2, times

(2) the greater of

(a) one, or

(b) the ratio of the adjusted gross tax capacity for taxes payable in 1990 and adjusted net tax capacity for taxes payable in 1991 and thereafter of the secondary vocational cooperative divided by the number of actual pupil units in the secondary vocational cooperative to an amount equal to \$20 divided by .6 percent for taxes payable in 1990 and .74 percent for taxes payable in 1991 and thereafter.

The department of education shall allocate the levy amount proportionately among the member districts based on adjusted tax capacity. The member districts shall levy the amount allocated.

Sec. 27. Minnesota Statutes 1988, section 124.575, is amended by adding a subdivision to read:

Subd. 3a. [REVENUE TRANSFER.] Each year a member district shall transfer revenue to the secondary vocational cooperative according to this subdivision. By June 20 and November 30 of each year, an amount shall be transferred equal to:

(1) 50 percent times

(2) the amount certified in subdivision 3 minus transition aid allocated for that levy according to section 273.1398, subdivision 6.

Sec. 28. Minnesota Statutes 1988, section 273.1398, subdivision 6, is amended to read:

Subd. 6. [PAYMENT.] The commissioner shall certify the aids provided in subdivisions 2 and 3 before September 30 of the year preceding the distribution year to the county auditor of the affected local government and pay them and the credit reimbursements to local governments other than school districts at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions. Aids and credit reimbursements to school districts must be certified to the commissioner of education and paid under section 273.1392. Except for education districts and secondary cooperatives that receive revenue according to section 124.2721 or 124.575, payment shall not be made to any taxing jurisdiction that has ceased to levy a property tax nor shall transition aid be payable on the part of a levy to which transition aid was separately allocated under subdivision 2, paragraph (b), clause (2), which is no longer levied.

Sec. 29. Minnesota Statutes 1988, section 275.125, subdivision 8e, is amended to read:

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

(1) is a member of an education district, under sections 122.91 to 122.96, and the education district of which the district is a member does not receive revenue under section 124.2721; or

(2) has a cooperation agreement with other districts to expand curricular

offerings in mathematics in grades 10 to 12, science in grades 10 to 12, foreign languages for two years, computer usage, or other programs recommended by the state board.

The levy must not exceed ~~the amount raised by one mill times the adjusted gross tax capacity of the district for the preceding year~~ *\$50 times the actual pupil units, the cost of the agreement to expand curricular offerings, or \$50,000, whichever is the smallest.* A district that is a member of a secondary vocational cooperative that levies under section 124.575, may levy the difference between (1) the amount raised by ~~one mill~~ *.8 percent* times the adjusted gross tax capacity of the district *for taxes payable in 1990 or a net tax capacity rate of 1.0 percent times the adjusted net tax capacity of the district for taxes payable in 1991 and thereafter* for the preceding year and (2) the amount levied under section 124.575. The proceeds of the levy may be used only to pay for instructional and administrative costs incurred in providing the curricular offerings under this section. A district may not spend more than five percent of the amount of the levy for administration.

Sec. 30. [STATUTORY CONSTRUCTION.]

For the purposes of construing Minnesota Statutes 1988, section 124A.22, subdivisions 1 and 8, during fiscal year 1991, sparsity revenue includes secondary sparsity revenue according to Minnesota Statutes, section 124A.22, subdivision 6, and elementary sparsity revenue according to article 1, section 6.

PART D

APPROPRIATIONS AND REPEALERS

Sec. 31. [APPROPRIATIONS.]

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

Subd. 2. [COOPERATION AND COMBINATION AID.] For aid for districts that cooperate and combine there is appropriated:

\$75,000 1991.

Subd. 3. [EDUCATION DISTRICT AID.] For education district aid according to Minnesota Statutes, section 124.2721:

\$4,644,000 1990,

\$3,963,000 1991.

The 1990 appropriation includes \$4,644,000 for 1990.

The 1991 appropriation includes \$820,000 for 1990 and \$3,143,000 for 1991.

Subd. 4. [SECONDARY VOCATIONAL COOPERATIVE AID.] For secondary vocational cooperative aid according to Minnesota Statutes, section 124.575:

\$496,000 1990,

\$225,000 1991.

The 1990 appropriation includes \$496,000 for 1990.

The 1991 appropriation includes \$88,000 for 1990 and \$137,000 for 1991.

Subd. 5. [TELECOMMUNICATIONS GRANT.] For a grant to the Wasioja educational telecommunications cooperative, including independent school district Nos. 201, Claremont; 202, Dodge Center; 205, West Concord; 253, Goodhue; 254, Kenyon; 255, Pine Island; 258, Wanamingo; and 260, Zumbrota, to support a cooperative educational technology program:

\$300,000 1990.

Subd. 6. [TELECOMMUNICATIONS GRANT.] For a grant to independent school districts Nos. 356, 353, 444, 441, 564, 440, 678, 676, 682, 690, 390, 593, 595, 630, and 600 to support a cooperative educational technology program:

\$300,000 1990.

Sec. 32. [APPROPRIATION; BLUE EARTH SCHOOL DISTRICT.]

\$4,500 in fiscal year 1990 is appropriated from the general fund to the commissioner of education for a grant to independent school district No. 240, Blue Earth. The grant is to pay for the cost of a communications link between Blue Earth and Mankato. The appropriation is available until June 30, 1991.

Sec. 33. [REPEALER.]

Minnesota Statutes 1988, section 122.96, is repealed.

Sec. 34. [EFFECTIVE DATE.]

Section 13 is effective for revenue for fiscal year 1991 and thereafter.

ARTICLE 7

ACCESS TO EXCELLENCE

PART A

Section 1. Minnesota Statutes 1988, section 121.11, subdivision 7, is amended to read:

Subd. 7. [GENERAL SUPERVISION OVER EDUCATIONAL AGENCIES.] The state board of education shall *adopt goals for and* exercise general supervision over public schools and public educational agencies in the state, classify and standardize public elementary and secondary schools, and prepare for them outlines and ~~suggestive~~ *suggested* courses of study. *The board shall develop work plans for achieving the goals it adopts and shall submit the work plans to the commissioner of education. Upon the request of the board, the commissioner may assign department of education staff to assist the board in meeting adopted state board goals. The commissioner shall submit in writing the reasons for any denial or delay of a request for staff to the state board.* The board shall establish rules relating to examinations, reports, acceptances of schools, courses of study, and other proceedings in connection with elementary and secondary schools applying for special state aid. The state board may recognize educational accrediting agencies for the sole purposes of sections 120.101, 120.102, and 120.103.

Sec. 2. [121.111] [OFFICE OF EDUCATIONAL LEADERSHIP]

Subdivision 1. [ESTABLISHMENT.] The office of educational leadership is established within the department of education. The purpose of the

office is to conduct and coordinate research in selected education programs for the purpose of determining policies that enable education systems to maximize the learning of all pupils. The research and development will focus upon a study relating to a hierarchy of learner outcomes. The hierarchy is composed of state learner goals; integrated learner outcomes and program learner outcomes; and course, unit, and lesson learner outcomes.

The office shall be the principal office of the department of education for developing, implementing, and coordinating research and development of state education systems based on learner outcomes and communicating research results to education systems.

Subd. 2. [OFFICE STRUCTURE.] The office of educational leadership must be administered by the assistant commissioner of instructional effectiveness in consultation with the assistant commissioner of development and partnership effectiveness. The office shall be managed by a director in the unclassified service appointed by the assistant commissioner of instructional effectiveness.

Subd. 3. [IMPLEMENTATION ADVISORY COMMITTEE.] The state board of education shall appoint an advisory committee of seven members to advise the office on implementing an education system based on learner outcomes. The committee members shall include the following or their designees: the chair of the task force on education organization, the chair of the state curriculum advisory committee, the chair of the state board of education, the assistant commissioners for instructional effectiveness and development and partnership effectiveness, the chair of the Minnesota association of colleges of teacher education, and the chair of the minority educational partnership. The role of the advisory council shall be one of receiving information and ideas from school districts and various education professional organizations about the continued development of outcome based education.

Subd. 4. [COORDINATION AND ASSISTANCE.] The office of educational leadership shall coordinate the research activities conducted at all sites and provide technical assistance to individual sites upon request. To assist in coordinating the research activities, the office shall develop a work plan for the two-year period during which the research and development project is conducted. The work plan shall include:

(1) specific goals to be attained through research activities conducted at the sites;

(2) identification of goals to be attained at each site;

(3) procedures to avoid unnecessary duplication of research efforts at multiple sites;

(4) procedures to enable regular communication among participants at all sites;

(5) procedures for informing participants at each site about the activities being conducted at all other sites;

(6) procedures for evaluating the research process and effects on achievement of learner outcomes at each site;

(7) procedures for determining the feasibility of statewide assessment of learner outcomes that are common across sites; and

(7) procedures for reporting to the legislative commission on public

education about the status of the research on at least two occasions between July 1, 1989, and December 31, 1989.

Subd. 5. [PROGRAM COORDINATION.] *The office of educational leadership shall coordinate federal, state, and regional programs available to research and development sites, including, but not limited to:*

- (1) *educational effectiveness instruction, according to section 121.609;*
- (2) *teacher mentorship programs;*
- (3) *administrators academy, according to section 125.241;*
- (4) *district staff development programs, according to section 126.70;*
- (5) *exemplary teacher education programs;*
- (6) *curricula and technology integration, according sections 129B.32 to 129B.40;*
- (7) *teacher centers, according to article 11, section 13;*
- (8) *the assessment and program section of the department of education;*
- (9) *the curriculum services section of the department of education;*
- (10) *the instructional design section of the department; and*
- (11) *the secondary vocational education curriculum services section of the department of education.*

Sec. 3. Minnesota Statutes 1988, section 126.661, is amended by adding a subdivision to read:

Subd. 3a. [STATE LEARNER GOALS.] *"State learner goals" means the knowledge, skills, and attitudes that a pupil can expect to attain that reflect the pupil's intellectual, social, emotional, physical, and career vocational needs.*

Sec. 4. Minnesota Statutes 1988, section 126.662, is amended to read: 126.662 [PER FINDINGS.]

The legislature finds that a process is needed to facilitate decisions by school boards and communities concerning education curriculum planning, evaluation of curriculum, evaluation for improvement of instruction, and determination of the services that can or should be provided by institutions, such as the family, private or public organizations and agencies, in addition to being provided by public education. *The PER process is a method to create outcome based education programs in all Minnesota public schools beginning September 1, 1993. The focus of all curriculum decisions must be the learning needs of students. All decisions shall be made at a level as close to students as possible.*

Sec. 5. Minnesota Statutes 1988, section 126.663, subdivision 2, is amended to read:

Subd. 2. [~~MODEL STATE CORE CURRICULUM LEARNER OUTCOMES.~~] *The state board of education shall adopt a set of learner outcomes that it considers to be goals, essential for each subject area learner outcomes, and integrated learner outcomes for curriculum areas, as set forth in section 120.101, subdivision 6, and for career vocational curriculum. The department of education, in cooperation with the state curriculum advisory committee, shall develop a validated research-based process to*

identify a set of learner outcomes that are essential for each subject area state curriculum advisory committee and the office on educational leadership shall assist the state board in identifying and integrating learner outcomes.

Sec. 6. Minnesota Statutes 1988, section 126.663, subdivision 3, is amended to read:

Subd. 3. [MODEL LEARNER OUTCOMES.] The department shall develop and maintain ~~sets of model learner outcomes~~ in state board identified subject areas ~~that it considers to be model learner outcomes, including the career vocational learner outcomes.~~ The department shall make ~~the sets learner outcomes~~ available for use ~~by a district at the option of the districts upon request by a district.~~ ~~The sets~~ Learner outcomes shall be for pupils in kindergarten to grade 12. The department shall consult with each of the public post-secondary systems and with the higher education coordinating board in developing model learner outcomes appropriate for entry into post-secondary institutions. *The learner outcomes shall include thinking and problem solving skills.*

Sec. 7. Minnesota Statutes 1988, section 126.67, subdivision 5, is amended to read:

Subd. 5. [ASSESSMENT ITEM BANK.] The department shall maintain an assessment item bank to provide assessment ~~programs~~ *items* that are ~~tailored designed to measure pupils' attainment of state essential learner outcomes and specific educational objectives learner outcomes~~ of an individual school or district. ~~The department shall develop an item bank for at least two curriculum areas each year. The department shall develop and maintain an item bank for at least ten different curriculum areas.~~

Sec. 8. [RESEARCH AND DEVELOPMENT SITES.]

Subdivision 1. [SELECTION OF RESEARCH SITES.] The state board of education shall select up to ten sites to serve as research and development sites during the biennium. The state board shall select sites based on criteria identified by the assistant commissioners of instructional effectiveness and development and partnership effectiveness, in consultation with the director of the office of educational leadership.

Subd. 2. [SITES.] A site may be an individual building or school district, a group of buildings or districts, or an education district. Sites must be located in different regions of the state and must have a direct working relationship with a post-secondary institution that has a teacher preparation program that includes technology-based methods.

Subd. 3. [SELECTION CRITERIA.] The assistant commissioners of instructional effectiveness and development and partnership effectiveness, with the assistance of the director of the office of educational leadership, shall consider the following goals in establishing criteria for selection of research sites:

(1) to build upon the process for curriculum identification, implementation, review, and improvement described in Minnesota Statutes, sections 126.661 to 126.67;

(2) to identify or develop the resources and management practices necessary for districts to implement policies adopted according to Minnesota Statutes, section 126.666, subdivision 1;

(3) to develop policies for the involvement of teachers in the identification and integration of learner outcomes and establishing district levels of attainment of learner outcomes; sites may use staff development revenue as provided in Minnesota Statutes, section 126.70 for this purpose;

(4) to incorporate alternative learning models that use technology in instruction and administration, including personalized, individualized learning;

(5) to incorporate alternative patterns of staff assignments and roles, including a career teacher program according to sections 14 to 18, teacher mentoring, and teacher sharing of instructional areas;

(6) to expand curriculum, instruction, and assessment to include thinking and problem solving skills;

(7) to develop multiple measures to assess whether pupils have met or exceeded levels of attainment of state and district learner outcomes;

(8) to identify and incorporate career vocational learner outcomes into district or school site education programs and to articulate between secondary and post-secondary vocational programs;

(9) to examine state board rules that affect outcome based education;

(10) to develop site-based management and collaborative decision making models; and

(11) to identify the professional development needs of education personnel as they relate to this section and to design staff development programs to enable educators to implement outcome based education.

Subd. 4. [REQUIREMENTS OF SITES.] To be considered for selection as a site by the state board, an applicant must develop a written proposal that describes the activities to be conducted at the site. The site proposal must include:

(1) plans for a two-year project;

(2) specific goals to be met in the first year and goals to be achieved in the second year;

(3) a description of documentation that will be prepared to assist other districts that wish to replicate the activities of the proposed site; and

(4) a description of procedures to be used to explain the project to the community.

Subd. 5. [APPLICATION TIMELINE.] The proposal must be submitted to the office of educational leadership by September 1, 1989. The office shall review all proposals to determine whether the requirements of this section are met and may request additional information about a proposal from the applicant who submitted it. The office shall transmit the proposals to the state board and may recommend sites for selection based on the selection criteria established in subdivision 3. Sites must be selected by October 1, 1989.

Sec. 9. [REPORT OF OFFICE OF EDUCATIONAL LEADERSHIP:]

By January 15, 1990, the office of educational leadership shall submit a report to the education committees of the legislature about the status of its projects. The report shall include recommendations and a list of statutes and rules that have prevented implementation of PER policy requirements

at a site and an explanation of how implementation is prevented.

Sec. 10. [TEACHER PREPARATION INSTITUTES.]

Teacher preparation institutes shall work with the research and development sites, schools, school districts, education districts, and the office of educational leadership to implement the education policies contained in sections 1 to 8.

Sec. 11. [APPROPRIATIONS FOR THE OFFICE OF EDUCATIONAL LEADERSHIP]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the department of education for the office of educational leadership for the fiscal years indicated.

Subd. 2. [RESEARCH AND DEVELOPMENT GRANTS.] For grants for research and development sites:

\$1,050,000 1990.

Up to \$50,000 may be used for administration and evaluation.

Any unexpended balance remaining from fiscal year 1990 does not cancel and is available for fiscal year 1991.

Subd. 3. [TECHNICAL ASSISTANCE; RESEARCH AND DEVELOPMENT SITES.] For technical assistance to research and development sites:

\$250,000 1990.

\$250,000 1991.

PART B

Sec. 12. Minnesota Statutes 1988, section 126.22, subdivision 3, is amended to read:

Subd. 3. [ELIGIBLE PROGRAMS.] (a) A pupil who is eligible according to subdivision 2, clause (a), (b), (c), or (d), may enroll in any program approved by the state board of education under Minnesota Rules, part 3500.3500, including area learning centers under sections 129B.52 to 129B.55, or according to section 121.11, subdivision 12.

(b) A pupil who is eligible according to subdivision 2, clause (b), (c), or (d), may enroll in secondary school courses upon a resolution passed by a school board approving enrollment, or may enroll in post-secondary courses under section 123.3514.

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

(d) A pupil who is eligible under subdivision 2, clause (a), (b), or (c), may enroll in any nonprofit, nonpublic, nonsectarian school approved by the state board of education. The state board shall adopt rules, with the advice of the nonpublic school council, establishing standards and criteria for approving schools.

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

Sec. 13. Minnesota Statutes 1988, section 126.23, is amended to read:
126.23 [AID FOR PRIVATE ALTERNATIVE PROGRAMS.]

If a pupil enrolls in a nonsectarian alternative program operated by a private organization that has contracted with a school district to provide educational services for high school dropouts or other eligible students under section 126.22, subdivision 2, the resident district must reimburse the provider an amount equal to at least ~~50~~ 90 percent of the basic revenue of the district for each pupil. Pupils for whom a district provides reimbursement may not be counted by the district for any purpose other than computation of basic revenue, according to section 124A.22, subdivision 2.

Sec. 14. Minnesota Statutes 1988, section 129B.41, is amended to read:
129B.41 [CITATION.]

Sections ~~129B.41~~ 129B.42 to ~~129B.47~~ 129B.46 may be cited as the "Minnesota ~~improved learning and principal teacher, counselor teacher, and career teacher act.~~"

Sec. 15. Minnesota Statutes 1988, section 129B.42, is amended to read:
129B.42 [PURPOSE OF THE CAREER TEACHER ACT.]

The legislature recognizes the unique and lifelong learning and development process of all human beings. The legislature is committed to the goal of maximizing the individual growth potential of all students through the secondary schools learners. The purposes of sections ~~129B.41 to 129B.47~~ the career teacher act are:

~~(a)~~ (1) to offer ~~improved learning~~ career teacher programs which emphasize ~~basic and applied learning skills and the liberal arts learning and development based on learner outcomes;~~

~~(b)~~ (2) to recognize and utilize the unique skills that teachers, students, family, and the community have in both the teaching process and the learning and development process; and

~~(c)~~ (3) to provide an opportunity for maximum use of ~~principals and teachers, principals, and counselors.~~

Sec. 16. Minnesota Statutes 1988, section 129B.44, is amended to read:
129B.44 [ADVISORY COUNCIL.]

The school board of a district providing an ~~improved learning~~ a career teacher program shall appoint an advisory council. Council members shall be selected from the school attendance area in which programs are provided. Members of the council may include students, teachers, principals, administrators and community members. A majority of the members shall be parents with children participating in the local program. The local advisory council shall advise the school board in the development, coordination, supervision, and review of the ~~improved learning~~ career teacher program. The council shall meet at least two times each year with any established community education advisory council in the district. Members of the council may be members of the community education advisory council. The council shall report to the school board.

Sec. 17. Minnesota Statutes 1988, section 129B.45, is amended to read:
129B.45 [CAREER TEACHER PROGRAM COMPONENTS.]

Subdivision 1. [MANDATORY COMPONENTS.] ~~An improved learning~~ A career teacher program shall include:

~~(a)~~ (1) participation by a designated individual as a career teacher, principal-teacher, ~~career or counselor teacher, or counselor-teacher, as defined in sections 129B.46 and 129B.47;~~

~~(b)~~ a plan (2) an emphasis on each individual child's unique learning and development needs;

(3) procedures to give the career teacher a major responsibility for leadership of the instructional and noninstructional activities of each child beginning with early childhood family education;

(4) procedures to involve parents in planning the educational learning and development experiences of their children;

~~(e)~~ an annual plan for the district to evaluate program goals and objectives;

~~(d)~~ a plan (5) procedures to implement outcome based education by focusing on the needs of the learner;

(6) procedures to coordinate and integrate the instructional program with all community education programs;

(7) procedures to concentrate career teacher programs at sites that provide early childhood family education and subsequent learning and development programs; and

(8) procedures for the district to fund the program after the third year of the program.

Subd. 2. [OPTIONAL COMPONENTS.] ~~An improved learning~~ A career teacher program may include:

~~(a)~~ (1) efforts to improve curricula strategies, instructional strategies, and use of materials ~~which~~ that respond to the individual educational needs and learning styles of each pupil in order to enable each pupil to make continuous progress and to learn at a rate appropriate to that pupil's abilities;

~~(b)~~ (2) efforts to develop student abilities in basic skills; applied learning skills; and, when appropriate, arts; humanities; physical, natural, and social sciences; multicultural education; physical, emotional, and mental health; consumer economics; and career education;

~~(c)~~ (3) use of community resources and communications media to pursue ~~improved~~ learning and development opportunities for pupils;

~~(d)~~ (4) staff development for teachers and other school personnel;

~~(e)~~ (5) improvements to the learning and development environment, including use of the community in general, to enhance the learning and development process;

~~(f)~~ (6) cooperative efforts with other agencies involved with human services or child development and development of alternative community based learning and development experiences;

~~(g)~~ apprenticeship (7) post-secondary education components for pupils who are able to accelerate or programs for pupils with special abilities and interests who are given advanced learning and development opportunities within existing programs;

~~(h)~~ (8) use of volunteers in the learning and development program;

- (i) (9) flexible attendance schedules for pupils;
- (j) (10) adult education component;
- (k) (11) coordination with early childhood ~~and~~ family education *and* community education programs;
- (l) (12) variable student/faculty ratios for special education students to provide for special programming;
- (m) (13) inclusion of nonpublic pupils as part of the ratio in the *career teacher*, principal-teacher, and ~~career counselor~~ teacher component;
- (n) (14) application of educational research findings;
- (o) (15) summer learning *and development* experiences for students as recommended by the *career teacher*, principal-teacher, and ~~career counselor~~ teacher;
- (p) (16) use of ~~educational~~ education assistants, teacher aides, or para-professionals as part of the ~~improved learning~~ *career teacher* program;
- (q) (17) establishment of alternative criteria for high school graduation; and
- (r) (18) variable age and ~~class~~ learning size groupings of students.

Sec. 18. Minnesota Statutes 1988, section 129B.46, is amended to read:

129B.46 [PRINCIPAL-TEACHER AND CAREER TEACHER COMPONENT.]

Subdivision 1. [STATUS.] ~~An improved learning~~ A *career teacher* program may include a *career teacher*, principal-teacher ~~and career teacher~~, and *counselor teacher* component. The *career teacher*, principal-teacher, and ~~career counselor~~ teacher shall not be the exclusive teacher for students assigned to them but shall serve as a *primary teacher* and perform the function of developing and implementing a student's overall learning *and development* program. The *career teacher*, principal-teacher, and ~~career counselor~~ teacher may be responsible for regular ~~classroom~~ assignments as well as learning *and development* programs for other assigned students.

Subd. 2. [QUALIFICATIONS.] (a) ~~An individual employed as a principal-teacher must be licensed as a principal by the state board of education and shall be considered a principal as defined in section 179A.03, subdivision 12, for purposes of the public employment labor relations act.~~

(b) An individual employed as a career teacher must be licensed as a teacher ~~by the state board of teaching~~ and shall be considered a teacher as defined in section 179A.03, subdivision 18, for purposes of ~~the public employment labor relations act~~ chapter 179A.

(b) An individual employed as a principal teacher must be licensed as a teacher and shall be considered a principal, as defined in section 179A.03, subdivision 12, for purposes of chapter 179A.

(c) An individual employed as a counselor teacher must be licensed as a counselor and shall be considered a teacher, as defined in section 179A.03, subdivision 18, for purposes of chapter 179A.

Subd. 3. [STAFF/STUDENT RATIO.] (a) Except as provided in clause (b), one *career teacher*, principal-teacher, or ~~career counselor~~ teacher shall be assigned for every 125 students. For each special education student

included in the assignment, the 1:125 ratio shall be reduced by one.

(b) One principal-teacher shall be assigned for every 50 students when the principal-teacher is also the principal of the school.

Subd. 4. [SELECTION; RENEWAL.] (a) The school board shall establish procedures for teachers ~~and~~, principals, ~~and~~ *counselors* to apply for the position of *career teacher*, principal-teacher ~~and~~ *career*, or *counselor teacher*. The authority for selection of *career teachers*, principal-*teachers*, and ~~career~~ *counselor teachers* shall be vested in the board and no individual shall have a right to employment as a *career teacher*, principal-teacher, or ~~career~~ *counselor teacher* based on seniority or order of employment in the district.

(b) Employment of the *career teacher*, principal-teacher, and ~~career~~ *counselor teacher* ~~shall~~ may be on a 12-month basis with vacation time negotiated individually with the board. The annual contract of a *career teacher*, principal-teacher, or ~~career~~ *counselor teacher* may not be renewed, as the board shall see fit; provided, however, the board shall give any such teacher whose contract as a *career teacher*, principal-teacher, or ~~career~~ *counselor teacher* it declines to renew for the following year written notice to that effect before April 15. If the board fails to renew the contract of a *career teacher*, principal-teacher, or ~~career~~ *counselor teacher*, that individual shall be reinstated to another position in the district if eligible pursuant to section 125.12 or 125.17.

Subd. 5. [DUTIES.] The *career teacher*, principal-teacher, and ~~career~~ *counselor teacher* shall be responsible for:

(a) (1) the overall education ~~and~~, learning, ~~and~~ *development* plan of assigned students. This plan shall be designed by the *career teacher*, principal-teacher, and ~~career~~ *counselor teacher* with the student, parents, and other faculty, and shall seek to maximize the learning ~~and~~ *development* potential and maturation level of each pupil;

(b) (2) measuring the proficiency of the assigned students and assisting other staff in identifying pupil needs and making appropriate educational and subject groupings;

(c) (3) when part of the district's plan, taking responsibility for the parent and early childhood education of assigned students;

(d) (4) designing and being responsible for program components which meet special learning needs of high potential and talented students; ~~and~~

(e) (5) coordinating the ongoing, year-to-year learning ~~and~~ *development* program for assigned students; ~~and~~

(6) *developing learning and development portfolios.*

Sec. 19. [MINORITY TEACHER INCENTIVES.]

During the biennium, a school district that has a minority enrollment of more than ten percent or that has a desegregation plan approved by the state board shall be reimbursed if it employs a minority teacher who has not taught in a Minnesota school district during the 1988-1989 school year. The reimbursement shall equal one-half of the salary and fringe benefits, but not more than \$20,000. The district shall receive reimbursement for each year during the biennium that a minority teacher is employed.

The department of education shall contract with an outside agency, school district, or group of districts to assist in recruiting minority teachers

from outside the state.

The department of education shall establish application or other procedures for districts to obtain the entire reimbursement amount. The department shall not prorate the reimbursement amount.

For the purposes of this section, a minority person is an African American, American Indian, Asian Pacific American, or a Spanish-surnamed American of Mexican, Puerto Rican, or Spanish origin or ancestry.

Sec. 20. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the department of education for the fiscal years designated.

Subd. 2. [PER PROCESS AID.] For the planning, evaluating, and reporting process according to Minnesota Statutes, section 124.274:

\$1,038,000 1990,

\$1,046,000 1991.

Subd. 3. [AREA LEARNING CENTER GRANTS.] For grants to area learning centers:

\$150,000 1990,

\$150,000 1991.

Subd. 4. [ADULT GRADUATION AID.] For adult graduation aid according to Minnesota Statutes, section 124.261:

\$1,223,000 1990,

\$1,550,500 1991.

The 1990 appropriation includes \$1,223,000 for 1990.

The 1991 appropriation includes \$216,000 for 1990 and \$1,334,500 for 1991.

Subd. 5. [ARTS PLANNING GRANTS.] For grants for arts planning according to Minnesota Statutes, section 129B.20:

\$38,000 1990,

\$38,000 1991.

Subd. 6. [MINORITY TEACHER INCENTIVE GRANTS.] For grants for minority teacher incentives according to section 19:

\$2,500,000 1990,

\$2,500,000 1991.

The appropriation for 1990 does not cancel but is available through June 30, 1991.

Subd. 7. [INTERNATIONAL EDUCATION GRANTS.] For grants and assistance to improve student learning in areas relating to international education:

\$500,000 1990,

\$525,000 1991.

Up to \$160,000 of the 1991 appropriation may be used for environmental

education planning grants.

Up to \$50,000 each year may be used for a match for National Geographic Society grants.

Up to \$200,000 of the 1990 appropriation and \$65,000 of the 1991 appropriation may be used for environmental education materials and technical assistance.

Up to \$250,000 each year may be used for world language staff development.

ARTICLE 8

OTHER EDUCATIONAL PROGRAMS

Section 1. Minnesota Statutes 1988, section 121.11, subdivision 14, is amended to read:

Subd. 14. [SCHOOL LUNCH PROGRAM, REVOLVING FUND.] The commissioner of finance shall establish for the state board a revolving fund for deposit of storage and handling charges paid by recipients of donated foods shipped by the school lunch section of the department of education. These funds are to be used only to pay storage and related charges as they are incurred for United States Department of Agriculture foods.

The commissioner of finance shall also establish a revolving fund for the department of education to deposit charges paid by recipients of processed commodities and for any authorized appropriation transfers for the purpose of this subdivision. These funds are to be used only to pay for commodity processing and related charges as they are incurred using United States Department of Agriculture donated commodities.

Sec. 2. Minnesota Statutes 1988, section 124.252, subdivision 3, is amended to read:

Subd. 3. [DISTRICT AID.] An eligible district shall receive 54 cents ~~in fiscal year 1987 and each year thereafter~~ for each pupil, in average daily membership enrolled in a public elementary, secondary, or technical institute or nonpublic elementary or secondary school. Aid for nonpublic school pupils shall be paid to the district upon request by or on behalf of the pupils. No school district shall receive less than \$1,040 ~~in fiscal year 1987 and each year thereafter~~.

Sec. 3. [124.6472] [SCHOOL BREAKFAST PROGRAM]

Subdivision 1. [BREAKFAST REQUIRED.] A school district shall offer a school breakfast program in every school building in which:

(1) at least 40 percent of the school lunches served during the 1989-1990 school year were served free or at a reduced price; or

(2) at least 50 percent of the parents surveyed by the district indicate a positive interest in having their children participate in the program.

Subd. 2. [EXEMPTION.] The provisions of subdivision 1 do not apply to a school in which fewer than 25 pupils would be expected to take part in the program.

Sec. 4. Minnesota Statutes 1988, section 171.29, subdivision 2, is amended to read:

Subd. 2. (a) A person whose drivers license has been revoked as provided

in subdivision 1, except under section 169.121 or 169.123, shall pay a \$30 fee before the person's drivers license is reinstated.

(b) A person whose drivers license has been revoked as provided in subdivision 1 under section 169.121 or 169.123 shall pay a \$200 fee before the person's drivers license is reinstated to be credited as follows:

(1) 25 percent shall be credited to the trunk highway fund;

(2) 50 percent shall be credited to a separate account to be known as the county probation reimbursement account. Money in this account may be appropriated to the commissioner of corrections for the costs that counties assume under Laws 1959, chapter 698, of providing probation and parole services to wards of the commissioner of corrections. This money is provided in addition to any money which the counties currently receive under section 260.311, subdivision 5;

(3) ten percent shall be credited to a separate account to be known as the bureau of criminal apprehension account. Money in this account may be appropriated to the commissioner of public safety and shall be divided as follows: eight percent for laboratory costs; two percent for carrying out the provisions of section 299C.065;

(4) 15 percent shall be credited to a separate account to be known as the ~~alcohol impaired~~ alcohol-impaired driver education account. Money in the account may be appropriated to the commissioner of education for grants to develop ~~alcohol impaired~~ alcohol-impaired driver education programs in elementary, secondary, and post-secondary schools. The state board of education shall establish guidelines for the distribution of the grants. ~~The commissioner of education shall report to the legislature by January 15, 1988, on the expenditure of grant funds under this clause.~~ Each year the commissioner may use \$100,000 to administer the grant program and other traffic safety education programs.

Sec. 5. [SCHOOL BREAKFAST SURVEY.]

Subdivision 1. [SURVEY REQUIRED.] By October 1, 1990, a school district shall complete a survey of parents of pupils enrolled in each school to determine the number of parents who are interested in having their children participate in a school breakfast program.

Subd. 2. [APPLICABILITY.] This section does not apply to a school building:

(1) that has a school breakfast program; or

(2) that is subject to section 3, subdivision 1, clause (1).

Subd. 3. [REPORTS.] Each school district shall report the survey results, including anticipated costs of providing the program, to the commissioner of education by November 1, 1990. By January 1, 1991, the commissioner shall report to the education committees of the legislature about the results of the surveys, including potential related costs to the districts, efforts by the commissioner to encourage expansion of the school breakfast program, the number of existing programs, and technical assistance provided by the commissioner to districts initiating or expanding participation in the school breakfast program.

Sec. 6. [1989 RULE COMPLIANCE LEVY.]

In 1989, special school district No. 1, Minneapolis, and independent

school district No. 709, Duluth, may each levy an amount up to a gross tax capacity rate of .80 percent times the adjusted gross tax capacity of the district for taxes payable in 1990. Each district may levy according to Minnesota Statutes, section 275.125, subdivision 6i, and this section. Notwithstanding Minnesota Statutes, section 121.904, the entire amount of this levy shall be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under Minnesota Statutes, section 124.155.

Sec. 7. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums in this section are appropriated, unless otherwise indicated, from the general fund to the department of education for the fiscal years designated.

Subd. 2. [ABATEMENT AID.] For abatement aid according to Minnesota Statutes, section 124.214:

\$5,111,000 1990,

\$6,019,000 1991.

The 1990 appropriation includes \$5,111,000 for 1990.

The 1991 appropriation includes \$902,000 for 1990 and \$5,117,000 for 1991.

Subd. 3. [ALCOHOL-IMPAIRED DRIVER EDUCATION GRANTS.] For grants for alcohol-impaired driver education according to Minnesota Statutes, section 171.29, subdivision 2, paragraph (b), clause (4):

\$620,000 1990,

\$620,000 1991.

This appropriation is from the special revenue fund.

Subd. 4. [CHISHOLM SCHOOL DISTRICT GRANT.] For grants for a leadership program in independent school district No. 695, Chisholm:

\$30,000 1990,

\$30,000 1991.

Subd. 5. [COOK COUNTY INDIAN EDUCATION GRANTS.] For grants to independent school district No. 166, Cook county, for Indian education at the Grand Portage elementary school:

\$50,000 1990,

\$50,000 1991.

Subd. 6. [HUTCHINSON SCHOOL DISTRICT.] To reimburse independent school district No. 423, Hutchinson, for expenses actually incurred in participating in the national bicentennial competition on the Constitution and Bill of Rights:

\$7,000 1990.

Subd. 7. [INTEGRATION GRANTS.] For grants to districts implementing desegregation plans mandated by the state board:

\$14,444,000 1990,

\$14,444,000 1991.

\$1,242,200 each year shall be allocated to independent school district No. 709, Duluth; \$7,135,300 each year shall be allocated to special school district No. 1, Minneapolis; and \$6,066,500 each year shall be allocated to independent school district No. 625, St. Paul. As a condition of receiving a grant, each district must continue to report its costs according to the uniform financial accounting and reporting system. As a further condition of receiving a grant, each district must submit a report to the chairs of the education committees of the legislature about the actual expenditures it made for integration using the grant money. These grants may be used to transport students attending a nonresident district under Minnesota Statutes, section 120.062 or 123.3515, to the border of the resident district. A district may allocate a portion of the grant to the transportation fund for this purpose.

Subd. 8. [NETT LAKE LIABILITY INSURANCE.] For a grant to independent school district No. 707, Nett Lake, to pay insurance premiums under Minnesota Statutes, section 466.06:

\$40,000 1990.

This sum is available until June 30, 1991.

Subd. 9. [NETT LAKE UNEMPLOYMENT COMPENSATION.] For payment of the obligation of independent school district No. 707, Nett Lake, for unemployment compensation:

\$40,000 1990.

This sum is available until June 30, 1991.

Subd. 10. [NONPUBLIC PUPIL AID.] For nonpublic pupil education aid according to Minnesota Statutes, sections 123.931 to 123.947:

\$8,524,000 1990,

\$8,847,000 1991.

The 1990 appropriation includes \$1,229,000 for 1989 and \$7,295,000 for 1990.

The 1991 appropriation includes \$1,288,000 for 1990 and \$7,559,000 for 1991.

Subd. 11. [SCHOOL LUNCH AND FOOD STORAGE AID.] For school lunch aid according to Minnesota Statutes, section 124.646, and for food storage and transportation costs for USDA donated commodities; and for a temporary transfer to the commodity processing revolving fund to provide cash flow to permit schools and other recipients of donated commodities to take advantage of volume processing rates:

\$4,625,000 1990,

\$4,625,000 1991.

Any unexpended balance remaining from the appropriations in this subdivision shall be prorated among participating schools based on the number of fully paid lunches served during that school year in order to meet the state revenue matching requirement of the USDA National School Lunch Program.

If the appropriation amount attributable to either year is insufficient, the rate of payment for each fully paid student lunch shall be reduced and the aid for that year shall be prorated among participating schools so as not to exceed the total authorized appropriation for that year.

Any temporary transfer processed in accordance with this subdivision to the commodity processing fund will be returned by June 30 in each year so that school lunch aid and food storage costs can be fully paid as scheduled.

Subd. 12. [SCHOOL MILK AID.] For school milk aid according to Minnesota Statutes, section 124.648:

\$800,000 1990,

\$800,000 1991.

Subd. 13. [TOBACCO USE PREVENTION AID.] For tobacco use prevention aid according to Minnesota Statutes, section 124.252:

\$565,000 1990,

\$672,000 1991.

The 1991 appropriation includes \$100,000 for 1990 and \$572,000 for 1991.

Subd. 14. [WEST ST. PAUL.] For a grant to independent school district No. 197, West St. Paul:

\$500,000 1990.

The proceeds of this grant must be deposited in the district's debt redemption fund.

Sec. 8. [EFFECTIVE DATE.]

Section 3 is effective September 1, 1991.

ARTICLE 9

MISCELLANEOUS PROVISIONS

Section 1. Minnesota Statutes 1988, section 121.11, is amended by adding a subdivision to read:

Subd. 17. [CHARTERED SCHOOLS.] The state board may authorize a chartered school subject to section 4.

Sec. 2. Minnesota Statutes 1988, section 121.88, subdivision 10, is amended to read:

Subd. 10. [EXTENDED DAY PROGRAMS.] A school board may offer, as part of a community education program, an extended day program for children from kindergarten through grade 6 for the purpose of expanding students' learning opportunities. A program must include the following:

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

(2) parental involvement in program design and direction;

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

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

The district may charge a sliding fee based upon family income for extended day programs. The district may receive money from other public or private sources for the extended day program. The school board of the district shall develop standards for school age child care programs. The state board of education may not adopt rules for extended day programs.

Sec. 3. Minnesota Statutes 1988, section 121.912, subdivision 1, is

amended to read:

Subdivision 1. [LIMITATIONS.] Except as provided in this subdivision, sections 121.9121, 123.36, 124.243, 475.61, and 475.65, a school district may not permanently transfer money from (1) an operating fund to a nonoperating fund; (2) a nonoperating fund to another nonoperating fund; or (3) a nonoperating fund to an operating fund. Permanent transfers may be made from any fund to any other fund to correct for prior fiscal years' errors discovered after the books have been closed for that year. Permanent transfers may be made from the general fund to any other operating funds if the resources of the other fund are not adequate to finance approved expenditures from that other fund. Permanent transfers may also be made from the general fund to eliminate deficits in another fund when that other fund is being discontinued. When a district discontinues operation of a district-owned bus fleet or a substantial portion of a fleet, permanent transfers may be made from the fund balance account entitled "pupil transportation fund reserved for bus purchases" to the capital expenditure fund, ~~with the approval of the commissioner or to the unreserved account in the transportation fund.~~ The levy authorized pursuant to sections 124.243 and 124.244, shall be reduced by an amount equal to the amount transferred ~~to the capital expenditure fund.~~ Any school district may transfer any amount from the undesignated fund balance account in its transportation fund to any other operating fund or to the reserved fund balance account for bus purchases in its transportation fund.

Sec. 4. [123.511] [CHARTERED SCHOOLS.]

Subdivision 1. [DEFINITION.] A charter is a binding agreement between a school district or the state board of education and parents, educators, and others to establish and operate a public school to provide innovative learning opportunities for children. A chartered school is a public school. The courses of study shall meet the state standards for similar courses in school districts unless a waiver has been granted by the state board of education.

Subd. 2. [AUTHORIZATION.] The school board of independent school district No. 281 and special school district No. 1 may grant a charter for a school according to this section. After June 30, 1992, the state board of education, according to criteria and procedures adopted by the board, may grant a charter to an applicant whose application was denied by a school board. However, the state board of education, according to criteria and procedures adopted by the board, may grant a charter after December 31, 1989, to an applicant whose application for a charter for a school for Indian children, according to subdivision 14, was denied by special school district No. 1.

Subd. 3. [APPLICATION.] An application for a chartered school may be submitted by a group of teachers, administrators, or parents. A full- or part-time program may be chartered. The chartered school may be within an existing school or any other location in the district. An application must include at least the following:

(1) a statement of purpose that addresses the way in which the school would provide innovative learning opportunities for children;

(2) a structure for the governance of the school that includes joint decision making by parents, teachers, administrators, and other people associated with the school;

- (3) a budget and plan for the financial operation of the school;
- (4) identified learner outcomes and methods of assessment and evaluation;
- (5) an explanation of the children expected to enroll in the school and methods of providing information about the school to the children and their parents; and
- (6) evidence of an agreement with all of the bargaining units in the district about employment procedures for the chartered school.

Subd. 4. [NOTIFICATION TO APPLICANTS.] The school board must notify an applicant within 90 days of receiving the application whether or not a charter is granted. If the charter is rejected, the notice must include specific reasons for the rejection. An application may not be resubmitted until one year after rejection.

Subd. 5. [OPERATION OF A CHARTERED SCHOOL.] The governing body of the chartered school shall manage the school and share authority and responsibility for providing instruction and educational services. The governing body may adopt rules for its operation, instruction, and records, and prescribe textbooks and courses of study.

Subd. 6. [CHARTER MODIFICATION.] A charter may be modified at any time by a resolution of both the governing body of the chartered school and the board that granted the charter.

Subd. 7. [DURATION.] The duration of a charter is perpetual, except that the governing body of a chartered school may relinquish the charter at any time.

Subd. 8. [REVOCATION.] A charter may be revoked at any time by the school board for the following reasons:

- (1) violation of the law;
 - (2) violation of the charter;
 - (3) mismanagement;
 - (4) insolvency;
 - (5) loss of accreditation;
 - (6) poor overall pupil performance as measured against pupil outcomes;
- or*
- (7) failure to meet accountability provisions of the charter. In lieu of revocation, the board may accept a plan to meet the accountability provisions.

Subd. 9. [ACCREDITATION.] A chartered school must meet the accreditation standards of an accrediting body approved by the state board within three years of being chartered.

Subd. 10. [INCORPORATION.] A chartered school must be incorporated under chapter 317.

Subd. 11. [WAIVER OF RULES.] The state board of education, upon receiving evidence that learning opportunities for pupils would be enhanced by the chartered school, may grant a waiver to a chartered school from any rule established by the board.

Subd. 12. [CHARTERED SCHOOL TEACHERS.] Teachers employed by the chartered school are included within the appropriate unit of the

school district for purposes of chapter 179A.

Subd. 13. [CHARTER PROVISIONS.] The charter must provide for the following, as agreed upon by the charter-granting board and the governing body of the chartered school:

(1) accountability measures for the school and procedures for the charter-granting board to make recommendations to the school when the board determines improvements are needed;

(2) financial arrangements, including state and federal aids, levy revenues, and other sources of revenue;

(3) responsibilities for providing transportation;

(4) responsibilities for liability and casualty insurance coverage; and

(5) other arrangements and procedures as determined by the charter-granting board and the governing body of the school.

Subd. 14. [CHARTERED SCHOOLS FOR INDIAN CHILDREN.] The following apply to any chartered school established for the purpose of providing innovative learning opportunities for Indian children:

(a) The governing body of the school may apply for a waiver from the desegregation rule established by the state board of education. This provision is not intended to restrict attendance to Indian children.

(b) The school is eligible to receive federal aid for Indian children according to section 124.64.

(c) The governing body of the chartered school may employ teachers to provide instruction in American Indian language and culture according to section 126.49.

(d) Within two years of being granted a charter, the governing board of the school shall report to the legislature on the progress of the school and make recommendations as to how the state can assist in improving learning opportunities for Indian children.

Sec. 5. Minnesota Statutes 1988, section 124.494, subdivision 2, is amended to read:

Subd. 2. [REVIEW BY COMMISSIONER.] (a) Any group of districts that submits an application for a grant shall submit a proposal to the commissioner for review and comment under section 121.15, and the commissioner shall prepare a review and comment on the proposed facility, regardless of the amount of the capital expenditure required to acquire, construct, remodel or improve the secondary facility. The commissioner must not approve an application for an incentive grant for any secondary facility unless the facility receives a favorable review and comment under section 121.15 and the following criteria are met:

(1) a minimum of three or more districts, with kindergarten to grade 12 enrollments in each district of no more than 1,000 pupils, enter into a joint powers agreement;

(2) a joint powers board representing all participating districts is established under section 471.59 to govern the cooperative secondary facility;

(3) the planned secondary facility will result in the joint powers district meeting the requirements of Minnesota Rules, parts 3500.2010 and 3500.2110;

(4) at least 240 pupils would be served in grades 10 to 12, 320 pupils would be served in grades 9 to 12, or 480 pupils would be served in grades 7 to 12;

(5) no more than one superintendent is employed by the joint powers board as a result of the cooperative secondary facility agreement;

(6) a statement of need is submitted, that may include reasons why the current secondary facilities are inadequate, unsafe or inaccessible to the handicapped;

(7) an educational plan is prepared, that includes input from both community and professional staff;

(8) a combined seniority list for all participating districts is developed by the joint powers board;

(9) an education program is developed that provides for more learning opportunities and course offerings for students than is currently available in any single member district; and

(10) a plan is developed for providing instruction of any resident students in other districts when distance to the secondary education facility makes attendance at the facility unreasonably difficult or impractical.

(b) To the extent possible, the joint powers board is encouraged to provide for severance pay or for early retirement incentives under section 125.611, for any teacher ~~or administrator~~, as defined under section 125.12, subdivision 1, who is placed on unrequested leave as a result of the cooperative secondary facility agreement.

(c) For the purposes of paragraph (a), clause (8), all teachers who were first employed by a participating district at the beginning of the same school year and who have taught in the district during each succeeding year have the same seniority.

Sec. 6. Minnesota Statutes 1988, section 125.12, subdivision 8, is amended to read:

Subd. 8. [IMMEDIATE DISCHARGE.] A school board may discharge a continuing-contract teacher, effective immediately, upon any of the following grounds:

(a) Immoral conduct, insubordination, or conviction of a felony;

(b) Conduct unbecoming a teacher which requires the immediate removal of the teacher from classroom or other duties;

(c) Failure without justifiable cause to teach without first securing the written release of the school board;

(d) Gross inefficiency which the teacher has failed to correct after reasonable written notice;

(e) Willful neglect of duty; or

(f) Continuing physical or mental disability subsequent to a 12 months leave of absence and inability to qualify for reinstatement in accordance with subdivision 7.

For purposes of this subdivision, conduct unbecoming a teacher includes an unfair discriminatory practice described in section 363.03, subdivision 5.

Prior to discharging a teacher the board shall notify the teacher in writing and state its ground for the proposed discharge in reasonable detail. Within ten days after receipt of this notification the teacher may make a written request for a hearing before the board and it shall be granted before final action is taken. The board may, however, suspend a teacher with pay pending the conclusion of such hearing and determination of the issues raised therein after charges have been filed which constitute ground for discharge.

Sec. 7. Minnesota Statutes 1988, section 125.17, subdivision 4, is amended to read:

Subd. 4. [GROUNDS FOR DISCHARGE OR DEMOTION.] Causes for the discharge or demotion of a teacher either during or after the probationary period shall be:

- (1) Immoral character, conduct unbecoming a teacher, or insubordination;
- (2) Failure without justifiable cause to teach without first securing the written release of the school board having the care, management, or control of the school in which the teacher is employed;
- (3) Inefficiency in teaching or in the management of a school;
- (4) Affliction with active tuberculosis or other communicable disease shall be considered as cause for removal or suspension while the teacher is suffering from such disability; or
- (5) Discontinuance of position or lack of pupils.

For purposes of this subdivision, conduct unbecoming a teacher includes an unfair discriminatory practice described in section 363.03, subdivision 5.

Sec. 8. Minnesota Statutes 1988, section 126.666, subdivision 4, is amended to read:

Subd. 4. [REPORT.] By October 1 of each year, the school board shall adopt, using state board standard reporting procedures, a report that includes the following:

- (1) learner outcomes adopted for that year;
- (2) results of local assessment data, and any additional test data;
- (3) the annual school district improvement plans; ~~and~~
- (4) information about progress that has been made toward the improvement plans that were previously adopted by the board; *and*
- (5) *information about the cost to educate a pupil in the district and an itemized list of revenue sources, including:*
 - (i) *state paid education aids;*
 - (ii) *state paid property tax credits;*
 - (iii) *school district levies; and*
 - (iv) *other sources of revenue.*

The school board shall publish the report in the local newspaper with the largest circulation in the district or by mail. The report shall be available for inspection by the public. *The information in clause (5) may also be reported by giving written information to pupils at school to take to their parents.* A copy of the report shall be sent to the commissioner of education

by October 15 of each year.

Sec. 9. Minnesota Statutes 1988, section 129.121, is amended by adding a subdivision to read:

Subd. 6. [SEXUAL HARASSMENT AND VIOLENCE POLICY AND RULES.] The board of the league shall adopt a policy, rules, penalties, and recommendations addressing sexual harassment and sexual violence toward and by participants in league activities.

Sec. 10. Minnesota Statutes 1988, section 136D.22, subdivision 1, is amended to read:

Subdivision 1. [BOARD.] The agreement ~~may~~ shall provide for a joint school board ~~which shall represent~~ representing the parties to the agreement; ~~and. The agreement shall specify the name of the board, the number and manner of election or appointment of its members, their terms and qualifications, and other necessary and desirable provisions; provided, that.~~ Each member of the board shall be a ~~voter of one school board member of the a school districts which district that~~ is a party to the agreement.

Sec. 11. Minnesota Statutes 1988, section 136D.72, subdivision 1, is amended to read:

Subdivision 1. [MEMBERS.] The district shall be operated by a school board of not less than six nor more than 12 members ~~which. The board shall consist of at least one member from each of the school districts within the special intermediate school district created. Board members shall be residents of the respective school districts represented, may be members of the school boards of the respective school districts and shall be appointed by their respective school boards. Members so appointed shall serve at the pleasure of their respective school districts boards and may be subject to recall by a majority vote of the participating school district board. They shall report at least quarterly to their appointing boards on the activities of the intermediate district and shall attend no less than one meeting of their respective appointing boards each month.~~

Sec. 12. Minnesota Statutes 1988, section 136D.82, subdivision 1, is amended to read:

Subdivision 1. [BOARD.] The agreement ~~may~~ shall provide for a joint school board ~~which shall represent~~ representing the parties to the agreement; ~~and. The agreement shall specify the name of the board, the number and manner of election or appointment of its members, their terms and qualifications, and other necessary and desirable provisions; provided, that.~~ Each member of the board shall be a ~~voter of one school board member of the a school districts which district that~~ is a party to the agreement.

Sec. 13. Minnesota Statutes 1988, section 422A.101, subdivision 2, is amended to read:

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

(a) a regular employer contribution of an amount equal to the percentage

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

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

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

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

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

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

Sec. 14. Laws 1984, chapter 463, article 6, section 15, subdivision 1,

as amended by Laws 1987, chapter 398, article 6, section 16, is amended to read:

Subdivision 1. [AUTHORIZATION.] In 1985 and each year thereafter, the newly created district formed by the consolidation of Independent School District No. 694, Buhl, and Independent School District No. 703, Mountain Iron, may make an additional levy to eliminate a deficit in the net unappropriated operating funds of the newly created district, determined as of June 30, 1985, and deficits incurred from July 1, 1985, through June 30, 1989, as certified and adjusted by the commissioner. This levy each year may be an amount not to exceed ~~4.0 mills~~ 3.20 percent times the adjusted ~~assessed valuation~~ gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 3.98 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter of the newly created district for the preceding year as determined by the equalization aid review committee. When the cumulative amount of the levies made pursuant to this subdivision equals the total amount of the certified deficit of the newly created district, the levy shall be discontinued.

Sec. 15. Laws 1988, chapter 718, article 7, section 61, subdivision 1, is amended to read:

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

Students may participate in the program if they reside in:

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

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

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

Sec. 16. Laws 1988, chapter 718, article 7, section 61, subdivision 6, is amended to read:

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

Sec. 17. Laws 1988, chapter 718, article 7, section 61, subdivision 7, is amended to read:

Subd. 7. [REVENUE COMPUTATION AND REPORTING.] Aid and levy revenue computations shall be based on the total number of hours of education programs for pupils in average daily membership for each fiscal

year. For purposes of *Minnesota Statutes*, section 124.17, average daily membership shall be computed by dividing the total number of hours of participation for the fiscal year by 1,050. Hours of participation that occur ~~between June 9 and after the end of the regular school year and before June 30~~ shall be attributed to the fiscal year following the hours of actual participation. Thirty hours may be used for teacher workshops, staff development, or parent-teacher conferences. As part of each pilot program, the department of education, the commissioner of education, and each district must report and evaluate the changes needed to adjust the dates of the fiscal year for aid and levy computation and fiscal reporting. For revenue computation purposes, the learning year program shall generate revenue based on the formulas for the fiscal year in which the services are provided.

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

Sec. 18. [REPEALER.]

Subdivision 1. [JULY 1, 1989.] Minnesota Statutes 1988, sections 120.05, subdivision 1; 120.13; 120.15; 120.16; 120.77; 121.09; 121.12; 121.151; 121.19; 121.35, subdivision 5; 121.49, subdivision 1; 121.496, subdivision 1; 121.83; 121.84; 121.843; 121.844; 121.845; 121.85; 121.86; 121.882, subdivisions 6 and 10; 121.902, subdivision 2; 121.9121, subdivision 6; 121.914, subdivisions 9 and 10; 122.86; 122.87; 122.88; 123.3511; 123.3512; 123.581, subdivisions 1 and 6; 123.60; 123.601; 123.68; 123.701; 124.12, subdivision 1; 124.2138, subdivisions 3 and 4; 124.496; 124.573, subdivision 2; 124A.27, subdivision 7; 125.02; 125.241, subdivision 3; 125.60, subdivision 7; 126.02; 126.025; 126.03; 126.05; 126.07; 126.10; 126.11; 126.39, subdivision 11; 126.52, subdivision 11; 126.70, subdivision 3; 126.80; 127.08; and 275.128, are repealed on July 1, 1989.

Subd. 2. [EFFECT OF CERTAIN REPEALS.] Rules adopted according to provisions of Minnesota Statutes that are repealed in this section remain in effect under Minnesota Statutes, section 121.11, until amended or repealed by the state board of education.

Sec. 19. [EFFECTIVE DATE.]

Sections 10, 11, and 12 are effective July 1, 1992. Section 13 is effective retroactively to May 7, 1988.

ARTICLE 10

LIBRARIES

Section 1. Minnesota Statutes 1988, section 134.31, is amended by adding a subdivision to read:

Subd. 5. [ADVISORY COMMITTEE.] The commissioner shall appoint an advisory committee of five members to advise the staff of the Minnesota library for the blind and physically handicapped on long-range plans and library services. Members shall be people who use the library. Section 15.059 governs this committee.

Sec. 2. Minnesota Statutes 1988, section 134.34, subdivision 2, is amended to read:

Subd. 2. Notwithstanding the provisions of section 134.33 and subdivision 1 of this section, after the second year of participation by a city or county, the dollar amount of the minimum level of support for that city or

county shall not be required to increase by more than ten percent over the dollar amount of the minimum level of support required of it in the previous year. If a participating city or county which has been providing for public library service support in an amount equivalent to .67 mill times the gross tax capacity of the taxable property of that city or county for the year preceding that calendar year would be required to increase the dollar amount of such support by more than ten percent to reach the equivalent of .4 mill times the adjusted gross tax capacity of the taxable property of that participating city or county as determined by the commissioner of revenue for the second year preceding that calendar year or the per capita amount calculated under the provisions of subdivision 1, it shall only be required to increase the dollar amount of such support by ten percent per year until such time as it reaches an amount equivalent to .4 mill times the adjusted gross tax capacity of that taxable property as determined by the commissioner of revenue for the second year preceding that calendar year or the per capita amount calculated under the provisions of subdivision 1.

Sec. 3. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the department of education for the fiscal years designated.

Subd. 2. [BASIC SUPPORT GRANTS.] For basic support grants according to Minnesota Statutes, sections 134.32 to 134.35:

\$5,801,000 1990,

\$6,093,000 1991.

The 1990 appropriation includes \$747,000 for 1989 and \$5,054,000 for 1990.

The 1991 appropriation includes \$892,000 for 1990 and \$5,201,000 for 1991.

Subd. 3. [MULTICOUNTY, MULTITYPE LIBRARY SYSTEMS.] For grants according to Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

\$247,000 1990,

\$256,000 1991.

The 1990 appropriation includes \$34,000 for 1989 and \$213,000 for 1990.

The 1991 appropriation includes \$38,000 for 1990 and \$218,000 for 1991.

Subd. 4. [AUTOMATED LIBRARY SYSTEM.] For a computer system to support operations of the Minnesota library for the blind and physically handicapped and for an advisory committee:

\$222,000 1990,

\$21,000 1991.

Up to \$4,000 each year may be used for the advisory committee for the Minnesota library for the blind and physically handicapped.

ARTICLE 11

EDUCATION AGENCY SERVICES

Section 1. Minnesota Statutes 1988, section 121.612, is amended to read:

121.612 ~~[CITATION MINNESOTA ACADEMIC EXCELLENCE FOUNDATION.]~~

Subdivision 1. ~~[CITATION.]~~ This section may be cited as the "Minnesota academic excellence act."

Subd. ~~1a~~ 2. ~~[CREATION OF FOUNDATION.]~~ There is created the Minnesota academic excellence foundation. The purpose of the foundation shall be to promote academic excellence in Minnesota public schools through a public-private ~~partnership~~ *partnerships*. The foundation shall be a nonprofit organization.

Subd. ~~2~~ 3. ~~[BOARD OF DIRECTORS.]~~ The board of directors of the foundation shall consist of ~~the governor or the governor's designee; the chairs of the education committee and education finance division in the house of representatives and the chairs of the education committee and education subcommittee on education aids in the senate; a minority member of the house of representatives to be appointed by the house minority leader; a minority member of the senate, to be appointed by the senate minority leader; the commissioner of education; and 15 members to be appointed by the governor. Of the 15 members appointed by the governor, six shall represent various education groups and nine shall represent various business groups. The board of directors shall meet as soon as possible after the effective date of this section.~~ The commissioner of education shall serve as secretary for the board of directors and provide administrative support to the foundation.

Subd. ~~3~~ 4. ~~[FOUNDATION PROGRAMS.]~~ The foundation ~~shall plan for~~ *may develop* programs ~~which that~~ advance the concept of educational excellence. These may include, but are not limited to:

- (a) recognition programs and awards for students demonstrating academic excellence;
- (b) summer institute programs for students with special talents;
- (c) recognition programs for teachers, administrators, and others who contribute to academic excellence;
- (d) summer mentorship programs with business and industry for students with special career interests and high academic achievements; and
- (e) governor's awards ceremonies to promote academic competition; and
- (f) *an academic league to provide organized challenges requiring cooperation and competition for public and nonpublic pupils in elementary and secondary schools.*

To the extent possible, the foundation shall make these programs available to students in all parts of the state.

Subd. 3a. ~~[ACADEMIC LEAGUE PLANS.]~~ The academic excellence foundation shall develop a plan for an academic league to promote academic excellence through organized challenges requiring both cooperation and competition for public and nonpublic pupils in elementary and secondary

~~schools. The foundation shall develop the plan in consultation with administrators of existing programs of academic competition and cooperation, the Minnesota state high school league, and the Minnesota association of secondary school principals. The foundation shall submit the plans to the education committees of the legislature by January 15, 1989.~~

Subd. 5. [POWERS AND DUTIES.] The foundation may:

- (1) establish and collect membership fees;*
- (2) publish brochures or booklets relating to the purposes of the foundation and collect reasonable fees for the publications;*
- (3) receive money and grants from nonstate sources for the purposes of the foundation;*
- (4) contract with consultants; and*
- (5) expend money for awards and other forms of recognition and appreciation.*

Subd. 4 6. [PRIVATE FUNDING.] The foundation shall seek private resources to supplement the available public money. Individuals, businesses, and other organizations may contribute to the foundation in any manner specified by the board of directors. All money received shall be administered by the board of directors.

Subd. 5 7. [REPORT.] The board of directors of the foundation shall submit an annual report to the education committees of the legislature on the progress of its activities ~~made pursuant to the provisions of this section~~. The annual report shall contain a financial report for the preceding year, including all receipts and expenditures of the foundation.

~~**Subd. 6. [FOUNDATION PUBLICATIONS.]** The foundation may publish brochures or booklets relating to the purposes of the foundation. The foundation may collect reasonable fees for the publications.~~

Subd. 7 8. [APPROPRIATION.] There is annually appropriated to the academic excellence foundation ~~any and all amounts received by the foundation pursuant to subdivision 6 this section~~.

Sec. 2. Minnesota Statutes 1988, section 121.931, subdivision 3, is amended to read:

Subd. 3. [SYSTEMS ARCHITECTURE PLAN.] The state board, with the advice and assistance of the ESV computer council, shall develop a systems architecture plan for providing administrative data processing to school districts, the department of education, and the legislature. In developing the plan, the state board shall consider at least the following: user needs; systems design factors; telecommunication requirements; computer hardware technology; and alternative hardware purchase and lease arrangements. ~~The plan shall be completed by September 1, 1981.~~

Sec. 3. Minnesota Statutes 1988, section 121.931, subdivision 4, is amended to read:

Subd. 4. [LONG-RANGE PLAN.] The state board, with the advice and assistance of the ESV computer council ~~and the information policy office~~, shall develop a long-range plan for providing administrative data processing to ~~elementary, secondary, and technical institute~~ school districts, the department of education, and the legislature. In developing the plan, the state board shall consider at least the following: desirable major enhance-

ments to the ESV-IS and SDE-IS; new system development proposals; new or modified approaches to provide support services to districts; the responsibility of regional management information centers to provide reports to the department on behalf of affiliated districts; and related development and implementation time schedules. The long-range plan shall address the feasibility and practicability of utilizing microcomputers, minicomputers, and larger computer systems. ~~The preliminary plan shall be prepared by November 1, 1981, and the plan shall be completed by January 1, 1982.~~ The plan shall be updated by September 15 of each even-numbered year. The long-range plan shall consist of one document and shall incorporate the systems architecture plan and all relevant portions of previous documents which have been referred to as the state computing plan.

Sec. 4. Minnesota Statutes 1988, section 121.931, subdivision 7, is amended to read:

Subd. 7. [APPROVAL POWERS.] The state board, with the advice and assistance of the ESV computer council *and the information policy office of the department of administration*, shall approve or disapprove the following, according to the criteria in section 121.937 and rules adopted pursuant to subdivision 8:

(a) the creation of regional management information centers pursuant to section 121.935;

(b) the transfer by a district of its affiliation from one regional management information center to another;

(c) the use by a district of a management information system other than the ESV-IS subsystem through the regional management information center or a state board approved alternative system pursuant to section 121.936, subdivisions 2 to 4; and

(d) annual and biennial plans and budgets submitted by regional management information centers pursuant to section 121.935, subdivisions 3 and 4.

Sec. 5. Minnesota Statutes 1988, section 121.934, subdivision 2, is amended to read:

Subd. 2. [MEMBERSHIP] The council shall be composed of:

(a) ~~four~~ six representatives of school districts, including one school district administrator from a rural school district, one school district administrator from an urban school district, *one school district administrator from a suburban school district*, ~~one school board member teacher from a rural school district, and one school board member teacher from an urban school district, and one teacher from a suburban school district;~~

(b) three persons employed in management positions in the private sector, at least two of whom are data processing managers or hold an equivalent position in the private sector;

(c) three persons employed in management positions in the public sector other than elementary, secondary, or vocational education, at least two of whom are data processing managers or hold an equivalent position in the public sector;

(d) ~~one person from the general public;~~

(e) one person representing post-secondary vocational technical education; and

(f) (e) one person from the department of education.

Members selected pursuant to clauses (b) and (c) shall not be employees or board members of ~~local~~ school districts or the department of education. The council shall include at least one resident of each congressional district.

Sec. 6. Minnesota Statutes 1988, section 121.935, subdivision 5, is amended to read:

Subd. 5. [~~REGIONAL DISTRICT DATA REPORTING SUBSIDIES.~~] In any year when a regional management information center's annual plan and budget are approved pursuant to subdivision 3, the *member districts of a center* shall receive a *regional district data* reporting subsidy grant from the department of education. The subsidy grant shall be in the amount allocated by the state board in the process of approving the annual budgets of the regional management information centers pursuant to subdivision 3. The amounts of the subsidy grants and an explanation of the allocation decisions shall be filed by the state board with the committees on education and finance of the senate and the committees on education and appropriations of the house of representatives.

~~For subsidy grants for fiscal year 1981 and for each fiscal year thereafter,~~ The state board is encouraged to recognize that the diversity of regional management information centers precludes a formula-based allocation of subsidy grants, to promote equity and access to regional services in the allocation process, and to consider the following factors:

(a) The number of students in districts affiliated with the center;

(b) The number of districts affiliated with the center;

(c) Fixed and overhead costs to be incurred in operating the regional center, the finance subsystem, the payroll/personnel subsystem, and the student support subsystem;

(d) Variable costs to be incurred which differ in proportion to the number of districts served and the number of subsystems implemented for those districts;

(e) Services provided to districts which enable the districts to meet state reporting requirements;

(f) The cost of meeting the reporting requirements of subdivision 2 for districts using approved alternative management information systems; and

(g) The number of districts affiliated with a regional management information center in relation to the geographic area occupied by those districts.

Based on these considerations the board shall determine the appropriate amount needed by each center and allocate that amount to each member district according to the number of actual pupil units in the district. The amount allocated to all districts of a region shall not be less in fiscal years 1990 and 1991 than the amount received by the center in fiscal year 1989.

Sec. 7. Minnesota Statutes 1988, section 121.935, subdivision 6, is amended to read:

Subd. 6. [FEES.] Regional management information centers may charge fees to affiliated districts for the cost of services provided to the district

and the district's proportionate share of outstanding regional debt. If a district uses a state approved alternative finance system for processing its detailed transactions or transfers to another region, ~~the district is liable for its contracted proportionate share of the outstanding regional debt.~~ the district is not liable for any ~~additional outstanding regional debt that occurs obligations incurred~~ after written notice is given to transfer or use an alternative finance system. In no event shall the annual fee of a district participating in a state pilot program of an alternative financial management information system exceed the annual fee chargeable to the district in the absence of the pilot program.

Sec. 8. Minnesota Statutes 1988, section 121.936, subdivision 1, is amended to read:

Subdivision 1. [~~MANDATORY SCHOOL DISTRICT PARTICIPATION.~~]

(a) Every district shall perform financial accounting and reporting operations on a financial management accounting and reporting system utilizing multidimensional accounts and records defined in accordance with the uniform financial accounting and reporting standards adopted by the state board pursuant to sections 121.90 to 121.917.

(b) ~~Every~~ A school district shall ~~may~~ be affiliated with ~~one and only one~~ a regional management information center. This affiliation shall include at least the following components:

(1) The center shall provide reports to the department of education for the district to the extent required by the data acquisition calendar.

(2) The district shall process every detailed financial transaction using, at the district's option, either the ESV-IS finance subsystem through the center or an alternative system approved by the state board.

Notwithstanding the foregoing, a district may process and submit its financial data to a region or the state in summary form if it operates an approved alternative system or participates in a state approved pilot test of an alternative system and is reporting directly to the state as of January 1, 1987.

(c) The provisions of this subdivision shall not be construed to prohibit a district from purchasing services other than those described in clause (b) from a center other than the center with which it is affiliated pursuant to clause (b).

Districts operating an approved alternative system may transfer their affiliation from one regional management information center to another. At least one year prior to July 1 of the year in which the transfer is to occur, the district shall give written notice to its current region of affiliation of its intent to transfer to another region *or withdraw from the regional center*. The one year notice requirement may be waived if the two regions mutually agree to the transfer.

Sec. 9. Minnesota Statutes 1988, section 121.936, subdivision 4a, is amended to read:

Subd. 4a. ~~By July 1, 1984,~~ The department of education shall develop and implement an alternative reporting system for submission of financial data in summary form. This system shall accommodate the use of a micro-computer finance system to be developed and maintained by the department of education. The alternative reporting system must comply with sections 121.90 to 121.917. The provisions of this subdivision shall not be construed

to require the department to purchase computer hardware nor to prohibit the department from purchasing services from any regional management information center or the Minnesota educational computing consortium.

Sec. 10. Minnesota Statutes 1988, section 121.936, is amended by adding a subdivision to read:

Subd. 7. [DISTRICT WITHDRAWAL.] (a) Before withdrawing from an ESV region, a district shall develop a long-range information management plan. The plan must be for a five-year period and must include the following:

- (1) hardware architecture and costs;*
- (2) software needs and purchases;*
- (3) telecommunication needs;*
- (4) a financial plan; and*
- (5) a human resources plan.*

(b) The plan must be submitted to the information policy office by January 1 before the beginning of the fiscal year in which the district intends to withdraw. By the following February 1, the information policy office shall submit its recommendations to the ESV council. The council may approve or disapprove the withdrawal. This action must occur by the following May 1. If the withdrawal is disapproved, the council must state its reasons for the disapproval. The district may appeal the decision to the state board. The board shall develop procedures for the appeal process so that a final decision may be made prior to the following July 1.

Sec. 11. Minnesota Statutes 1988, section 126.56, subdivision 4, is amended to read:

Subd. 4. [ELIGIBLE PROGRAMS INSTITUTIONS.] A scholarship may be used only for an eligible program. ~~An eligible program shall be approved by the state board of education. An eligible program shall be sponsored by at an eligible institution. A Minnesota public post-secondary institution is an eligible institution. A private post-secondary institution that is eligible if it:~~

- (1) is accredited by the North Central Association of Colleges;
- (2) offers at least an associate or baccalaureate degree program approved under section 136A.65, subdivision 1; and
- (3) is located in Minnesota.

~~An eligible program shall, as its primary purpose, provide academic instruction for student enrichment in curricular areas including, but not limited to, communications, humanities, social studies, social science, science, mathematics, art, or foreign language. The program shall not be offered for credit to post-secondary students. It shall not provide remedial instruction. Additional requirements for eligibility may be established by the state board of education and the higher education coordinating board.~~

Sec. 12. Minnesota Statutes 1988, section 126.56, is amended by adding a subdivision to read:

Subd. 4a. [ELIGIBLE PROGRAMS.] A scholarship may be used only for an eligible program. To be eligible, a program must:

- (1) provide, as its primary purpose, academic instruction for student

enrichment in curricular areas including, but not limited to, communications, humanities, social studies, social science, science, mathematics, art, or foreign languages;

(2) not be offered for credit to post-secondary students;

(3) not provide remedial instruction;

(4) meet any other program requirements established by the state board of education and the higher education coordinating board; and

(5) be approved by the state board of education.

Sec. 13. [129B.481] [TEACHER CENTER GRANTS.]

Subdivision 1. [DEFINITION.] For the purposes of this section, "teacher" has the meaning given it in section 179A.03, subdivision 18.

Subd. 2. [ESTABLISHMENT.] A teacher center may be established by one or more school boards and the exclusive representatives of the teachers. The teacher center shall serve at least ten districts or 3,000 teachers.

Subd. 3. [POLICY BOARD MEMBERSHIP] Representatives of exclusive representatives and representatives of the school boards shall mutually determine the composition of the policy board according to the guidelines in this subdivision. A majority of the policy board must be teachers. The number of policy board members from each participating district must be in proportion to the number of teachers in each district. The board shall be composed of elementary teachers, secondary teachers, and other teachers, parents, and representatives of school boards, post-secondary education, business, and labor. At least one teacher from each participating district shall be a member of the board.

Subd. 4. [BOARD POWERS AND DUTIES.] The board shall develop policy, designate a fiscal agent, adopt a budget, expend funds to accomplish the purposes of the center, contract for technical and other assistance, and perform other managerial or supervisory activities consistent with the rules of the state board of education. The board may employ staff or contract with consultants for services.

Subd. 5. [CENTER FUNCTIONS.] A teacher center shall perform functions according to this subdivision. The center shall assist teachers, diagnose learning needs, experiment with the use of multiple instructional approaches, assess pupil outcomes, assess staff development needs and plans, and teach school personnel about effective pedagogical approaches. The center shall develop and produce curricula and curricular materials designed to meet the educational needs of pupils being served, by applying educational research and new and improved methods, practices, and techniques. The center shall provide programs to improve the skills of teachers to meet the special educational needs of pupils. The center shall provide programs to familiarize teachers with developments in curriculum formulation and educational research, including how research can be used to improve teaching skills. The center shall facilitate sharing of resources, ideas, methods, and approaches directly related to classroom instruction and improve teachers' familiarity with current teaching materials and products for use in their classrooms. The center shall provide in-service programs.

Subd. 6. [TASK FORCE.] An advisory task force is established to assist the board of teaching in various aspects of teacher centers. The advisory

task force consists of 14 persons appointed by the board of teaching as follows: (1) two elementary, two secondary, and one special area teacher recommended by the Minnesota federation of teachers; (2) two elementary, two secondary, and one special area teacher recommended by the Minnesota education association; (3) one member recommended by the Minnesota school boards association; (4) one member representing the faculty of post-secondary colleges of education recommended by the higher education coordinating board; (5) one member recommended by the commissioner of education; and (6) one member recommended by the state board of education.

Subd. 7. [GRANT APPLICATIONS AND AWARDS.] The board of teaching, through the advisory task force, shall prescribe the form and manner of applications for grants for teacher centers. Each application must include the approval of the teachers' exclusive representatives and the school boards of all participating districts.

Upon approval of an application by the advisory task force, the board of teaching shall award a planning grant of not more than \$75,000 for a teacher center. The grant shall be used to develop a final plan of operation for a teacher center. The advisory task force shall recommend the amount of a planning grant based on the number of teachers to be served by the center.

Each grant recipient shall provide information to the board of teaching about how the proceeds of the grant were used.

Sec. 14. [STUDY OF REGIONAL MANAGEMENT INFORMATION CENTERS.]

The legislative commission on public education may conduct a study of the current structure of regional management information centers for educational purposes. The commission may contract with a private organization for the study.

The following shall be included in the study:

(1) the current role of the centers with regard to data processing, providing servicing for hardware and software, and data editing and transmission to the department of education;

(2) evaluation of the current technological status of the regions' hardware and software;

(3) the cost effectiveness of the centers;

(4) the governance and internal management structure of the centers;

(5) the processing and servicing capacity of the centers for long-term transition to instructional computing;

(6) technological changes that would allow a district to process and report internal data required by the state on a stand-alone basis;

(7) the cost effectiveness of centralized data processing and the effect on data accuracy;

(8) the effect of competition on long-term maintenance of district software;

(9) the existence of centralized processing while maintaining regional centers directly responsible for providing services for districts;

(10) the relationship of the centers to ECSUs and other regional delivery

systems; and

(11) a review of the implementation of current data and technological standards.

The report shall include recommendations about an appropriate administrative structure for education computing. The information policy office may assist the commission and shall evaluate the recommendations of the report as to the compatibility with the statewide information architecture and strategic direction in information technology. The report shall also propose standards and a schedule to efficiently change from the current structure to a recommended structure.

Sec. 15. [NORTHEAST ECSU LEVY.]

The educational cooperative service unit in region three shall report to the department of education on the date determined by the department the total amount of its deficit as of June 30, 1989. The report shall include each participating school district's share of the deficit. In 1989 each participating school district shall levy its proportionate share of the deficit. The levy for each district may not exceed the amount raised by a gross tax capacity rate of .82 percent times the adjusted gross tax capacity of the district for taxes payable in 1990.

Sec. 16. [APPROPRIATIONS.]

Subdivision 1. [STATE AGENCIES.] The sums indicated in this section are appropriated from the general fund to the department of education, unless otherwise indicated, for the fiscal years designated.

Subd. 2. [TEACHER CENTER GRANTS.] To the board of teaching for grants to teacher centers according to section 13:

\$150,000 1990,

\$150,000 1991.

Subd. 3. [OFFICE ON TRANSITION SERVICES.] For the interagency office on transition services according to Minnesota Statutes, section 120.183:

\$80,000 1990,

\$80,000 1991.

Subd. 4. [AMERICAN INDIAN SCHOLARSHIPS.] For American Indian scholarships according to Minnesota Statutes, section 124.48:

\$1,582,000 1990,

\$1,582,000 1991.

Any unencumbered balance remaining in the first year does not cancel but is available for fiscal year 1991.

Subd. 5. [GED ON TV.] For statewide purchase of broadcast costs, publicity, and coordination of the GED on television series:

\$100,000 1990,

\$100,000 1991.

Subd. 6. [BASIC SKILLS EVALUATION.] To complete the development and testing of an adult basic skills evaluation system:

\$75,000 1990,

\$75,000 1991.

This appropriation is contingent upon the department's receipt of \$1 from private sources for each \$2 of this appropriation. The commissioner of education must certify receipt of the private matching funds.

The commissioner shall contract with an organization that is not connected with the delivery system.

Subd. 7. [EDUCATIONAL COOPERATIVE SERVICE UNITS.] For educational cooperative service units:

\$749,000 1990,

\$749,000 1991.

The 1990 appropriation includes \$113,000 for 1989 and \$636,000 for 1990.

The 1991 appropriation includes \$113,000 for 1990 and \$636,000 for 1991.

Money from this appropriation may be transmitted to ECSU boards of directors for general operations in amounts of up to \$68,000 per ECSU for each fiscal year. The ECSU whose boundaries coincide with the boundaries of development region 11 and the ECSU whose boundaries encompass development regions six and eight may receive up to \$136,000 for each fiscal year.

Before releasing money to the ECSUs, the department of education shall assure that the annual plan of each ECSU explicitly addresses the specific educational services that can be better provided by an ECSU than by a member district. The annual plan must include methods to increase direct services to school districts in cooperation with the state department of education. The department may withhold all or a portion of the money for an ECSU if the department determines that the ECSU has not been providing services according to its annual plan.

Subd. 8. [DISTRICT DATA REPORTING GRANTS.] For grants to school districts for reporting data directly to the department of education or through regional management information centers:

\$3,411,000 1990,

\$3,411,000 1991.

These grants shall be allocated to school districts according to section 121.935, subdivision 5.

Subd. 9. [STATE PER ASSISTANCE.] For state assistance for planning, evaluating, and reporting:

\$601,000 1990,

\$601,000 1991.

At least \$45,000 each year shall be used for assisting districts with the assurance of mastery program.

Subd. 10. [EDUCATIONAL EFFECTIVENESS.] For educational effectiveness programs:

\$600,000 1990,

\$600,000 1991.

Subd. 11. [CURRICULUM AND TECHNOLOGY INTEGRATION.] For

curriculum and technology services:

\$600,000 1990,

\$600,000 1991.

Up to \$355,000 each year shall be used for courseware integration centers.

Up to \$215,000 each year shall be used for technology services.

Up to \$30,000 each year may be used for disseminating information about technology innovations identified in the technology demonstration sites.

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

\$38,000 1990,

\$38,000 1991.

Subd. 13. [HEALTH AND WELLNESS CURRICULUM.] For the development and dissemination of the comprehensive health and wellness curriculum:

\$30,000 1990.

The appropriation is available until June 30, 1991.

Subd. 14. [ACADEMIC EXCELLENCE FOUNDATION.] For the academic excellence foundation according to Minnesota Statutes, section 121.612:

\$175,000 1990,

\$175,000 1991.

Up to \$50,000 each year is contingent upon the department's receipt of \$1 from private sources for each \$1 of the appropriation. The commissioner of education must certify receipt of the private matching funds.

The complement for the foundation is increased by .5.

Subd. 15. [SUMMER PROGRAM SCHOLARSHIPS.] To the higher education coordinating board, for scholarship awards for summer programs according to Minnesota Statutes, section 126.56:

\$214,000 1990,

\$214,000 1991.

Of this appropriation, any amount required by the higher education coordinating board may be used for the board's costs of administering the program.

Subd. 16. [STUDY OF REGIONAL MANAGEMENT INFORMATION CENTERS.] To the legislative commission on public education for a study of regional management information centers according to section 14:

\$150,000 1990.

Sec. 17. [REPEALER.]

Minnesota Statutes 1988, sections 125.231 and 126.81, are repealed. Laws 1988, chapter 718, article 5, section 4, is repealed.

Sec. 18. [EFFECTIVE DATE.]

Section 5 is effective the day following final enactment. The changes in

the composition of the ESV computer council shall occur as vacancies occur or the terms of members expire.

ARTICLE 12

STATE AGENCIES'

APPROPRIATIONS FOR EDUCATION

Section 1. Minnesota Statutes 1988, section 129C.10, is amended to read:

129C.10 [MINNESOTA SCHOOL AND RESOURCE CENTER FOR THE ARTS EDUCATION.]

Subdivision 1. [GOVERNANCE.] The board of the Minnesota ~~school and resource~~ center for the arts *education* shall consist of 15 persons. The members of the board shall be appointed by the governor with the advice and consent of the senate. At least one member must be appointed from each congressional district.

Subd. 2. [TERMS, COMPENSATION, AND OTHER.] The membership terms, compensation, removal of members, and filling of vacancies shall be as provided for in section 15.0575. A member may serve not more than two consecutive terms.

Subd. 3. [POWERS AND DUTIES OF BOARD.] (a) The board has the powers necessary for the care, management, and control of the Minnesota ~~school and resource~~ center for the arts *education* and all its real and personal property. The powers shall include, but are not limited to, those listed in this subdivision.

(b) The board may employ and discharge necessary employees, and contract for other services to ensure the efficient operation of the ~~school and resource~~ center *for arts education*.

(c) *The board may receive and award grants.* The board may establish a charitable foundation and accept, in trust or otherwise, any gift, grant, bequest, or devise for educational purposes and hold, manage, invest, and dispose of them and the proceeds and income of them according to the terms and conditions of the gift, grant, bequest, or devise and its acceptance.

(d) The board may establish or coordinate evening, continuing education, extension, and summer programs ~~through the resource center~~ for teachers and pupils.

(e) The board may identify pupils in grades 9 to 12 who have artistic talent, either demonstrated or potential, in dance, literary arts, media arts, music, theater, and visual arts, or in more than one art form.

(f) The board shall educate pupils with artistic talent by providing:

(1) a pilot interdisciplinary academic and arts program for pupils in the 11th and 12th grades, beginning with 135 pupils in the 11th grade in September 1989, and 135 pupils in the 11th grade and 135 pupils in the 12th grade in September 1990;

(2) intensive arts seminars for one or two weeks for ~~9th and 10th grade~~ pupils *in grades 9 to 12*;

(3) summer arts institutes for pupils in grades 9 to 12;

(4) artist mentor and extension programs in regional sites; and

(5) teacher education programs for indirect curriculum delivery.

(g) The board may determine the location for the Minnesota ~~school and resource~~ center for the arts *education* and any additional facilities related to the ~~school~~ center, including the authority to lease a temporary facility.

(h) The board must plan for the enrollment of pupils on an equal basis from each congressional district.

(i) The board may establish task forces as needed to advise the board on policies and issues. The task forces expire as provided in section 15.059, subdivision 6.

(j) The board may request the commissioner of education for assistance and services.

(k) The board may enter into contracts with other public and private agencies and institutions for residential and building maintenance services if it determines that these services could be provided more efficiently and less expensively by a contractor than by the board itself. The board may also enter into contracts with public or private agencies and institutions, school districts or combinations of school districts, or educational cooperative service units to provide supplemental educational instruction and services.

(l) The board may provide or contract for services and programs by and for the ~~arts high school~~ center for arts *education*, including a ~~school~~ store, operating in connection with the ~~school~~ center; theatrical events; and other programs and services that, in the determination of the board, serve the purposes of the ~~arts high school~~ center.

(m) The board may provide for transportation of pupils to and from the ~~school and resource~~ center for the arts *education* for all or part of the school year, as the board considers advisable and subject to its rules. Notwithstanding any other law to the contrary, the board may charge a reasonable fee for transportation of pupils. Every driver providing transportation of pupils under this paragraph must possess all qualifications required by the state board of education. The board may contract for furnishing authorized transportation under rules established by the commissioner of education and may purchase and furnish gasoline to a contract carrier for use in the performance of a contract with the board for transportation of pupils to and from the ~~school and resource~~ center for the arts *education*. When transportation is provided, scheduling of routes, establishment of the location of bus stops, the manner and method of transportation, the control and discipline of pupils, and any other related matter is within the sole discretion, control, and management of the board.

(n) The board may provide room and board for its pupils.

(o) The board may establish and set fees for services and programs without regard to chapter 14. If the board sets fees not authorized or prohibited by the Minnesota public school fee law, it may do so without complying with the requirements of section 120.75, subdivision 1.

Subd. 3a. [~~ARTS HIGH SCHOOL CENTER FUND APPROPRIATION.~~]
There is established in the state treasury ~~an a center for arts high school~~ *education* fund. All money collected by the board shall be deposited in the fund. Money in the fund, including interest earned, is annually appropriated to the board for the operation of its services and programs.

Subd. 4. [EMPLOYEES.] (a) (1) The board shall appoint a director of the ~~school and resource~~ center for the arts *education* who shall serve in the unclassified service.

(2) The board shall employ, upon recommendation of the director, a coordinator of the ~~resource center~~ *programs* who shall serve in the unclassified service.

(3) The board shall employ, upon recommendation of the director, up to six department chairs who shall serve in the unclassified service. The chairs shall be licensed teachers unless no licensure exists for the subject area or discipline for which the chair is hired.

(4) The board may employ other necessary employees, upon recommendation of the director.

(5) The board shall employ, upon recommendation of the director, an executive secretary for the director, who shall serve in the unclassified service.

(b) The employees hired under this subdivision and other necessary employees hired by the board shall be state employees in the executive branch.

Subd. 4a. [ADMISSION AND CURRICULUM REQUIREMENTS GENERALLY.] (a) The board may adopt rules for admission to and discharge from the ~~school~~ *full-time programs for talented pupils* and rules regarding the operation of the ~~school and resource~~ center, including transportation of its pupils. Rules covering admission and discharge are governed by chapter 14. *Rules covering discharge from the full-time program for talented pupils must be consistent with sections 127.26 to 127.39, the pupil fair dismissal act.* Rules regarding discharge and the operation of the ~~school center~~ are not governed by chapter 14.

(b) Proceedings concerning the *full-time program for talented pupils, including admission to or, discharge from the school, a pupil's program at the school, and a pupil's progress at the school,* are governed by the rules adopted by the board and are not contested cases governed by chapter 14.

Subd. 5. [RESOURCE CENTER PROGRAMS.] The Resource ~~center~~ *shall offer programs that are must be* directed at improving arts education in elementary and secondary schools throughout the state. The programs offered shall include at least summer institutes offered to pupils in various regions of the state, in-service workshops for teachers, and leadership development programs for teachers. The board shall establish a resource ~~center~~ *programs* advisory council composed of elementary and secondary arts educators, representatives from post-secondary educational institutions, department of education, state arts board, regional arts councils, educational cooperative service units, school district administrators, parents, and other organizations involved in arts education. The advisory council shall include representatives from a variety of arts disciplines and from various areas of the state. The advisory council shall advise the board about the ~~activities of the center resource programs.~~ *Programs offered through the Resource center programs shall promote and develop arts education programs offered by school districts and arts organizations and shall assist school districts and arts organizations in developing innovative programs programming.* The board may contract with arts organizations to provide resource programs ~~through the resource center.~~ The advisory council shall advise the board on contracts and ~~programs grants~~ related to the operation

of the resource center programs.

Subd. 6. [PUBLIC POST-SECONDARY INSTITUTIONS; PROVIDING SPACE.] Public post-secondary institutions shall provide space for programs offered by the Minnesota school and resource center for the arts education at no cost to the Minnesota school and resource center for the arts to the extent that space is available at the public post-secondary institutions.

Sec. 2. Minnesota Statutes 1988, section 141.25, subdivision 8, is amended to read:

Subd. 8. [FEES AND TERMS OF LICENSE.] (a) Applications for initial license under sections 141.21 to 141.36 shall be accompanied by \$440 \$510 as a nonrefundable application fee.

(b) All licenses shall expire on December 31 of each year. Each renewal application shall be accompanied by a nonrefundable renewal fee of \$330 \$380.

(c) Application for renewal of license shall be made on or before October 1 of each calendar year. Each renewal form shall be supplied by the commissioner. It shall not be necessary for an applicant to supply all information required in the initial application at the time of renewal unless requested by the commissioner.

Sec. 3. Minnesota Statutes 1988, section 141.26, subdivision 5, is amended to read:

Subd. 5. [FEE.] The initial and renewal application for each permit shall be accompanied by a nonrefundable fee of \$465 \$190.

Sec. 4. Minnesota Statutes 1988, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical institutes, state academies, the Minnesota center for arts education, and political subdivisions of the state are exempt. Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, clause (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

Sec. 5. [INSTRUCTION TO REVISOR.]

The revisor of statutes is requested to change the name of Minnesota Statutes, chapter 129C, from "Minnesota School and Resource Center for the Arts" to "Minnesota Center for Arts Education."

Sec. 6. [MAGNET ARTS PROGRAMS.]

The center shall identify at least one school district in each congressional

district with the interest and potential to offer magnet arts programs using the curriculum developed by the Minnesota center for arts education. A report on legislative action needed to implement magnet arts programs shall be submitted to the education committees of the legislature by February 1, 1990.

Sec. 7. SUMMARY BY

AGENCY - ALL FUNDS

	1989	1990	1991
Department of			
Education	\$115,700	\$16,516,700	\$16,568,700
Faribault Academies		\$ 7,201,000	\$ 7,201,000
Minnesota Center for			
Arts Education		\$ 6,000,000	\$ 6,200,000

APPROPRIATIONS

Available for the Year
Ending June 30

1989	1990	1991
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Sec. 8. DEPARTMENT OF EDUCATION

Subdivision 1.

Total Appropriation	\$115,700	\$16,516,700	\$16,568,700
Approved Complement - 1990	1991		
General Fund -	256.8	256.8	
Other -	29.1	29.1	
Federal -	120.6	120.6	
Total -	406.5	406.5	

The sums indicated in this section are appropriated from the general fund, unless otherwise indicated, to the department of education for the fiscal years indicated.

The amounts that may be spent from this appropriation for each program are specified in the following subdivisions.

The commissioner of education, with the approval of the commissioner of finance, may transfer unencumbered balances among the programs during the biennium. Transfers must be reported immediately to the senate and house of representatives education committees. During the biennium, the commissioner of education may transfer money among the various object of expenditure categories and activities within each program, unless restricted by executive order.

The commissioner of education, with the approval of the commissioner of finance, may transfer complement among funds if necessary. The commissioner must report material changes to the senate and house of representatives education committees.

Subd. 2. Educational Services

1990	1991
\$6,624,000	\$7,671,000

\$21,000 each year is from the trunk highway fund.

\$100,000 each year is from the alcohol-impaired driver education account in the special revenue fund.

The state complement of the community and adult education section is

increased by 2.5.

The base in the learner support section is reduced by \$691,000 each year.

The state complement in the institutional approval section is increased by 1.3.

The state complement in the equal opportunities section is increased by 1.0.

The state complement in the Indian education section is increased by 4.5.

The state complement in the assessment and program evaluation section is increased by 2.5.

One complement in the curriculum services section is transferred from the public health fund to the general fund.

\$450,000 each year may be used for the identification and integration of learner outcomes. Of these amounts, \$175,000 in fiscal year 1990 is for the identification of vocational career learner outcomes.

\$495,000 each year is for continued development of the assessment item bank and for technical assistance to districts in the use of assessment measures including the item bank.

Subd. 3. Educational Administration and Financial

1989	1990	1991
\$115,700	\$8,922,700	\$8,897,700

The commissioner of education shall maintain no more than six total complement in the categories of commissioner, deputy commissioner, assistant commissioner, assistant to the commissioner, or executive assistant.

The state complement of the education finance and analysis section is increased by 2.0 for processing pupil enrollment transfers.

The state complement in the district finance and administration section is increased by 1.0 for the purposes of coordinating and disseminating information about all education options programs.

The complement for the education data systems section is increased by 6.0. The commissioner shall develop an information management policy within the department of education to analyze the purpose and use of the integrated data base and other data gathered by the department from school districts. The policy shall consider uses of the information by the department of education, other state departments, the public, and the legislature. \$50,000 is available each year to contract with an independent consultant to design an information management policy.

The department shall develop systems to ensure the accuracy and timeliness of all data that are to become a part of the integrated data base.

The base in the child nutrition section is reduced by \$30,000 each year.

\$25,000 each year is for the development and distribution of training videos for school bus drivers.

\$43,000 each year is for the administration and operation of an on-line computer based library catalog system.

\$20,000 each year is to expand the collection of the department's library development and services library.

\$14,000 each year is for an internal audit of the department. The audit shall include analysis of the payment of credits and aids by the department to school districts.

The state complement for the administrative support section is increased by 3.5.

\$115,700 is appropriated for fiscal year 1989, \$179,700 for fiscal year 1990, and \$179,700 for fiscal year 1991 for expenses incurred for litigation of a challenge to the constitutionality of the education financing system. Any unencumbered balances must not be transferred to other programs.

Effective December 31, 1989, the total state approved complement in the department is reduced by 6.5. This reduction shall be allocated within the department by the commissioner of education.

Sec. 9. FARIBAULT RESIDENTIAL ACADEMIES AND RESOURCE CENTER

Total Appropriations		\$7,201,000	\$7,201,000
Approved Complement -	1990	1991	
State -	187.6	187.6	
Federal -	8.0	8.0	
Total -	195.6	195.6	

The state board of education, with the approval of the commissioner of finance, may transfer complement among funds if necessary. The state board must report material changes to the senate and house of representatives education committees.

\$155,000 each year and one complement are for an extended year program.

\$22,000 each year and one complement are for a security officer.

\$16,000 each year is for the resource center.

Any unexpended balance remaining from the appropriation in this section in 1990 shall not cancel but is available in 1991.

Sec. 10. MINNESOTA CENTER FOR ARTS EDUCATION

Total Appropriations		\$6,000,000	\$6,200,000
Approved Complement -	1990	1991	
State -	39.0	49.0	
Total -	39.0	49.0	

The state complement for the Minnesota center for arts education is increased by 18.0 for the first year and 28.0 the second year.

Any unexpended balance remaining from the appropriation in this section in 1990 shall not cancel but is available in 1991.

ARTICLE 13

TECHNICAL CHANGES

FOR SCHOOL DISTRICT PROPERTY TAXES

Section 1. Minnesota Statutes 1988, section 124.2131, subdivision 1, is amended to read:

Subdivision 1. [ADJUSTED GROSS TAX CAPACITY.] (a) [COMPUTATION.] The department of revenue shall annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures ~~referenced~~ in paragraphs (b) and (c). Based upon the results of this assessment/sales ratio study, the department of revenue shall determine an aggregate equalized gross tax capacity *and an aggregate equalized net tax capacity* for the various ~~strata classes~~ of taxable property in each school district, which tax capacity shall be designated as the adjusted gross tax capacity *and the adjusted net tax capacity, respectively*. The department of revenue ~~shall take such steps as are necessary in the performance of that duty and may incur such the expense as is necessary therefor to make the determinations~~. The commissioner of revenue is ~~authorized to~~ *may* reimburse any county or governmental official for requested services performed in ascertaining ~~such the~~ adjusted gross tax capacity *and the adjusted net tax capacity*. On or before March 15 annually, the department of revenue shall file with the chair of the tax committee of the house of representatives and the chair of the committee on taxes and tax laws of the senate a report of adjusted gross tax capacities *and adjusted net tax capacities*. On or before June 15, annually, the department of revenue shall file its final report on the *adjusted gross tax capacities and adjusted net tax capacities* established by the previous year's assessment with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of ~~mill tax capacity~~ rates. A copy of the ~~adjusted gross tax capacity report~~ so filed shall be ~~forthwith~~ mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which each district is located.

(b) [METHODOLOGY.] In making its annual assessment/sales ratio studies, the department of revenue shall use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for ~~proper~~ execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota administrative procedure act. ~~By January 15, 1985, the commissioner shall report to the chairs of the house tax committee and the senate committee on taxes and tax laws the results of a study which the commissioner shall prepare comparing the 1983 sales ratio study based upon the original 1983 assessment/sales ratio study methodology with the new methodology as provided in clause (b). The 1984 adjusted assessed values which are certified to the commissioner of education shall be computed using the 1983 assessment/sales ratio study methodology unless the 1985 legislature directs otherwise.~~

(c) [AGRICULTURAL LANDS.] For purposes of determining the adjusted gross tax capacity *and adjusted net tax capacity* of agricultural lands for the calculation of ~~1987~~ adjusted gross tax capacities and ~~thereafter adjusted net tax capacities~~, the market value of agricultural lands shall be the price for which the property would sell in an arms length transaction.

Sec. 2. Minnesota Statutes 1988, section 124.217, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] A district is eligible for exceptional need revenue if all of the following apply to the district:

(a) The ratio of the average daily membership of pupils enrolled in the district to the number of licensed staff, measured in full-time equivalents, is greater than 17.

(b) The ratio of the referendum levy certified according to section 124A.03 to the adjusted gross tax capacity is greater than ~~-.006~~ .05 percent for taxes payable in 1990 or to the adjusted net tax capacity is greater than .07 percent for taxes payable in 1991 and thereafter.

(c) The ratio of the total levy certified by the district to the adjusted gross tax capacity is greater than ~~-.05~~ .41 percent for taxes payable in 1990 or to the adjusted net tax capacity is greater than .51 percent for taxes payable in 1991 and thereafter.

(d) The ratio of the adjusted gross tax capacity to the actual pupil units is less than ~~\$38,500~~ \$4,710 for taxes payable in 1990 or the ratio of the adjusted net tax capacity to the actual pupil units is less than \$3,786 for taxes payable in 1991 and thereafter.

(e) The unappropriated operating fund balance is less than \$100 times the number of actual pupil units.

Before a school board certifies levies to the county auditor, the commissioner shall determine the district's eligibility for exceptional need revenue for the following school year. Eligibility must be based on pupil and staff data from the prior year, levies certified in the prior year, adjusted gross or net tax capacity in the prior year, and fund balances on June 30 of the same year.

Sec. 3. Minnesota Statutes 1988, section 124.38, subdivision 7, is amended to read:

Subd. 7. [MAXIMUM EFFORT DEBT SERVICE LEVY.] "Maximum effort debt service levy" means the lesser of:

(1) A levy in whichever of the following amounts is applicable:

(a) In any school district granted a debt service loan after July 31, 1981 or granted a capital loan which is approved after July 31, 1981, a levy in a total dollar amount computed as ~~46 mills~~ a gross tax capacity rate of 13.08 percent on the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 16.27 percent on the adjusted net tax capacity for taxes payable in 1991 and thereafter;

(b) In any school district granted a debt service loan before August 1, 1981 or granted a capital loan which was approved before August 1, 1981, a levy in a total dollar amount computed as ~~45 mills~~ a gross tax capacity rate of 12.26 percent on the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 15.26 percent on the net tax capacity for taxes payable in 1991 and thereafter, until and unless the district receives an additional loan; or

(2) A levy in whichever of the following amounts is applicable:

(a) In any school district which received a debt service or capital loan from the state before January 1, 1965, a levy in a total dollar amount computed as 4.10 mills on the market value in each year, unless the district applies or has applied for an additional loan subsequent to January 1, 1965,

or issues or has issued bonds on the public market, other than bonds refunding state loans, subsequent to January 1, 1967;

(b) In any school district granted a debt service or capital loan between January 1, 1965, and July 1, 1969, a levy in a total dollar amount computed as 5-1/2 mills on the market value in each year, until and unless the district receives an additional loan;

(c) In any school district granted a debt service or capital loan between July 1, 1969 and July 1, 1975, a levy in a total dollar amount computed as 6.3 mills on market value in each year until and unless the district has received an additional loan;

(d) In any school district for which a capital loan was approved prior to August 1, 1981, a levy in a total dollar amount equal to the sum of the amount of the required debt service levy and an amount which when levied annually will in the opinion of the commissioner be sufficient to retire the remaining interest and principal on any outstanding loans from the state within 30 years of the original date when the capital loan was granted; provided, that the school board in any district affected by the provisions of clause (2)(d) may elect instead to determine the amount of its levy according to the provisions of clause (1); provided further that if a district's capital loan is not paid within 30 years because it elects to determine the amount of its levy according to the provisions of clause (2)(d), the liability of the district for the amount of the difference between the amount it levied under clause (2)(d) and the amount it would have levied under clause (1), and for interest on the amount of that difference, shall not be satisfied and discharged pursuant to section 124.43, subdivision 4.

Sec. 4. Minnesota Statutes 1988, section 124.43, subdivision 1, is amended to read:

Subdivision 1. [REVIEW BY COMMISSIONER.] (a) The commissioner may, after review and a favorable recommendation by the state board of education, recommend to the legislature capital loans to school districts. Proceeds of the loans shall be used only for sites for school buildings and for acquiring, bettering, furnishing, or equipping school buildings under contracts to be entered into within 12 months from and after the date on which each loan is granted.

(b) Any school board that intends to submit an application for a capital loan shall submit a proposal to the commissioner for review and comment pursuant to section 121.15 by September 1 of any year, and the commissioner shall prepare a review and comment on the proposed facility, regardless of the amount of the capital expenditure required to construct the facility. The state board shall not make a favorable recommendation on an application for a capital loan for any facility unless:

(1) the facility receives a positive review and comment pursuant to section 121.15; and

(2) the state board determines that

(A) the facilities are needed to replace facilities dangerous to the health and safety of pupils, or to provide for pupils for whom no adequate facilities exist;

(B) the facilities could not be made available through dissolution and attachment of the district to another district or through pairing, interdistrict cooperation, or consolidation with another district, or through the purchase

or lease of facilities from existing institutions within the area. The preference of the school district regarding reorganization shall not be a criterion used by the state board in determining whether the facilities could be made available through reorganization;

(C) the facilities are comparable in size and quality to facilities recently constructed in other districts of similar enrollment; and

(D) the district's need for the facilities is comparable to needs that comparable districts are meeting through local bond issues.

The state board may recommend that the loan be approved in a reduced amount in order to meet the foregoing criteria. If the state board recommends that a loan not be approved, the commissioner shall not recommend approval of the loan. If the state board recommends that the loan be approved in a reduced amount, the commissioner shall not recommend approval of a loan larger than that recommended by the state board.

(c) As part of reviewing an application for a capital loan, the commissioner of education shall prepare estimated yearly repayments by the school district and the estimated amount of principal and interest that may be forgiven after the term of the loan. These estimates shall assume no growth in gross tax capacity over the term of the loan, shall assume a levy equal to ~~16 mills~~ *a gross tax capacity rate of 13.08 percent* times the adjusted gross tax capacity *for taxes payable in 1990 or a net tax capacity rate of 16.27 percent for taxes payable in 1991 and thereafter*, and shall be prepared using a methodology approved by the commissioner of finance. The commissioner of education shall use a discount factor provided by the commissioner of finance in determining the present value of the estimated amount of interest and principal which may be forgiven after the term of the loan.

(d) No loan shall be recommended for approval for any district exceeding an amount computed as follows:

(1) The amount requested by the district under subdivision 2;

(2) Plus the aggregate principal amount of general obligation bonds of the district outstanding on June 30 of the year following the year the application was received, not exceeding the limitation on net debt of the district in section 475.53, subdivision 4, or ~~24 percent of the adjusted gross tax capacity~~, *the following amount:*

(i) *for the period October 1, 1988, to September 30, 1989, 197 percent of its adjusted gross tax capacity,*

(ii) *for any 12-month period beginning October 1 of any year after 1988, 245 percent of its adjusted net tax capacity as most recently determined, whichever is less;*

(3) Less the maximum net debt permissible for the district on December 1 of the year the application is received, under the limitation in section 475.53, subdivision 4, or ~~24 percent of the most recent adjusted gross tax capacity available at the time of application~~, *the following amount:*

(i) *for the period October 1, 1988, to September 30, 1989, 197 percent of its adjusted gross tax capacity,*

(ii) *for any 12-month period beginning October 1 of any year after 1988, 245 percent of its adjusted net tax capacity as most recently determined, whichever is less; and*

(4) Less any amount by which the amount voted exceeds the total cost of the facilities for which the loan is granted, as estimated in accordance with subdivision 4, provided that the loan may be approved in an amount computed as provided in clauses (1) to (3), subject to subsequent reduction in accordance with this clause.

Sec. 5. Minnesota Statutes 1988, section 124.82, subdivision 3, is amended to read:

Subd. 3. [FACILITIES DOWN PAYMENT LEVY REFERENDUM.] A district may levy the tax capacity rate approved by a majority of the electors voting on the question to provide funds for a down payment for an approved project. The election must take place no more than five years before the estimated date of commencement of the project. The referendum must be held on a date set by the school board. A referendum for a project not receiving a positive review and comment by the commissioner under section 121.15 must be approved by at least 60 percent of the voters at the election. The referendum may be called by the school board and may be held:

(1) separately, before an election for the issuance of obligations for the project under chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the down payment levy and the issuance of obligations for the project under chapter 475. Any obligations authorized for a project may be issued within five years of the date of the election.

The ballot must provide a general description of the proposed project, state the estimated total cost of the project, state whether the project has received a positive or negative review and comment from the commissioner of education, state the maximum amount of the down payment levy ~~in mills~~ *as a percentage of net tax capacity*, state the amount that will be raised by that tax capacity rate in the first year it is to be levied, and state the maximum number of years that the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section and a question stating substantially the following:

"Shall the down payment levy proposed by the board of School District No. be approved?"

If approved, the amount provided by the approved tax capacity rate applied to ~~each year's gross~~ *the net tax capacity for the year preceding the year the levy is certified* may be certified for the number of years approved.

In the event a conjunctive question proposes to authorize both the down payment levy and the issuance of obligations for the project, appropriate language authorizing the issuance of obligations must also be included in the question.

The district must notify the commissioner of education of the results of the referendum.

Sec. 6. Minnesota Statutes 1988, section 134.33, subdivision 1, is amended to read:

Subdivision 1. An establishment grant as described in section 134.32, subdivision 2, shall be made to any regional public library system for the

first two state fiscal years after a board of county commissioners has contracted to join that system and has agreed that the county will provide the levels of support for public library service specified in this section. In the first year of participation, the county shall provide an amount of support equivalent to ~~3 mill~~ *a gross tax capacity rate of .25 percent times the adjusted gross tax capacity for taxes payable in 1990, or a net tax capacity rate of .31 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter*, of the taxable property of the county as determined by the commissioner of revenue for the second year preceding that calendar year or two-thirds of the per capita amount established under the provisions of section 134.34, subdivision 1, whichever amount is less. In the second year of participation and in each year thereafter, the county shall provide an amount of support equivalent to ~~4 mill~~ *a gross tax capacity rate of .33 percent times the adjusted gross tax capacity for taxes payable in 1990, or a net tax capacity rate of .41 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter*, of the taxable property of the county as determined by the commissioner of revenue for the second year preceding that calendar year or the per capita amount established under the provisions of section 134.34, subdivision 1, whichever is less. The minimum level of support shall be certified annually to the county by the department of education. In no event shall the department of education require any county to provide a higher level of support than the level of support specified in this section in order for a system to qualify for an establishment grant. This section shall not be construed to prohibit any county from providing a higher level of support for public libraries than the level of support specified in this section.

Sec. 7. Minnesota Statutes 1988, section 134.34, subdivision 1, is amended to read:

Subdivision 1. A regional library basic system support grant shall be made to any regional public library system where there are at least three participating counties and where each participating city and county, except in the first year of participation as provided in section 134.33, is providing for public library service support the lesser of (a) an amount equivalent to ~~4 mill~~ *a gross tax capacity rate of .33 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .41 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter* of the taxable property of that city or county, as determined by the commissioner of revenue for the second year preceding that calendar year or (b) a per capita amount calculated under the provisions of this subdivision. The per capita amount is established for calendar year 1980 as \$3. In succeeding calendar years, the per capita amount shall be increased by a percentage equal to one-half of the percentage by which the total state adjusted gross tax capacity of property as determined by the commissioner of revenue for the second year preceding that calendar year increases over that total adjusted gross tax capacity for the third year preceding that calendar year. The minimum level of support shall be certified annually to the participating cities and counties by the department of education. A city which is a part of a regional public library system shall not be required to provide this level of support if the property of that city is already taxable by the county for the support of that regional public library system. In no event shall the department of education require any city or county to provide a higher level of support than the level of support specified in this section in order for a system to qualify for a regional library basic system support grant. This section shall not be construed to prohibit a city or county from

providing a higher level of support for public libraries than the level of support specified in this section.

Sec. 8. Minnesota Statutes 1988, section 136D.27, subdivision 1, is amended to read:

Subdivision 1. [LEVIES FOR CERTAIN PROGRAMS.] Each year the joint school board may certify to each participating school district tax levies that shall not in any year exceed ~~6 mills on each dollar of a gross tax capacity rate of .50 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .62 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter~~ for special education and ~~7 mills on each dollar of a gross tax capacity rate of .60 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .74 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter~~ for expenses for secondary vocational education. Each participating school district shall include these tax levies in the next tax roll ~~which it shall certify~~ certifies to the county auditor or auditors, and shall remit the collections of ~~such~~ the levies to the board ~~promptly~~ when received. These levies shall not be included in computing the limitations upon the levy of any participating district. The board may, any time after these levies have been certified to the participating school districts, issue and sell certificates of indebtedness in anticipation of the collection of ~~such~~ the levies; ~~but~~ in aggregate amounts ~~such as~~ that will not exceed the portion of the levies which is then not collected and not delinquent.

Sec. 9. Minnesota Statutes 1988, section 136D.74, subdivision 2, is amended to read:

Subd. 2. [TAX LEVY.] Each year the intermediate school board may certify to each county auditor of each county in which ~~said~~ the intermediate school district ~~shall lie~~ lies, as a single taxing district, tax levies that shall not in any year exceed ~~6 mills on each dollar of a gross tax capacity rate of .50 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .62 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter~~ for expenses for special education and ~~7 mills on each dollar of a gross tax capacity rate of .60 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .74 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter~~ for expenses for secondary vocational education. ~~Said~~ The annual tax levies shall be certified pursuant to section 275.07. Upon ~~such~~ certification the county auditor or auditors and ~~other appropriate county officials~~ shall levy and collect ~~such~~ the levies and remit the proceeds of collection thereof to the intermediate school district as in the case with independent school districts. ~~Such~~ The levies shall not be included in computing the limitations upon the levy of any of the participating districts.

Sec. 10. Minnesota Statutes 1988, section 136D.87, subdivision 1, is amended to read:

Subdivision 1. [LEVIES FOR CERTAIN PROGRAMS.] Each year the joint school board may certify to each participating school district tax levies that shall not in any year exceed ~~6 mills on each dollar of a gross tax capacity rate of .50 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .62 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter~~ for expenses for

special education and ~~.7 mills on each dollar of a gross tax capacity rate of .60 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .74 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter~~ for expenses for secondary vocational education. Each participating school district shall include these tax levies in the next tax roll ~~which it shall certify~~ certifies to the county auditor ~~or auditors~~ and shall remit the collections of these levies to the board promptly when received. These levies shall not be included in computing the limitations upon the levy of any participating district. The board may, any time after these levies have been certified to the participating school districts, issue and sell certificates of indebtedness in anticipation of the collection of levies, ~~but in aggregate amounts that will not exceed the portion of the levies which is then not collected and not delinquent.~~

Sec. 11. Minnesota Statutes 1988, section 273.1102, subdivision 3, is amended to read:

Subd. 3. [1988 ADJUSTMENT.] ~~For School districts~~ *district* levy limitations or authorities expressed in terms of mills and adjusted assessed value, ~~their levy limitations in any special law that is not codified in Minnesota Statutes shall be converted by the department of education to "equalized gross tax capacity rates" for taxes payable in 1989 and 1990 and equalized net tax capacity rates for taxes payable in 1991 and thereafter.~~ For purposes of this calculation, the 1987 adjusted assessed values of the district shall be converted to "adjusted gross tax capacities" by multiplying the equalized market values by class of property by the gross tax capacity rates provided in section 273.13. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue the 1987 market value for taxes payable in 1988 for any new classes of property established in this article. The commissioner shall use those values, and estimate values where needed, in developing the 1987 tax capacity for each school district under this section. The requirements of section 124.2131, subdivisions 1, paragraph (c), and 2 and 3, shall remain in effect.

Sec. 12. Minnesota Statutes 1988, section 275.011, subdivision 1, is amended to read:

Subdivision 1. The property tax levied for any purpose *under a special law that is not codified in Minnesota Statutes or a city charter provision, and that is* subject to a mill rate limitation imposed by ~~statute or the special law~~, excluding levies subject to mill rate limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, must not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of the applicable mill rate limitation imposed by statute or special law multiplied by the total assessed valuation of all taxable property subject to the tax as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property subject to the tax divided by the assessment year 1987 total market valuation of all taxable property subject to the tax; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the property tax levy limitation for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property subject to the tax for the current assessment year divided by the total market valuation of all taxable property subject to the tax for the previous assessment year.

For the purpose of determining the property tax levy limitation for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property subject to the tax without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

Sec. 13. Minnesota Statutes 1988, section 275.125, subdivision 6e, is amended to read:

Subd. 6e. [DESEGREGATION LEVY.] Each year, *independent* school district No. 625, St. Paul, may levy an amount not to exceed ~~one mill~~ a gross tax capacity rate of .80 percent times the adjusted gross tax capacity of the district for taxes payable in 1990 or a net tax capacity rate of 1.0 percent times the adjusted net tax capacity of the district for taxes payable in 1991 and thereafter. Notwithstanding section 121.904, the entire amount of this levy shall be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under section 124.155.

Sec. 14. Minnesota Statutes 1988, section 275.125, subdivision 6h, is amended to read:

Subd. 6h. [MINNEAPOLIS HEALTH INSURANCE SUBSIDY LEVY.] Each year special school district No. 1, Minneapolis, may make an additional levy not to exceed the amount raised by ~~1 mill~~ a gross tax capacity rate of .09 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .11 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter of the property in the district for the preceding year. ~~In addition, in 1987 the district may levy an amount not to exceed the amount raised by 1 mill times the adjusted gross tax capacity of the property in the district for the preceding year for health insurance subsidies for fiscal year 1988.~~ The proceeds may be used only to subsidize health insurance costs for eligible teachers as provided in this section.

"Eligible teacher" means a retired teacher who was a basic member of the Minneapolis teachers retirement fund association, who retired before May 1, 1974, and who is not eligible to receive the hospital insurance benefits of the federal Medicare program of the Social Security Act without payment of a monthly premium. The district shall notify eligible teachers that a subsidy is available. An eligible teacher may submit to the school district a copy of receipts for health insurance premiums paid during the previous 12-month period. The school district shall disburse the health insurance premium subsidy to each eligible teacher in a timely and efficient manner. An eligible teacher may receive a subsidy up to an amount equal to the lesser of 90 percent of the cost of the eligible teacher's health insurance or up to 90 percent of the cost of the number two qualified plan of health coverage for individual policies made available by the Minnesota comprehensive health association under chapter 62E.

If funds remaining from the previous year's health insurance subsidy levy, minus the previous year's required subsidy amount, are sufficient to pay the estimated current year subsidy, the levy must be discontinued until the remaining funds are estimated by the school board to be insufficient to pay the subsidy.

Sec. 15. Minnesota Statutes 1988, section 275.125, subdivision 6i, is amended to read:

Subd. 6i. [RULE COMPLIANCE LEVY.] Each year a district that is required to implement a plan according to the requirements of Minnesota Rules, parts 3535.0200 to 3535.2200, may levy an amount not to exceed ~~one mill~~ *a gross tax capacity rate of .80 percent times the adjusted gross tax capacity of the district for taxes payable in 1990 or a net tax capacity rate of 1.0 percent times the adjusted net tax capacity of the district for taxes payable in 1991 and thereafter.* Independent school district No. 625, St. Paul, may levy according to this subdivision and subdivision 6e. Notwithstanding section 121.904, the entire amount of this levy shall be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under section 124.155.

Sec. 16. Minnesota Statutes 1988, section 275.125, subdivision 8b, is amended to read:

Subd. 8b. [EARLY CHILDHOOD FAMILY EDUCATION LEVY.] A district may levy for its early childhood family education program. The amount levied shall not exceed the lesser of:

(a) ~~5 mill~~ *a gross tax capacity rate of .4 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of .49 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter* of the district for the year preceding the year the levy is certified, or

(b) the maximum revenue as defined in section 124.2711, subdivision 1, for the school year for which the levy is attributable.

Sec. 17. Minnesota Statutes 1988, section 275.125, subdivision 9, is amended to read:

Subd. 9. [LEVY REDUCTIONS; TACONITE.] (1) Reductions in levies pursuant to subdivision 10, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 298.018; 298.23 to 298.28, except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values, or recognized revenue pursuant to section 477A.15; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section and chapters 124 and 124A by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received

pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times the ratio of the maximum levy allowed the district under Minnesota Statutes 1986, sections 124A.03, subdivision 2, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a, to the total levy allowed the district under this section and Minnesota Statutes 1986, sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 124A.20, subdivision 2, for levies certified in 1986.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 124A.23, to an amount less than the amount raised by a levy of ~~12.5 mills~~ *a gross tax capacity rate of 10.22 percent times the adjusted gross tax capacity for taxes payable in 1990, or a net tax capacity rate of 12.71 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter*, of that district for the preceding year as determined by the commissioner. The amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure levy authorized by section 124.244, subdivision 2, and subdivisions 11c, 12, and 12a, and the community education levy authorized by subdivisions 8 and 8b, the commissioner shall ascertain from each affected school district the amount it proposes to levy for capital expenditures pursuant to section 124.244, subdivision 2, and subdivisions 11c, 12, and 12a, and for community education pursuant to subdivisions 8 and 8b. The reduction of the capital expenditure levy and the community education levy shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 298.018; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values; and not deducted from general education aid pursuant to section 124A.035, subdivision 5, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the St. Louis county auditor in the following amount by March 15 of each year, the amount required to be subtracted from the previous fiscal year's general education aid pursuant to section 124A.035, subdivision 5, which is in excess of the general education aid earned for that fiscal year. The county auditor shall deposit any amounts received pursuant to this clause in the St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 18. Minnesota Statutes 1988, section 275.125, subdivision 9a, is amended to read:

Subd. 9a. [STATUTORY OPERATING DEBT LEVY.] (1) In 1978 and each year ~~thereafter~~ in which so required by this subdivision, a district shall make an additional levy to eliminate its statutory operating debt, determined as of June 30, 1977 and certified and adjusted by the commissioner. This levy shall not be made in more than 20 successive years and each year before it is made, it must be approved by the commissioner and the approval shall specify its amount. This levy shall ~~in each year~~ be

an amount which is equal to the amount raised by a levy of ~~4.5 mills~~ a gross tax capacity rate of 1.20 percent times the adjusted gross tax capacity of the district for the preceding year for taxes payable in 1990 or a net tax capacity rate of 1.49 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 1991 and thereafter; provided that in the last year in which the district is required to make this levy, it shall levy an amount not to exceed the amount raised by a levy of ~~4.5 mills~~ a gross tax capacity rate of 1.20 percent times the adjusted gross tax capacity of the district for the preceding year for taxes payable in 1990 or a net tax capacity rate of 1.49 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 1991 and thereafter. When the sum of the cumulative levies made pursuant to this subdivision and transfers made according to section 121.912, subdivision 4 equals an amount equal to the statutory operating debt of the district, the levy shall be discontinued.

(2) The district shall establish a special account in the general fund which shall be designated "appropriated fund balance reserve account for purposes of reducing statutory operating debt" on its books and records. This account shall reflect the levy authorized pursuant to this subdivision. The proceeds of this levy shall be used only for cash flow requirements and shall not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(3) Any district which is required to levy pursuant to this subdivision shall certify the maximum levy allowable under section 124A.23, subdivision 2 in that same year.

(4) Each district shall make permanent fund balance transfers so that the total statutory operating debt of the district is reflected in the general fund as of June 30, 1977.

Sec. 19. Minnesota Statutes 1988, section 275.125, subdivision 9b, is amended to read:

Subd. 9b. [OPERATING DEBT LEVY.] (1) Each year, a district may make an additional levy to eliminate a deficit in the net unappropriated operating funds of the district, determined as of June 30, 1983, and certified and adjusted by the commissioner. This levy may in each year be an amount not to exceed the amount raised by a levy of ~~4.5 mills~~ a gross tax capacity rate of 1.20 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 1.49 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter of the district for the preceding year as determined by the commissioner. However, the total amount of this levy for all years it is made shall not exceed the lesser of (a) the amount of the deficit in the net unappropriated operating funds of the district as of June 30, 1983, or (b) the amount of the aid reduction, according to Laws 1981, Third Special Session chapter 2, article 2, section 2, but excluding clauses (l), (m), (n), (o), and (p), and Laws 1982, Third Special Session chapter 1, article 3, section 6, to the district in fiscal year 1983. When the cumulative levies made pursuant to this subdivision equal the total amount permitted by this subdivision, the levy shall be discontinued.

(2) The proceeds of this levy shall be used only for cash flow requirements and shall not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(3) Any district that levies pursuant to this subdivision shall certify the

maximum levy allowable under section 124A.23, subdivisions 2 and 2a, in that same year.

Sec. 20. Minnesota Statutes 1988, section 275.125, subdivision 9c, is amended to read:

Subd. 9c. [1985 OPERATING DEBT LEVY.] (1) Each year, a district may levy to eliminate a deficit in the net unappropriated balance in the general fund of the district, determined as of June 30, 1985, and certified and adjusted by the commissioner. Each year this levy may be an amount not to exceed the amount raised by a levy of ~~1.5 mills~~ *a gross tax capacity rate of 1.20 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 1.49 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter* of the district for the preceding year. However, the total amount of this levy for all years it is made shall not exceed the amount of the deficit in the net unappropriated balance in the general fund of the district as of June 30, 1985. When the cumulative levies made pursuant to this subdivision equal the total amount permitted by this subdivision, the levy shall be discontinued.

(2) A district, if eligible, may levy under this subdivision or subdivision 9b but not both.

(3) The proceeds of this levy shall be used only for cash flow requirements and shall not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(4) Any district that levies pursuant to this subdivision shall certify the maximum levy allowable under section 124A.23, subdivision 2 in that same year.

Sec. 21. Minnesota Statutes 1988, section 275.125, subdivision 14a, is amended to read:

Subd. 14a. [LEVY FOR LOCAL SHARE OF TECHNICAL INSTITUTE CONSTRUCTION.] (a) The definitions in section 136C.02 apply to this subdivision.

(b) A district maintaining a technical institute may levy for its local share of the cost of construction of facilities for the technical institute as provided in this subdivision.

(c) The construction must be authorized by a specific legislative act pursuant to section 136C.07, subdivision 5, after January 1, 1980. The specific legislative act must require that part of the cost of construction for post-secondary vocational purposes shall be financed by the state and that part of the cost of construction for post-secondary vocational purposes shall be financed by the school district operating the technical institute.

(d) The district may levy an amount equal to the local share of the cost of construction for post-secondary vocational purposes, minus the amount of any unappropriated net balance in the district's post-secondary vocational technical building construction fund. A district may levy the total amount authorized by this subdivision in one year, or a proportionate amount of the total authorized amount each year for up to three successive years.

(e) By the July 1 before a district certifies the first levy pursuant to this subdivision for the local share of any construction project, at least three weeks published notice of the proposed levy shall be given in the legal newspaper with the largest circulation in the district. The notice shall state

the purpose of the proposed levy, the duration of the proposed levy and the amount of the proposed levy in dollars and ~~mills in terms of the tax capacity rate~~. Upon petition within 20 days after the notice of the greater of (a) 50 voters, or (b) 15 percent of the number of voters who voted in the district at the most recent regular school board election, the board shall call a referendum on the proposed levy. The referendum shall be held on a date set by the school board, but no later than the August 20 before the levy is certified. The question on the ballot shall state the amount of the proposed levy in ~~mills on the district's adjusted gross tax capacity terms of the tax capacity rate~~ and in dollars in the first year of the proposed levy.

(f) For the purposes of this subdivision, "construction" includes the acquisition and betterment of land, buildings and capital improvements for technical institutes.

(g) A district may not levy for the cost of a construction project pursuant to this subdivision if it issues any bonds to finance any costs of the project.

Sec. 22. Laws 1965, chapter 705, as amended by Laws 1975, chapter 261, section 4, and Laws 1980, chapter 609, article 6, section 37, is amended to read:

Sec. 6. The school board, for the purpose of providing moneys for the payment of its severance pay obligations under a plan approved by resolution of the district, in addition to all other powers possessed by the school district and in addition to and in excess of any existing limitation upon the amount it is otherwise authorized by law to levy as taxes, is authorized to levy taxes annually not exceeding in any one year an amount equal to ~~two tenths of one mill upon each dollar of the assessed valuation thereof~~ *a gross tax capacity rate of .17 percent for taxes payable in 1990, or a net tax capacity rate of .21 percent for taxes payable in 1991 and thereafter*, upon all taxable property within the school district which taxes as levied shall be spread upon the tax rolls, and all corrections thereof shall be held by the school district, and allocated therefor to be disbursed and expended by the school district in payment of any public school severance pay obligations and for no other purpose. Disbursements and expenditures previously authorized on behalf of the school district for payment of severance pay obligations shall not be deemed to constitute any part of the cost of the operation and maintenance of the school district within the meaning of any statutory limitation of any school district expenditures.

The amount of such severance pay allowable or to become payable in respect of any such employment or to any such employee shall not exceed the amount permitted by Minnesota Statutes, Section 465.72.

Sec. 23. Laws 1976, chapter 20, section 4, is amended to read:

Sec. 4. [EXCESS LEVY.] In addition to all other levies permitted by law, in 1976 and each year thereafter, Independent School District No. 625 shall make an additional levy to eliminate its statutory operating debt for the school year ending June 30, 1976 as certified by the legislative auditor pursuant to section 3. Each year the commissioner of education shall certify to the county auditor and Independent School District No. 625 the correct amount of this levy. This levy shall in each year be an amount which is equal to the amount raised by a levy of ~~1.5 mills~~ *a gross tax capacity rate of 1.20 percent times the adjusted assessed valuation* *gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 1.49 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter* of

the district for the preceding year as determined by the equalization aid review committee, less any amount necessary for the payment of principal and interest on bonds sold pursuant to section 1. When the cumulative receipts from the levies made pursuant to this section and the earnings in the reserve account established under section 5 equal an amount equal to the statutory operating debt, the levy shall be discontinued.

Sec. 24. Laws 1988, chapter 719, article 5, section 84, is amended to read:

Sec. 84. [INSTRUCTION TO REVISOR.]

The revisor of statutes shall change the words "assessed value" or "assessed valuation" wherever they appear in Minnesota Statutes to "gross tax capacity" in Minnesota Statutes 1988 and "net tax capacity" in Minnesota Statutes 1989 Supplement and subsequent editions of the statutes except section 275.011, and except in sections of Minnesota Statutes amended in this act. The revisor of statutes shall change the words "mill rate" wherever they appear in Minnesota Statutes to "tax capacity rate" in Minnesota Statutes 1988 and subsequent editions of the statutes except section 275.011.

Sec. 25. [EFFECTIVE DATE.]

Sections 1 to 24 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to education; modifying certain aids for school districts; modifying certain levies for school districts; providing revenue to assure pupil mastery of certain subjects; expanding health and developmental screening; modifying certain provisions concerning capital facilities; modifying regional management information centers; providing money for libraries, department of education, Faribault academies, center for arts education, and other state, regional, and school district functions; providing procedures and revenue for school districts to cooperate and combine; clarifying and adding duties relating to state determined goals for pupils; appropriating money; amending Minnesota Statutes 1988, sections 120.17, subdivisions 3, 3b, and 11a; 121.11, subdivisions 7, 14, and by adding a subdivision; 121.612; 121.88, subdivisions 8, 9, and 10; 121.882, subdivision 4; 121.904, subdivision 4a, and by adding a subdivision; 121.912, subdivision 1, and by adding a subdivision; 121.931, subdivisions 3, 4, and 7; 121.934, subdivision 2; 121.935, subdivisions 5 and 6; 121.936, subdivisions 1, 4a, and by adding a subdivision; 122.41; 122.43, subdivision 1; 122.541; 122.91, subdivision 3; 123.36, subdivisions 1 and 13; 123.39, by adding a subdivision; 123.58, subdivision 4; 124.155, subdivisions 1 and 2; 124.19, by adding a subdivision; 124.195, subdivision 8; 124.2131, subdivision 1; 124.217, subdivision 1; 124.223; 124.225, subdivisions 1 and 7b; 124.243, subdivisions 2 and 3; 124.244, subdivisions 1 and 2; 124.245, subdivision 3b; 124.252, subdivision 3; 124.26, subdivisions 1c, 7, and by adding a subdivision; 124.271, subdivision 4; 124.2721, subdivisions 2, 3, and by adding a subdivision; 124.273, subdivisions 4 and 5; 124.32, subdivision 1b; 124.38, subdivision 7; 124.43, subdivision 1; 124.494, subdivision 2; 124.574, subdivisions 2b and 5; 124.575, subdivisions 2, 3, and by adding a subdivision; 124.82, subdivision 3; 124.83, subdivisions 3, 4, and 6; 124A.03, subdivision 2; 124A.22, subdivisions 2, 5, 9, and by adding a subdivision; 124A.23, subdivision 1; 124A.26, subdivision 1; 124A.28, subdivision 1; 125.12, subdivision 8; 125.17, subdivision 4; 126.151, subdivision 2; 126.22, subdivision 3;

126.23; 126.56, subdivision 4, and by adding a subdivision; 126.661, by adding a subdivision; 126.663, subdivisions 2 and 3; 126.666, subdivision 4; 126.67, subdivision 5; 129.121, by adding a subdivision; 129B.41; 129B.42; 129B.44; 129B.45; 129B.46; 129C.10; 134.31, by adding a subdivision; 134.33, subdivision 1; 134.34, subdivisions 1 and 2; 136D.22, subdivision 1; 136D.27, subdivision 1; 136D.72, subdivision 1; 136D.74, subdivision 2; 136D.82, subdivision 1; 136D.87, subdivision 1; 141.25, subdivision 8; 141.26, subdivision 5; 171.29, subdivision 2; 273.1102, subdivision 3; 273.1398, subdivision 6; 275.011, subdivision 1; 275.125, subdivisions 5, 5c, 6e, 6h, 6i, 8b, 8e, 9, 9a, 9b, 9c, 11d, and 14a; 275.14; 297A.25, subdivision 11; 422A.101, subdivision 2; 465.71; Laws 1959, chapter 462, section 3, subdivision 10, as amended; Laws 1965, chapter 705, as amended; Laws 1976, chapter 20, section 4; Laws 1984, chapter 463, article 6, section 15, subdivision 1, as amended; Laws 1988, chapters 718, article 7, section 61, subdivisions 1, 6, and 7; and 719, article 5, section 84; proposing coding for new law in Minnesota Statutes, chapters 121; 122; 123; 124; 129B; repealing Minnesota Statutes 1988, sections 120.05, subdivision 1; 120.13; 120.15; 120.16; 120.77; 121.09; 121.11; 121.12; 121.151; 121.19; 121.35, subdivision 5; 121.49, subdivision 1; 121.496, subdivision 1; 121.83; 121.84; 121.843; 121.844; 121.845; 121.85; 121.86; 121.882, subdivisions 6 and 10; 121.902, subdivision 2; 121.9121, subdivision 6; 121.914, subdivisions 9 and 10; 122.86; 122.87; 122.88; 122.96; 123.3511; 123.3512; 123.581, subdivisions 1 and 6; 123.60; 123.601; 123.68; 123.701; 123.702; 123.703; 123.704; 123.705; 124.12, subdivision 1; 124.2138, subdivisions 3 and 4; 124.243, subdivision 4; 124.271, subdivisions 2b, 3, 4, and 7; 124.496; 124.573, subdivision 2; 124A.27, subdivision 7; 125.02; 125.231; 125.241, subdivision 3; 125.60, subdivision 7; 126.02; 126.025; 126.03; 126.05; 126.07; 126.10; 126.11; 126.39, subdivision 11; 126.52, subdivision 11; 126.70, subdivision 3; 126.80; 126.81; 127.08; 129B.48; 129B.71; 129B.72; 129B.73; 275.125, subdivision 8; and 275.128; and Laws 1988, chapter 718, article 5, section 4."

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

REPORT OF VOTE IN COMMITTEE

Pursuant to Rule 60, upon the request of three members, a roll call was taken on the first Knaak amendment to S.F. No. 1480.

There were yeas 7 and nays 14, as follows:

Those who voted in the affirmative were:

Messrs. Decker, Knaak, Knutson, Larson, Mehrkens, Ms. Olson and Mr. Ramstad.

Those who voted in the negative were:

Messrs. Beckman; Dahl; DeCramer; Frederickson, D.J.; Hughes; Langseth; Morse; Pehler; Ms. Peterson, D.C.; Messrs. Peterson, R.W.; Pogemiller; Ms. Reichgott and Mr. Stumpf.

The amendment was not adopted.

Mr. Mehrkens withdrew his amendment, after the following action:

REPORT OF VOTE IN COMMITTEE

Pursuant to Rule 60, upon the request of three members, a roll call was taken on the first portion of the Mehrkens amendment, as amended, to S.F.

No. 1480.

There were yeas 7 and nays 12, as follows:

Those who voted in the affirmative were:

Messrs. Dahl, Decker, Knaak, Larson, Mehrkens, Ms. Olson and Mr. Ramstad.

Those who voted in the negative were:

Messrs. Beckman; DeCramer; Dicklich; Frederickson, D.J.; Langseth; Morse; Pehler; Ms. Peterson, D.C.; Messrs. Peterson, R.W.; Pogemiller; Ms. Reichgott and Mr. Stumpf.

The first portion of the Mehrkens amendment, as amended, was not adopted.

REPORT OF VOTE IN COMMITTEE

Pursuant to Rule 60, upon the request of three members, a roll call was taken on the second portion of the Mehrkens amendment to S.F. No. 1480.

There were yeas 7 and nays 13, as follows:

Those who voted in the affirmative were:

Messrs. Beckman, Decker, Knaak, Larson, Mehrkens, Ms. Olson and Mr. Ramstad.

Those who voted in the negative were:

Messrs. Dahl; DeCramer; Dicklich; Frederickson, D.J.; Hughes; Langseth; Morse; Pehler; Ms. Peterson, D.C.; Messrs. Peterson, R.W.; Pogemiller; Ms. Reichgott and Mr. Stumpf.

The second portion of the Mehrkens amendment was not adopted.

REPORT OF VOTE IN COMMITTEE

Pursuant to Rule 60, upon the request of three members, a roll call was taken on the Knutson amendment to S.F. No. 1480.

There were yeas 11 and nays 10, as follows:

Those who voted in the affirmative were:

Messrs. Beckman, Dahl, Decker, Hughes, Knaak, Knutson, Larson, Mehrkens, Ms. Olson, Mr. Ramstad, and Ms. Reichgott.

Those who voted in the negative were:

Messrs. DeCramer; Dicklich; Frederickson, D.J.; Langseth; Morse; Pehler; Ms. Peterson, D.C.; Messrs. Peterson, R.W.; Pogemiller and Stumpf.

The amendment was adopted.

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

H.F. No. 1016 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.

1016

1266

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1016 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1016 and insert the language after the enacting clause of S.F. No. 1266, the first engrossment; further, delete the title of H.F. No. 1016 and insert the title of S.F. No. 1266, the first engrossment.

And when so amended H.F. No. 1016 will be identical to S.F. No. 1266, and further recommends that H.F. No. 1016 be given its second reading and substituted for S.F. No. 1266, 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. 333 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.

333

124

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 333 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 333 and insert the language after the enacting clause of S.F. No. 124, the second engrossment; further, delete the title of H.F. No. 333 and insert the title of S.F. No. 124, the second engrossment.

And when so amended H.F. No. 333 will be identical to S.F. No. 124, and further recommends that H.F. No. 333 be given its second reading and substituted for S.F. No. 124, 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. 1150 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS

H.F. No. S.F. No.

1150 974

CONSENT CALENDAR

H.F. No. S.F. No.

CALENDAR

H.F. No. S.F. No.

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1150 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1150 and insert the language after the enacting clause of S.F. No. 974, the first engrossment; further, delete the title of H.F. No. 1150 and insert the title of S.F. No. 974, the first engrossment.

And when so amended H.F. No. 1150 will be identical to S.F. No. 974, and further recommends that H.F. No. 1150 be given its second reading and substituted for S.F. No. 974, 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.

SECOND READING OF SENATE BILLS

S.F. Nos. 139, 736, 232, 852 and 473 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 1016, 333 and 1150 were read the second time.

MOTIONS AND RESOLUTIONS • CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of Introduction and First Reading of Senate Bills.

INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Mr. Taylor introduced—

S.F. No. 1615: A bill for an act relating to education; appropriating money for track improvements at Mankato State University.

Referred to the Committee on Finance.

Messrs. Belanger and McGowan introduced—

S.F. No. 1616: A bill for an act relating to commerce; requiring persons selling wire and cable to provide identification and sign a receipt; amending Minnesota Statutes 1988, section 325E.21, subdivision 1.

Referred to the Committee on Commerce.

Mr. Frank introduced—

S.F. No. 1617: A bill for an act relating to human services; requiring a study on methods of providing state assistance for persons with high out-of-pocket expenses for certain prescription drugs; appropriating money.

Referred to the Committee on Health and Human Services.

Mr. Merriam, for the Committee on Finance, introduced—

S.F. No. 1618: A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions; providing for regulation of certain activities and practices; requiring studies and reports; fixing and limiting fees; amending Minnesota Statutes 1988, sections 12.14; 41A.09; 43A.08, subdivision 1; 237.30; 341.10; and 473.386, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 299C.

Under the rules of the Senate, laid over one day.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Waldorf moved that S.F. No. 1261, No. 62 on General Orders, be stricken and returned to its author. The motion prevailed.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 11:45 a.m., Wednesday, May 3, 1989. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate