

EIGHTY-SEVENTH DAY

St. Paul, Minnesota, Monday, April 11, 1994

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

CALL OF THE SENATE

Mr. Riveness 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. John R. Bjorge.

The members of the Senate gave the pledge of allegiance to the flag of the United States of America.

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

Adkins	Dille	Krentz	Morse	Robertson
Anderson	Finn	Kroening	Murphy	Runbeck
Beckman	Flynn	Laidig	Neuville	Sams
Belanger	Frederickson	Langseth	Novak	Samuelson
Benson, D.D.	Hanson	Larson	Oliver	Solon
Benson, J.E.	Hottinger	Lesewski	Olson	Spear
Berg	Janezich	Lessard	Pappas	Stevens
Berglin	Johnson, D.E.	Luther	Pariseau	Stumpf
Bertram	Johnson, D.J.	Marty	Piper	Terwilliger
Betzold	Johnson, J.B.	McGowan	Pogemiller	Vickerman
Chandler	Johnston	Merriam	Price	Wiener
Chmielewski	Kelly	Metzen	Ranum	
Cohen	Kiscaden	Moe, R.D.	Reichgott Junge	
Day	Knutson	Mondale	Riveness	

The President declared a quorum present.

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

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

April 7, 1994

The Honorable Allan H. Spear
President of the Senate

Dear President Spear:

It is my honor to inform you that I have received, approved, signed and

deposited in the Office of the Secretary of State, S.F. Nos. 2040, 1691, 2522, 1752, 1968, 1983, 1967 and 2415.

Warmest regards,
Arne H. Carlson, Governor

April 8, 1994

The Honorable Irv Anderson
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1994 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 1994	Date Filed 1994
2040		386	11:20 a.m. April 7	April 7
1691		388	11:02 a.m. April 7	April 7
2522		394	11:23 a.m. April 7	April 7
1752		395	11:22 a.m. April 7	April 7
1968		396	11:25 a.m. April 7	April 7
1983		397	11:26 a.m. April 7	April 7
1967		398	11:26 a.m. April 7	April 7
2415		399	11:30 a.m. April 7	April 7

Sincerely,
Joan Anderson Growe
Secretary of State

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

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

H.F. No. 2617 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.
2617	2161

CONSENT CALENDAR

H.F. No.	S.F. No.
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CALENDAR

H.F. No.	S.F. No.
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Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 2617 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2617 and insert the language after the enacting clause of S.F. No. 2161, the first engrossment;

further, delete the title of H.F. No. 2617 and insert the title of S.F. No. 2161, the first engrossment.

And when so amended H.F. No. 2617 will be identical to S.F. No. 2161, and further recommends that H.F. No. 2617 be given its second reading and substituted for S.F. No. 2161, 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. 2626 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.
2626	2432				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 2626 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2626 and insert the language after the enacting clause of S.F. No. 2432, the first engrossment; further, delete the title of H.F. No. 2626 and insert the title of S.F. No. 2432, the first engrossment.

And when so amended H.F. No. 2626 will be identical to S.F. No. 2432, and further recommends that H.F. No. 2626 be given its second reading and substituted for S.F. No. 2432, 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. 1999 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.
1999	1784				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1999 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1999 and insert the language after the enacting clause of S.F. No. 1784, the second engross-

ment; further, delete the title of H.F. No. 1999 and insert the title of S.F. No. 1784, the second engrossment.

And when so amended H.F. No. 1999 will be identical to S.F. No. 1784, and further recommends that H.F. No. 1999 be given its second reading and substituted for S.F. No. 1784, 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. 2013 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
2013	1908				

and that the above Senate File be indefinitely postponed.

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

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

H.F. No. 2493 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.
2493	2247				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 2493 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2493 and insert the language after the enacting clause of S.F. No. 2247, the second engrossment; further, delete the title of H.F. No. 2493 and insert the title of S.F. No. 2247, the second engrossment.

And when so amended H.F. No. 2493 will be identical to S.F. No. 2247, and further recommends that H.F. No. 2493 be given its second reading and substituted for S.F. No. 2247, 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. 2405 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.
2405	2288				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 2405 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2405 and insert the language after the enacting clause of S.F. No. 2288, the first engrossment; further, delete the title of H.F. No. 2405 and insert the title of S.F. No. 2288, the first engrossment.

And when so amended H.F. No. 2405 will be identical to S.F. No. 2288, and further recommends that H.F. No. 2405 be given its second reading and substituted for S.F. No. 2288, 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 HOUSE BILLS

H.F. Nos. 2617, 2626, 1999, 2013, 2493 and 2405 were read the second time.

MOTIONS AND RESOLUTIONS

Mr. Stumpf moved that the name of Mr. McGowan be added as a co-author to S.F. No. 1755. The motion prevailed.

Mr. Stumpf moved that the name of Mr. Riveness be added as a co-author to S.F. No. 1818. The motion prevailed.

Ms. Berglin moved that the name of Ms. Kiscaden be added as a co-author to S.F. No. 2192. The motion prevailed.

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate proceed to the Order of Business of the Calendar. The motion prevailed.

CALENDAR

S.F. No. 2097: A bill for an act relating to transportation; establishing annual gasoline excise tax rate adjustment; increasing the transfer of motor

vehicle excise tax receipts to the transit assistance fund; providing for distribution of money from the transit assistance fund; requiring study of electric vehicle transportation technology; requiring high-speed rail study; requiring action on environmental impact statement for Wakota Bridge; authorizing the sale of state bonds; appropriating money; amending Minnesota Statutes 1992, sections 296.02, by adding a subdivision; 297B.09, subdivision 1; and 360.305, subdivision 4; Minnesota Statutes 1993 Supplement, section 174.32, 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 54 and nays 8, as follows:

Those who voted in the affirmative were:

Adkins	Finn	Kiscaden	Metzen	Pogemiller
Beckman	Flynn	Knutson	Moe, R.D.	Reichgott Junge
Belanger	Frederickson	Krentz	Mondale	Riveness
Benson, D.D.	Hanson	Laidig	Morse	Samuelson
Berg	Hottinger	Langseth	Murphy	Solon
Bertram	Janezich	Larson	Neuville	Stevens
Chandler	Johnson, D.E.	Lesewski	Novak	Stumpf
Chmielewski	Johnson, D.J.	Lessard	Oliver	Terwilliger
Cohen	Johnson, J.B.	Luther	Olson	Vickerman
Day	Johnston	Marty	Pappas	Wiener
Dille	Kelly	McGowan	Piper	

Those who voted in the negative were:

Benson, J.E.	Merriam	Ranum	Runbeck	Spear
Bezdold	Pariseau	Robertson		

So the bill passed and its title was agreed to.

RECONSIDERATION

Mr. Moe, R.D. moved that the vote whereby S.F. No. 2097 was passed by the Senate on April 11, 1994, be now reconsidered. The motion prevailed.

Mr. Moe, R.D. moved that S.F. No. 2097 be laid on the table. The motion prevailed.

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. Morse introduced—

S.F. No. 2911: A bill for an act relating to taxation; establishing a consolidated billing and payment system for various environmental taxes and fees; providing penalties; appropriating money; amending Minnesota Statutes 1992, sections 115B.22, by adding subdivisions; 299K.09, by adding a

subdivision; and 299K.095; Minnesota Statutes 1993 Supplement, sections 115D.12, subdivision 2; and 116.12, subdivision 2; proposing coding for new law as Minnesota Statutes, chapter 289B; repealing Minnesota Statutes 1992, section 115B.24.

Referred to the Committee on Taxes and Tax Laws.

Mr. Stumpf introduced—

S.F. No. 2912: A bill for an act relating to public administration; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature with certain conditions; authorizing issuance of bonds; requiring payment for debt service; reducing certain earlier project authorizations and appropriations; establishing a library planning task force; providing for appointments; appropriating money, with certain conditions; amending Minnesota Statutes 1993 Supplement, sections 16B.335; and 136.261, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 135A.

Referred to the Committee on Finance.

MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated H.F. No. 2212 a Special Order to be heard immediately.

SPECIAL ORDER

H.F. No. 2212: A bill for an act relating to the environment; genetically engineered organisms; authorizing the department of agriculture to exempt certain federally monitored releases; authorizing the environmental quality board to adopt rules relating to certain releases; providing for certain exemptions; amending Minnesota Statutes 1992, sections 18F.01; 18F.02, subdivisions 1, 5, and by adding a subdivision; 18F.04; 18F.07; 18F.12; 116C.91, subdivision 1; 116C.94; and 116C.96; proposing coding for new law in Minnesota Statutes, chapters 18F; and 116C; repealing Minnesota Statutes 1992, section 18F.02, 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 67 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dille	Krentz	Morse	Robertson
Anderson	Finn	Kroening	Murphy	Runbeck
Beckman	Flynn	Laidig	Neuville	Sams
Belanger	Frederickson	Langseth	Novak	Samuelson
Benson, D.D.	Hanson	Larson	Oliver	Solon
Benson, J.E.	Hottinger	Lesewski	Olson	Spear
Berg	Janezich	Lessard	Pappas	Stevens
Berglin	Johnson, D.E.	Luther	Pariseau	Stumpf
Bertram	Johnson, D.J.	Marty	Piper	Terwilliger
Betzold	Johnson, J.B.	McGowan	Pogemiller	Vickerman
Chandler	Johnston	Merriam	Price	Wiener
Chmielewski	Kelly	Metzen	Rantum	
Cohen	Kiscaden	Moe, R.D.	Reichgott Junge	
Day	Knutson	Mondale	Riveness	

So the bill passed and its title was agreed to.

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated S.F. No. 1788 a Special Order to be heard immediately.

SPECIAL ORDER

S.F. No. 1788: A bill for an act relating to waste management; applying government waste reduction requirements to compilations of game and fish laws; clarifying the state's waste management goals; adding heat pumps to the definition of major appliances; authorizing larger capital assistance grants to resource recovery projects under certain circumstances; establishing enforcement of the authority of certain counties to inspect records of certain facilities; clarifying management of waste antifreeze and motor oil filters; establishing a process for resolution of disputes related to toxics in packaging and requiring a report; clarifying the prohibition on toxics in products and providing for exemptions; requiring and authorizing training and certification of appliance recyclers and servicers respectively; removing the federal government from the definition of commercial transporter of medical waste; requiring medical waste management plans to contain information regarding mailing of sharps; banning sale of apparel containing mercury switches; authorizing private ownership of solid waste facilities; permitting counties and local governments to impose certain conditions on disposal of unprocessed solid waste; authorizing counties to require record keeping; adding requirements for liners and leachate systems; expanding the restriction on disposal of unprocessed waste from the metropolitan area; requiring a report on management of waste electronic appliances; requiring a report on products that contain mercury; requiring a report on recycling facilities; requiring a report on recycled antifreeze; amending Minnesota Statutes 1992, sections 97A.051, subdivision 1; 115A.02; 115A.03, subdivision 17a; 115A.554; 115A.557, subdivisions 3 and 4; 115A.87; 115A.882, by adding a subdivision; 115A.9157, subdivisions 4 and 5; 115A.918, subdivision 1, and by adding a subdivision; 115A.95; 115A.9561, subdivision 2; 115A.965, subdivision 6, and by adding a subdivision; 116.07, subdivision 4h; 116.76, subdivision 4; 116.92, subdivision 8; 473.803, subdivisions 1 and 1c; 473.811, subdivisions 5 and 5a; 473.843, subdivision 1; 473.844, subdivision 1a; 473.845, subdivision 3; and 473.848, subdivisions 1 and 5; Minnesota Statutes 1993 Supplement, sections 115A.54, subdivision 2a; 115A.916; 115A.929; 115A.9651; 115A.981, subdivision 3; 116.79, subdivision 1; 473.149, subdivision 6; 473.846; and 473.848, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 116; and 473; repealing Minnesota Statutes 1993 Supplement, section 115A.542.

Mr. Berg moved to amend S.F. No. 1788 as follows:

Page 9, line 17, before "motor" insert "or"

Page 9, line 18, strike ", or antifreeze"

Page 9, line 25, delete "(b)" and strike "For the purposes of this section, 'antifreeze' does not"

Page 9, strike lines 26 to 29

Page 9, line 30, delete "(c)" and strike "This section does not apply to antifreeze placed in a"

Page 9, strike line 31

Page 9, line 32, strike "treatment works that is permitted by the agency until"

Page 9, line 33, delete the new language and strike the period

Page 9, line 34, delete "(d)" and insert "(b)"

Amend the title as follows:

Page 1, line 10, after the semicolon, insert "removing restrictions on management of waste antifreeze;"

Page 1, line 11, delete "antifreeze and"

The motion did not prevail. So the amendment was not adopted.

Mr. Chandler moved to amend S.F. No. 1788 as follows:

Page 12, line 28, after "IN" insert "*SPECIFIED*"

Page 12, line 29, strike "After July 1, 1994,"

Page 12, line 30, strike everything after "may"

Page 12, line 31, strike everything before "any" and insert "*distribute for sale or use in this state*"

Page 12, line 32, strike "that is intended for use or for sale in this state" and insert "*manufactured after July 1, 1994, into which lead, cadmium, mercury, or hexavalent chromium has been deliberately introduced*"

Page 13, line 4, delete "listed" and delete everything after "metal" and insert "*listed in paragraph (a) as an element during manufacture or distribution of an item listed in paragraph (a). Deliberate introduction does not include the incidental presence of any of the prohibited elements.*"

(c) *The concentration of a listed metal in an item listed in paragraph (a) may not exceed 600 parts per million.*"

Page 13, delete lines 5 and 6

The motion prevailed. So the amendment was adopted.

Mr. Chandler then moved to amend S.F. No. 1788 as follows:

Page 5, after line 14, insert:

"Sec. 5. Minnesota Statutes 1992, section 115A.5501, subdivision 1, is amended to read:

Subdivision 1. [STATEWIDE WASTE PACKAGING REDUCTION GOAL.] It is the goal of the state that there be a minimum 25 percent statewide per capita reduction in the amount of discarded packaging delivered to ~~solid waste composting, incineration, refuse derived fuel and disposal~~ facilities by December 31, 1995, based on a reasonable estimate of the amount of packaging that was delivered to ~~solid waste composting, incineration, and disposal~~ facilities in calendar year 1992.

Sec. 6. Minnesota Statutes 1992, section 115A.5501, subdivision 2, is amended to read:

Subd. 2. [MEASUREMENT; PROCEDURES.] To measure the overall percentage of packaging in the statewide solid waste stream, the commis-

sioner and the chair of the metropolitan council, in consultation with the director, shall each conduct an annual four-season solid waste composition study in the nonmetropolitan and metropolitan areas respectively or shall develop an alternative method that is as statistically reliable as a waste composition study to measure the percentage of packaging in the waste stream.

Beginning in 1993, the chair of the council shall submit the results from the metropolitan area to the commissioner by March 1 of each year. The commissioner shall average the nonmetropolitan and metropolitan results and submit the statewide percentage, along with a statistically reliable margin of error, to the director by April 1 of each year. The director shall report the information to the legislative commission on waste management by July 1 of each year. *The 1994 report must include a discussion of the reliability of data gathered under this subdivision and the methodology used by the commissioner to determine a statistically reliable margin of error.*

Sec. 7. Minnesota Statutes 1993 Supplement, section 115A.5501, subdivision 3, is amended to read:

Subd. 3. [FACILITY COOPERATION AND REPORTS.] The owner or operator of a ~~solid waste composting, incineration, refuse derived fuel or disposal~~ facility shall allow access upon reasonable notice to authorized office, agency, or metropolitan council staff for the purpose of conducting waste composition studies or otherwise assessing the amount of total packaging in the waste delivered to the facility under this section.

Beginning in 1993, by February 1 of each year the owner or operator of a facility governed by this subdivision shall submit a report to the commissioner, on a form prescribed by the commissioner, specifying the total amount of solid waste received by the facility between January 1 and December 31 of the previous year. The commissioner shall calculate the total amount of solid waste delivered to solid waste facilities from the reports received from the facility owners or operators and shall report the aggregate amount to the director by April 1 of each year. The commissioner shall assess a nonforgivable administrative penalty under section 116.072 of \$500 plus any forgivable amount necessary to enforce this subdivision on any owner or operator who fails to submit a report required by this subdivision.

Sec. 8. Minnesota Statutes 1992, section 115A.5501, is amended by adding a subdivision to read:

Subd. 5. [RECOMMENDATIONS FOR FURTHER REDUCTION GOALS.] *If the goal in subdivision 1 is met, the director shall include in the report required in subdivision 4 recommendations for appropriate goals for further reducing the amount of discarded packaging delivered to facilities. The report must include an analysis of the costs of further reductions.*

Sec. 9. Minnesota Statutes 1992, section 115A.5501, is amended by adding a subdivision to read:

Subd. 6. [DEFINITION.] *For the purposes of this section, "facility" means a composting, incineration, refuse-derived fuel, or disposal facility that accepts mixed municipal solid waste or construction waste."*

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Price moved to amend S.F. No. 1788 as follows:

Page 3, after line 17, insert:

“Sec. 4. Minnesota Statutes 1992, section 115A.072, subdivision 4, is amended to read:

Subd. 4. [EDUCATION, PROMOTION, AND PROCUREMENT.] The office shall include waste reduction *and reuse*, including packaging reduction *and reuse*, as an element of its program of public education on waste management required under this section. The waste reduction *and reuse* education program must include dissemination of information and may include an award program for model waste reduction *and reuse* efforts. Waste reduction *and reuse* educational efforts must also include provision of information about and promotion of the model procurement program developed by the commissioner of administration under section 115A.15, subdivision 7, or any other model procurement program that results in significant waste reduction *and reuse*.”

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 6, after the semicolon, insert “requiring public education on reuse;”

Page 1, line 34, after the second semicolon, insert “115A.072, subdivision 4;”

The motion prevailed. So the amendment was adopted.

Ms. Johnson, J.B. moved that S.F. No. 1788 be laid on the table. The motion prevailed.

MOTIONS AND RESOLUTIONS – CONTINUED

Mr. Janezich moved that his name be stricken as chief author, shown as a co-author, and the name of Mr. Johnson, D.J. be shown as chief author to S.F. No. 2494. The motion prevailed.

Mr. Solon moved that S.F. No. 1879, No. 86 on General Orders, be stricken and re-referred to the Committee on Finance. The motion prevailed.

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. Belanger in the chair.

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

S.F. Nos. 2550, 2709, 1888, 2393, 2171, 2556, 2004 and H.F. Nos. 2553, 1844, which the committee recommends to pass.

S.F. No. 2496, which the Committee recommends be re-referred to the Committee on Finance.

S.F. No. 2068, which the committee recommends to pass with the following amendments offered by Ms. Berglin:

Page 7, line 7, reinstate the stricken "emergency" and after the reinstated "emergency" insert "and"

The motion prevailed. So the amendment was adopted.

Ms. Berglin then moved to amend S.F. No. 2068 as follows:

Page 2, delete section 2

Page 2, line 20, after the period, insert "*The public notice of this funding and the request for proposal must specify how the approval criteria will be prioritized by the advisory review panel, the interagency long-term care planning committee, and the commissioner.*"

Page 3, line 2, before "financing" insert "*current estimated*" and after the first "costs" insert "*of the proposal including the amount and sources of money, bond fund reserve, annual payments scheduled, interest rates, length of term, closing costs and fees, and insurance costs, any completed marketing study or underwriting review*"

Page 3, line 11, strike "and" and insert:

"(8) *an explanation of any licensure or certification issues, such as certification survey deficiencies; and*"

Page 3, line 12, strike "(8)" and insert "(9)"

Page 4, line 2, after "criteria" insert "*as provided for*"

Page 4, line 3, after "4" insert "*and in emergency and permanent rules adopted by the commissioner*"

Page 4, lines 29 and 30, delete the new language

Page 4, line 31, after "used" insert "*in a consistent manner*"

Page 4, line 32, before the colon, insert "*. The application of criteria listed in clauses (1) to (10) must not reflect any distinction based on the geographic location of the proposed project*"

Page 5, line 4, after "goals" insert "*specified in permanent rules adopted under subdivision 8*"

Page 5, line 10, delete the new language

Page 5, line 13, delete "either"

Page 5, line 16, after "home" insert "*or distinct sections of a facility*" and after the semicolon, insert:

"(4) *until June 30, 1995, notwithstanding section 144A.073, subdivision 5, and paragraph (b) of this subdivision, the extent to which the project would result in a newly constructed facility or an addition to a facility in a county;*

(i) *with less than the statewide average of nursing home beds per 1,000 persons aged 65 or older;*

- (ii) where services are available as an alternative to nursing home use;
- (iii) where nursing home occupancy exceeds 97 percent as determined by the department of human services; and
- (iv) located in an economic development region where the percentage of projected population increase between 1990 and 2005 is the number of persons aged 85 or older exceeds the statewide projection included in 1993 state demographer data. The project must involve a reduction in beds in an economic development region with a nursing home occupancy rate less than the statewide average accomplished through the transfer of beds, especially the transfer of beds from three-bed or four-bed rooms, provided that at least 15 percent of the beds transferred must be delicensed;

(5) until June 30, 1995, and notwithstanding section 144A.073, subdivision 6, the extent to which the project would increase the capacity of a nursing home attached to a hospital that has been delicensed, but only if the 1994 occupancy rate for nursing homes within a 25-mile radius of the facility exceeds 96 percent. The facility shall not be required to comply with the new construction standards contained in the nursing home licensure rules for resident bedrooms;"

Page 5, line 17, delete "(4)" and insert "(6)"

Page 5, line 24, delete "(5)" and insert "(7)"

Page 5, line 29, delete "(6)" and insert "(8)"

Page 6, line 3, delete "and" and insert:

"(9) the extent to which the applicant demonstrates the delivery of quality care to residents as evidenced by the two most recent state agency certification surveys and the applicant's response to those surveys; and"

Page 6, line 4, delete "(7)" and insert "(10)"

Page 6, line 8, delete from "In" through page 6, line 10, to "(3)" and insert "The use of the following criteria is limited to the evaluation, comparison, and ranking of proposals that involve relocation"

Page 6, line 15, delete everything after "project" and insert "; and"

Page 6, delete line 16

Page 6, line 17, after "(2)" insert "the extent to which"

Page 6, line 18, delete "65" and insert "85"

Page 6, line 19, delete from "may" through page 6, line 21, to "and" and insert "supports the need for the project."

Page 6, delete lines 22 to 26

Page 6, line 32, delete "cost savings" and insert "utilization costs"

Page 6, line 33, delete "board" and insert "committee"

Page 6, line 35, delete "cost savings" and insert "costs"

Page 7, line 6, delete everything after "must" and insert "be in accordance with and implement only the criteria listed in"

Page 7, line 11, after "with" insert "and implements only criteria listed in"

Page 9, after line 7, insert:

"Sec. 9. [POLICY OPTIONS FOR BED TRANSFERS.]

The interagency long-term care planning committee shall present to the legislature by January 15, 1995, policy options for transferring beds from areas of the state with a bed surplus to areas of the state with a bed shortage. The options must include a comprehensive plan for distributing existing nursing home and certified boarding care home beds in order to serve the aging population as projected by the state demographer."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 2104, which the committee recommends to pass with the following amendment offered by Ms. Runbeck:

Page 4, line 8, after "*population*" insert "*, and must include one member from the department of human services child protection unit*"

The motion prevailed. So the amendment was adopted.

S.F. No. 1872, which the committee recommends to pass with the following amendment offered by Ms. Hanson:

Page 1, line 21, after the period, insert "*Nothing in this section will supersede or replace chapter 326.*"

The motion prevailed. So the amendment was adopted.

S.F. No. 348, which the committee recommends to pass with the following amendment offered by Ms. Anderson:

Page 1, line 15, delete "1997" and insert "1996"

The motion prevailed. So the amendment was adopted.

S.F. No. 2642, which the committee recommends to pass with the following amendment offered by Mr. Finn:

Page 1, after line 6, insert:

"Section 1. Minnesota Statutes 1992, section 253B.23, subdivision 4, is amended to read:

Subd. 4. [IMMUNITY.] All persons acting in good faith, upon either actual knowledge or information thought by them to be reliable, who act pursuant to any provision of this chapter or who procedurally or physically assist in the commitment of any individual, pursuant to this chapter, are not subject to any civil or criminal liability under this chapter. Any privilege otherwise existing between patient and physician ~~or between~~, patient and examiner, or patient and social worker, is waived as to any physician ~~or~~, examiner, or social worker who provides information with respect to a patient pursuant to any provision of this chapter."

Page 3, line 12, after the period, insert "*The exception for social workers does not apply to testimony, records, or other evidence relating to a social worker's role as a court-appointed examiner, a probation officer, or an investigator employed by the state or a political subdivision.*"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

On motion of Mr. Moe, R.D., the report of the Committee of the Whole, as kept by the Secretary, was adopted.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Moe, R.D. moved that S.F. No. 1788 be taken from the table. The motion prevailed.

S.F. No. 1788: A bill for an act relating to waste management; applying government waste reduction requirements to compilations of game and fish laws; clarifying the state's waste management goals; adding heat pumps to the definition of major appliances; authorizing larger capital assistance grants to resource recovery projects under certain circumstances; establishing enforcement of the authority of certain counties to inspect records of certain facilities; clarifying management of waste antifreeze and motor oil filters; establishing a process for resolution of disputes related to toxics in packaging and requiring a report; clarifying the prohibition on toxics in products and providing for exemptions; requiring and authorizing training and certification of appliance recyclers and servicers respectively; removing the federal government from the definition of commercial transporter of medical waste; requiring medical waste management plans to contain information regarding mailing of sharps; banning sale of apparel containing mercury switches; authorizing private ownership of solid waste facilities; permitting counties and local governments to impose certain conditions on disposal of unprocessed solid waste; authorizing counties to require record keeping; adding requirements for liners and leachate systems; expanding the restriction on disposal of unprocessed waste from the metropolitan area; requiring a report on management of waste electronic appliances; requiring a report on products that contain mercury; requiring a report on recycling facilities; requiring a report on recycled antifreeze; amending Minnesota Statutes 1992, sections 97A.051, subdivision 1; 115A.02; 115A.03, subdivision 17a; 115A.554; 115A.557, subdivisions 3 and 4; 115A.87; 115A.882, by adding a subdivision; 115A.9157, subdivisions 4 and 5; 115A.918, subdivision 1, and by adding a subdivision; 115A.95; 115A.9561, subdivision 2; 115A.965, subdivision 6, and by adding a subdivision; 116.07, subdivision 4h; 116.76, subdivision 4; 116.92, subdivision 8; 473.803, subdivisions 1 and 1c; 473.811, subdivisions 5 and 5a; 473.843, subdivision 1; 473.844, subdivision 1a; 473.845, subdivision 3; and 473.848, subdivisions 1 and 5; Minnesota Statutes 1993 Supplement, sections 115A.54, subdivision 2a; 115A.916; 115A.929; 115A.9651; 115A.981, subdivision 3; 116.79, subdivision 1; 473.149, subdivision 6; 473.846; and 473.848, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 116; and 473; repealing Minnesota Statutes 1993 Supplement, section 115A.542.

Mr. Chandler moved to amend S.F. No. 1788 as follows:

Page 5, after line 14, insert:

"Sec. 5. [115A.5502] [PACKAGING PRACTICES; PREFERENCES; GOALS.]

Packaging forms a substantial portion of solid waste and contributes to environmental degradation and the costs of managing solid waste. It is imperative to reduce the amount and toxicity of packaging that must be managed as solid waste. In order to achieve significant reduction of packaging in solid waste and to assist packagers and others to meet the packaging reduction goal in section 115A.5501, the goal of the state is that items be distributed without any packaging where feasible and, only when necessary to protect health and safety or product integrity, with the minimal amount of packaging possible. The following categories of packaging are listed in order of preference for use by all persons who find it necessary to package items for distribution or use in the state:

(1) minimal packaging that contains no intentionally introduced toxic materials and that is designed to be and actually is reused for its original purpose at least five times;

(2) minimal packaging that contains no intentionally introduced toxic materials and that consists of at least 50 percent postconsumer material as defined in section 115A.03, subdivision 24b;

(3) minimal packaging that contains no intentionally introduced toxic materials, that is recyclable, and is regularly collected through recycling collection programs available to at least 75 percent of the residents of the state;

(4) minimal packaging that does not comply with clauses (1) to (3) because it is required under federal or state law and for which there does not exist a commercially feasible alternative that does comply with clauses (1) to (3);

(5) packaging that contains no intentionally introduced toxic materials but does not comply with clauses (1) to (4); and

(6) all other packaging.

It is the further goal of this chapter that the packaging described in clauses (5) and (6) no longer be in use for any purpose after December 31, 1999."

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 8, after the semicolon, insert "listing preferences for use of packaging;"

Page 2, line 3, after "chapters" insert "115A;"

Mr. Lessard moved to amend the Chandler amendment to S.F. No. 1788 as follows:

Page 1, delete lines 21 to 24

Page 1, line 25, delete "(3)" and insert "(2)"

Page 1, lines 29 and 34, delete "(4)" and insert "(3)"

Page 1, lines 30 and 32, delete "to (3)" and insert "and (2)"

Page 1, line 33, delete "(5)" and insert "(4)"

Page 1, line 35, delete "(6)" and insert "(5)" and after the period, insert quotation marks

Page 1, delete line 36

Page 2, delete lines 1 and 2

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the Chandler amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Mr. Chandler moved to amend S.F. No. 1788 as follows:

Page 2, after line 6, insert:

"Section 1. Minnesota Statutes 1992, section 8.31, subdivision 1, is amended to read:

Subdivision 1. [INVESTIGATE OFFENSES AGAINST THE PROVISIONS OF CERTAIN DESIGNATED SECTIONS; ASSIST IN ENFORCEMENT.] The attorney general shall investigate violations of the law of this state respecting unfair, discriminatory, and other unlawful practices in business, commerce, or trade, and specifically, but not exclusively, the nonprofit corporation act (sections 317A.001 to 317A.909), the act against unfair discrimination and competition (sections 325D.01 to 325D.08), the unlawful trade practices act (sections 325D.09 to 325D.16), the antitrust act (sections 325D.49 to 325D.66), ~~section sections~~ 325E.41, 325F.67, and other laws against false or fraudulent advertising, the antidiscrimination acts contained in section 325D.67, the act against monopolization of food products (section 325D.68), the act regulating telephone advertising services (section 325E.39), the prevention of consumer fraud act (sections 325F.68 to 325F.70), and chapter 53A regulating currency exchanges and assist in the enforcement of those laws as in this section provided."

Page 19, after line 12, insert:

"Sec. 28. [325E.41] [DECEPTIVE TRADE PRACTICES; ENVIRONMENTAL MARKETING CLAIMS.]

Subdivision 1. [ADOPTION OF FEDERAL GUIDES.] A manufacturer, packager, wholesaler, or retailer who makes, in any manner, an environmental claim for a product sold or offered for sale or distribution in this state, including those related to the product's packaging, shall comply with Code of Federal Regulations, title 16, part 260, "Guides for the Use of Environmental Marketing Claims."

Subd. 2. [INVESTIGATION; ENFORCEMENT.] A person who violates this section is subject to the penalties and remedies in section 8.31.

Subd. 3. [PUBLICATION OF VIOLATIONS.] The attorney general shall make available, upon written request by any member of the public, a list of any persons who have failed to comply with this section."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Mr. Stevens questioned whether the amendment was germane.

The President ruled that the amendment was germane.

Mr. Lessard moved to amend the Chandler amendment to S.F. No. 1788 as follows:

Page 1, line 35, after the period, insert quotation marks

Page 1, delete line 36

Page 2, delete lines 1 to 3

The motion prevailed. So the amendment to the amendment was adopted.

Ms. Kiscaden moved to amend the Chandler amendment to S.F. No. 1788 as follows:

Page 1, line 35, before the period, insert “, subdivisions 1 to 3, 3b, and 3c”

CALL OF THE SENATE

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

The question was taken on the adoption of the Kiscaden amendment to the Chandler amendment.

The roll was called, and there were yeas 35 and nays 30, as follows:

Those who voted in the affirmative were:

Beckman	Day	Kiscaden	Lessard	Robertson
Belanger	Dille	Knutson	Marty	Runbeck
Benson, D.D.	Frederickson	Kroening	McGowan	Sams
Benson, J.E.	Hanson	Laidig	Neuville	Solon
Berg	Janezich	Langseth	Oliver	Stevens
Bertram	Johnson, D.E.	Larson	Olson	Terwilliger
Chmielewski	Johnston	Lesewski	Pariseau	Vickerman

Those who voted in the negative were:

Adkins	Finn	Krentz	Novak	Reichgott Junge
Anderson	Flynn	Luther	Pappas	Riveness
Berglin	Hottinger	Merriam	Piper	Samuelson
Betzold	Johnson, D.J.	Moe, R.D.	Pogemiller	Spear
Chandler	Johnson, J.B.	Mondale	Price	Stumpf
Cohen	Kelly	Morse	Ranum	Wiener

The motion prevailed. So the amendment to the amendment was adopted.

Mr. Neuville moved to amend the Chandler amendment to S.F. No. 1788 as follows:

Page 1, line 15, after “325E.41,” insert “325E.42,”

Page 2, line 3, after the period, delete the quotation marks

Page 2, after line 3, insert:

“Sec. 29. [325E.42] [DECEPTIVE TRADE PRACTICES; GAMBLING ADVERTISING AND MARKETING CLAIMS.]

Subdivision 1. [REGULATION.] All advertising or marketing materials relating to the conduct of any form of legal gambling in Minnesota, including informational or promotional materials, must:

(1) be sufficiently clear to prevent deception; and

(2) not overstate expressly, or by implication, the attributes or benefits of participating in legal gambling.

Subd. 2. [ENFORCEMENT.] A person who violates this section is subject to the penalties and remedies in section 8.31. Nothing in this section limits the rights or remedies otherwise available under other law.

Subd. 3. [ADVERTISING MEDIA EXCLUDED.] This section applies to

actions of the owner, publisher, agent, or employee of newspapers, magazines, other printed matter, or radio or television stations or other advertising media used for the publication or dissemination of an advertisement or marketing materials; only if the owner, publisher, agent, or employee has knowledge of the misleading or deceptive character of the advertisement or marketing materials."

Mr. Lessard questioned whether the amendment was germane.

The President ruled that the amendment was not germane.

The question recurred on the Chandler amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Mr. Chandler moved to amend S.F. No. 1788 as follows:

Page 3, after line 17, insert:

"Sec. 4. Minnesota Statutes 1992, section 115A.03, is amended by adding a subdivision to read:

Subd. 33a. [TRANSPORT PACKAGING.] "Transport packaging" means packaging that is used primarily for transportation of products prior to final sale or delivery, whichever occurs later, of the products to their ultimate consumers. Transport packaging includes, but is not limited to, crates, barrels, boxes, pallets, and packing materials that are or may be removed prior to final sale or delivery of a product to a consumer.

Sec. 5. Minnesota Statutes 1992, section 115A.12, subdivision 1, is amended to read:

Subdivision 1. [SOLID AND HAZARDOUS WASTE MANAGEMENT.]

(a) The director shall establish a solid waste management advisory council, a hazardous waste management planning council, and a market development coordinating council, that are broadly representative of the geographic areas and interests of the state.

(b) The solid waste council shall have not less than nine nor more than 21 members. The membership of the solid waste council shall consist of one-third citizen representatives, one-third representatives from local government units, and one-third representatives from private solid waste management firms. The solid waste council shall contain at least three members experienced in the private recycling industry and at least one member experienced in each of the following areas: state and municipal finance; solid waste collection, processing, and disposal; and solid waste reduction and resource recovery.

(c) The hazardous waste council shall have not less than nine nor more than 18 members. The membership of the hazardous waste advisory council shall consist of one-third citizen representatives, one-third representatives from local government units, and one-third representatives of hazardous waste generators and private hazardous waste management firms.

(d) The market development coordinating council shall have not less than nine nor more than 18 members and shall consist of one representative from the department of trade and economic development, the department of administration, the pollution control agency, Minnesota Technology, Inc., the metropolitan council, and the legislative commission on waste management. The other members shall represent local government units, private recycling

markets, and private recycling collectors. The market development coordinating council expires June 30, 1994 1998.

(e) The chairs of the advisory councils shall be appointed by the director. The director shall provide administrative and staff services for the advisory councils. The advisory councils shall have such duties as are assigned by law or the director. The solid waste advisory council shall make recommendations to the office on its solid waste management activities. The hazardous waste advisory council shall make recommendations to the office on its activities under sections 115A.08, 115A.09, 115A.10, 115A.11, 115A.20, 115A.21, and 115A.24. Members of the advisory councils shall serve without compensation but shall be reimbursed for their reasonable expenses as determined by the director. The solid waste management advisory council and the hazardous waste management planning council expire June 30, 1994."

Page 5, after line 14, insert:

"Sec. 7. [115A.5502] [TRANSPORT PACKAGING; PROHIBITIONS.]

Subdivision 1. [CORRUGATED FIBERBOARD AND WOOD.] After June 30, 1997, a person may not place discarded corrugated fiberboard transport packaging or wood transport packaging from nonresidential generators in mixed municipal solid waste or a solid waste composting, incineration, refuse-derived fuel, or disposal facility, except for reuse or recycling.

Subd. 2. [STRETCH-WRAP TRANSPORT PACKAGING.] After June 30, 1998, a person may not place discarded stretch-wrap transport packaging from nonresidential generators in mixed municipal solid waste or a solid waste composting, incineration, refuse-derived fuel, or disposal facility, except for reuse or recycling.

Subd. 3. [REPORTS.] The director shall report to the legislative commission on waste management on the feasibility of the prohibitions in subdivisions 1 and 2, including whether sufficient markets will continue to exist for these materials after the prohibitions go into effect. The reports must include a description of trends in the use of reusable transport packaging nationwide and any recommendations the director has for changes in the law. For corrugated fiberboard and wood transport packaging, the report must be submitted by October 1, 1996. For stretch-wrap transport packaging, the report must be submitted by October 1, 1997.

Subd. 4. [MARKET DEVELOPMENT.] In awarding grants for market development under section 115A.48, the director shall give priority to the development of markets for the materials covered by subdivisions 1 and 2."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion did not prevail. So the amendment was not adopted.

S.F. No. 1788 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 54 and nays 12, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Kroening	Murphy	Riveness
Beckman	Hanson	Laidig	Novak	Runbeck
Belanger	Hottinger	Langseth	Oliver	Sams
Benson, D.D.	Janezich	Lessard	Olson	Samuelson
Berglin	Johnson, D.E.	Luther	Pappas	Solon
Bertram	Johnson, D.J.	Marty	Pariseau	Spear
Betzold	Johnson, J.B.	Merriam	Piper	Stevens
Chandler	Kelly	Merzen	Pogemiller	Stumpf
Cohen	Kiscaden	Moe, R.D.	Price	Terwilliger
Finn	Knutson	Mondale	Ranum	Wiener
Flynn	Krentz	Morse	Reichgott Junge	

Those who voted in the negative were:

Benson, J.E.	Day	Larson	Neuville	Vickerman
Berg	Dille	Lesewski	Robertson	
Chmielewski	Johnston	McGowan		

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS – CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted, with the exception of the reports on S.F. Nos. 2371, 2036 and the report pertaining to appointments. The motion prevailed.

Ms. Berglin from the Committee on Health Care, to which was re-referred

S.F. No. 2371: A bill for an act relating to crime; imposing penalties on any person who performs female genital mutilation; providing certain exceptions; requiring the commissioner of health to carry out appropriate education, prevention, and outreach activities in communities that traditionally engage in these practices; proposing coding for new law in Minnesota Statutes, chapters 144; and 609.

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

Delete everything after the enacting clause and insert:

“Section 1. [FEMALE GENITAL MUTILATION; EDUCATION AND OUTREACH.]

The commissioner of health, in consultation with representatives of the affected communities, shall carry out appropriate education, prevention, and outreach activities in communities that traditionally practice female circumcision, excision, or infibulation to inform people in those communities about the health risks and emotional trauma inflicted by those practices. The information shall include notification that these practices may be subject to criminal prosecution under state laws including those prohibiting assault, child abuse, and the practice of medicine without a license. The commissioner shall work with culturally appropriate groups to obtain private funds to help finance these prevention and outreach activities.”

Delete the title and insert:

"A bill for an act relating to health; requiring the commissioner of health to carry out appropriate education, prevention, and outreach activities in communities that traditionally engage in female genital mutilation."

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Ms. Berglin from the Committee on Health Care, to which was re-referred

S.F. No. 2036: A bill for an act relating to human services; permitting certain providers to request a state agency hearing; modifying the conduct of state agency hearings; modifying certain requirements for prior authorization of services under medical assistance; amending Minnesota Statutes 1992, sections 256.045, subdivisions 3, 4, 5 and by adding a subdivision; and 256B.0625, subdivisions 8, 8a, 25, 31, and by adding a subdivision.

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

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1992, section 256.045, subdivision 3, is amended to read:

Subd. 3. [STATE AGENCY HEARINGS.] (a) Any person applying for, receiving or having received public assistance or a program of social services granted by the state agency or a county agency under sections 252.32, 256.031 to 256.036, and 256.72 to 256.879, chapters 256B, 256D, 256E, 261, or the federal Food Stamp Act whose application for assistance is denied, not acted upon with reasonable promptness, or whose assistance is suspended, reduced, terminated, or claimed to have been incorrectly paid, or any patient or relative aggrieved by an order of the commissioner under section 252.27, or a party aggrieved by a ruling of a prepaid health plan, may contest that action or decision before the state agency by submitting a written request for a hearing to the state agency within 30 days after receiving written notice of the action or decision, or within 90 days of such written notice if the applicant, recipient, patient, or relative shows good cause why the request was not submitted within the 30-day time limit.

(b) Except for a prepaid health plan, a vendor of medical care as defined in section 256B.02, subdivision 7, or a vendor under contract with a county agency to provide social services under section 256E.08, subdivision 4, is not a party and may not request a hearing under this section, *except if assisting a recipient as provided in subdivision 4.*

(c) An applicant or recipient is not entitled to receive social services beyond the services included in the amended community social services plan developed under section 256E.081, subdivision 3, if the county agency has met the requirements in section 256E.081.

Sec. 2. Minnesota Statutes 1992, section 256.045, subdivision 4, is amended to read:

Subd. 4. [CONDUCT OF HEARINGS.] All hearings held pursuant to subdivision 3, 3a, or 4a shall be conducted according to the provisions of the

federal Social Security Act and the regulations implemented in accordance with that act to enable this state to qualify for federal grants-in-aid, and according to the rules and written policies of the commissioner of human services. County agencies shall install equipment necessary to conduct telephone hearings. A state human services referee may schedule a telephone conference hearing when the distance or time required to travel to the county agency offices will cause a delay in the issuance of an order, or to promote efficiency, or at the mutual request of the parties. Hearings may be conducted by telephone conferences unless the applicant, recipient, or former recipient objects. The hearing shall not be held earlier than five days after filing of the required notice with the county or state agency. The state human services referee shall notify all interested persons of the time, date, and location of the hearing at least five days before the date of the hearing. Interested persons may be represented by legal counsel or other representative of their choice at the hearing and may appear personally, testify and offer evidence, and examine and cross-examine witnesses. The applicant, recipient, or former recipient shall have the opportunity to examine the contents of the case file and all documents and records to be used by the county or state agency at the hearing at a reasonable time before the date of the hearing and during the hearing. Upon request, the county agency shall provide reimbursement for transportation, child care, photocopying, medical assessment, witness fee, and other necessary and reasonable costs incurred by the applicant, recipient, or former recipient in connection with the appeal. All evidence, except that privileged by law, commonly accepted by reasonable people in the conduct of their affairs as having probative value with respect to the issues shall be submitted at the hearing and such hearing shall not be "a contested case" within the meaning of section 14.02, subdivision 3. *The agency must present its evidence prior to or at the hearing and may not submit evidence after the hearing except by agreement of the parties at the hearing, provided the recipient has the opportunity to respond.*

Sec. 3. Minnesota Statutes 1992, section 256.045, subdivision 5, is amended to read:

Subd. 5. [ORDERS OF THE COMMISSIONER OF HUMAN SERVICES.] A state human services referee shall conduct a hearing on the appeal and shall recommend an order to the commissioner of human services. The recommended order must be based on all relevant evidence and must not be limited to a review of the propriety of the state or county agency's action. A referee may take official notice of adjudicative facts. The commissioner of human services may accept the recommended order of a state human services referee and issue the order to the county agency and the applicant, recipient, former recipient, or prepaid health plan. The commissioner on refusing to accept the recommended order of the state human services referee, shall notify the county agency and the applicant, recipient, former recipient, or prepaid health plan of that fact and shall state reasons therefor and shall allow each party ten days' time to submit additional written argument on the matter. After the expiration of the ten-day period, the commissioner shall issue an order on the matter to the county agency and the applicant, recipient, former recipient, or prepaid health plan.

A party aggrieved by an order of the commissioner may appeal under subdivision 7, or request reconsideration by the commissioner within 30 days after the date the commissioner issues the order. The commissioner may reconsider an order upon request of any party or on the commissioner's own

motion. A request for reconsideration does not stay implementation of the commissioner's order. Upon reconsideration, the commissioner may issue an amended order or an order affirming the original order.

Any order of the commissioner issued under this subdivision shall be conclusive upon the parties unless appeal is taken in the manner provided by subdivision 7. Any order of the commissioner is binding on the parties and must be implemented by the state agency or a county agency until the order is reversed by the district court, or unless the commissioner or a district court orders monthly assistance or aid or services paid or provided under subdivision 10.

Except for a prepaid health plan, a vendor of medical care as defined in section 256B.02, subdivision 7, or a vendor under contract with a county agency to provide social services under section 256E.08, subdivision 4, is not a party and may not request a hearing or seek judicial review of an order issued under this section, *unless assisting a recipient as provided in subdivision 4.*

Sec. 4. [PRIOR AUTHORIZATION ALTERNATIVES; REPORT REQUIRED.]

The commissioner shall report on alternative methods, other than prior authorization, to achieve utilization review of the therapy services provided by an entity that operates a Medicare certified comprehensive outpatient rehabilitation facility which was certified prior to January 1, 1993; and that is a facility licensed under Minnesota Rules, parts 9570.2000 to 9570.3600, when these services are provided within the comprehensive outpatient rehabilitation facility and not provided in a nursing facility other than the entity's own, and by facilities licensed under Minnesota Rules, parts 9570.2000 to 9570.3600, which provide residential services for persons with physical handicaps. The commissioner must consult with these facilities to develop recommendations for alternative methods of utilization review. By February 1, 1995, the commissioner must submit the report to the legislature."

Delete the title and insert:

"A bill for an act relating to human services; modifying the conduct of state agency hearings; modifying certain requirements for prior authorization of services under medical assistance; amending Minnesota Statutes 1992, section 256.045, subdivisions 3, 4, and 5."

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, 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. 2168: A bill for an act relating to agricultural businesses; exempting from sales tax the gross receipts of used farm machinery sales; providing matching moneys for federal emergency disaster funds to flood damaged counties; providing supplemental funding for grain inspection programs, financial assistance programs under the ethanol production fund, and small business disaster loan programs; expanding research on grain diseases; increasing funding for the farm advocates program, agricultural resource centers, legal challenges to the federal milk market order system,

farm and small business management programs at technical colleges, and the Farmers' Legal Action Group; providing funding to the Agricultural Utilization Research Institute; appropriating money; amending Minnesota Statutes 1992, sections 297A.02, subdivision 2; and 297A.25, by adding a subdivision; Minnesota Statutes 1993 Supplement, section 41B.044, subdivision 2; and Laws 1993, chapter 172, section 7, subdivision 3.

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

Ms. Berglin from the Committee on Health Care, to which was referred the following appointment as reported in the Journal for February 22, 1994:

DEPARTMENT OF HEALTH

COMMISSIONER

Mary Jo O'Brien

Reports the same back with the recommendation that the appointment be confirmed.

Mr. Moe, R.D. moved that the foregoing committee report be laid on the table. The motion prevailed.

Messrs. Pogemiller and Stumpf from the Committee on Education, to which was referred

S.F. No. 2206: A bill for an act relating to education; making technical changes in education programs and policies; amending Minnesota Statutes 1992, sections 124.26, subdivision 1b; 124.95, subdivision 4; and 272.02, subdivision 8; Minnesota Statutes 1993 Supplement, sections 124.155, subdivision 2; 124.226, subdivision 3a; 124.26, subdivision 1c; 124.2714; 124.573, subdivision 2b; 124.91, subdivision 5; 124.95, subdivision 1; 124A.03, subdivision 1c; and 124A.292, subdivision 3.

Report 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 1993 Supplement, section 16A.152, subdivision 2, is amended to read:

Subd. 2. [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 reserve and cash flow account until the total amount in the account equals five percent of total general fund appropriations for the current biennium as established by the most recent legislative session. Beginning July 1, 1993, forecast unrestricted budgetary general fund balances are first appropriated to restore the budget reserve and cash flow account to \$500,000,000 and then to reduce the property tax levy recognition percent

under section 121.904, subdivision 4a, to zero before money is allocated to the budget reserve and cash flow account under the preceding sentence. *\$180,000,000 of the budget reserve and cash flow account shall be dedicated to elementary and secondary education.*

The amounts necessary to meet the requirements of this section are appropriated from the general fund.

Sec. 2. Minnesota Statutes 1993 Supplement, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. [LEVY RECOGNITION.] (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to sections 124.2721, subdivision 3; 124.575, subdivision 3; and 124.914, subdivision 1; 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 May, 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 an amount equal to the levy recognized as revenue in June of the prior year plus ~~50.0~~ 37.4 percent for fiscal year 1994 and 31.0 percent for fiscal year 1995 and thereafter 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) ~~50.0~~ 37.4 percent for fiscal year 1994 and 31.0 percent for fiscal year 1995 and thereafter 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 124.914, subdivision 1, and Laws 1976, chapter 20, section 4;

(iii) retirement and severance pay pursuant to sections 122.531, subdivision 9, 124.2725, subdivision 15, 124.4945, 124.912, subdivision 1, and 124.916, subdivision 3, and Laws 1975, chapter 261, section 4;

(iv) amounts levied for bonds issued and interest thereon, amounts levied for debt service loans and capital loans, amounts levied for down payments under section 124.82, subdivision 3, and amounts levied pursuant to section 136C.411; and

(v) amounts levied under section 124.755.

(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. 3. Minnesota Statutes 1993 Supplement, section 121.904, subdivision 4c, is amended to read:

Subd. 4c. [PROPERTY TAX SHIFT REDUCTION.] (a) Money ~~made available~~ *appropriated* under section 16A.152, subdivision 2, must be used to reduce the levy recognition percent specified in subdivision 4a, clauses (b)(2) and (b)(3), for taxes payable in the succeeding calendar year.

(b) The levy recognition percent shall equal the result of the following computation: the current levy recognition percent, times the ratio of

(1) the statewide total amount of levy recognized in June of the year in which the taxes are payable pursuant to subdivision 4a, clause (b), *excluding those levies that are shifted for revenue recognition but are not included in the computation of the adjustment to aids under section 124.155, subdivision 1, reduced by the difference between the amount of money ~~made available~~ appropriated under section 16A.152, subdivision 2, and the amount required for the adjustment payment under clause (d), to*

(2) the statewide total amount of the levy recognized in June of the year in which the taxes are payable pursuant to subdivision 4a, clause (b), *excluding those levies that are shifted for revenue recognition but are not included in the computation of the adjustment to aids under section 124.155, subdivision 1.*

The result shall be rounded up to the nearest whole one-tenth of a percent. However, in no case shall the levy recognition percent be reduced below zero or increased above the current levy recognition percent.

(c) The commissioner of finance must certify to the commissioner of education the levy recognition percent computed under this subdivision by January 5 of each year. The commissioner of education must notify school districts of a change in the levy recognition percent by January 15.

(d) *For fiscal years 1994 and 1995, when the levy recognition percent is reduced as provided in this subdivision, a special adjustment payment shall be made to each school district with an operating referendum levy that received an aid reduction under Laws 1991, chapter 265, article 1, section 31, or Laws 1992, chapter 499, article 1, section 22. The special adjustment payment shall be in addition to the additional payments required because of the reduction pursuant to this subdivision of the levy recognition percent. The amount of the special adjustment payment shall be computed by the commissioner of education such that any remaining portion of the aid reduction these districts received that has not been repaid is repaid on a proportionate basis as the levy recognition percent is reduced from 50 percent to 31 percent. The special adjustment payment must be included in the state aid payments to school districts according to the schedule specified in section 124.195, subdivision 3.*

(e) The commissioner of finance shall transfer from the general fund to the education aids appropriations specified by the commissioner of education, the amounts needed to finance the additional payments required because of the reduction pursuant to this subdivision of the levy recognition percent. Payments to a school district of additional state aids resulting from a reduction in the levy recognition percent must be included in the cash metering of payments made according to section 124.195 after January 15, and must be paid in a manner consistent with the percent specified in that section.

Sec. 4. Minnesota Statutes 1992, section 121.904, subdivision 4e, is amended 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 plus an amount equal to the levy recognized as revenue in June of the prior year; or

(2) ~~50.0~~ 37.4 percent for fiscal year 1994 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 homestead and agricultural credit aid paid to the cooperative unit according to section 273.1392 for the fiscal year to which the levy is attributable.

Sec. 5. Minnesota Statutes 1993 Supplement, section 124.155, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENT TO AIDS.] (a) The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

(1) general education aid authorized in sections 124A.23 and 124B.20;

(2) secondary vocational aid authorized in section 124.573;

(3) special education aid authorized in section 124.32;

(4) secondary vocational aid for children with a disability authorized in section 124.574;

(5) aid for pupils of limited English proficiency authorized in section 124.273;

(6) transportation aid authorized in section 124.225;

(7) community education programs aid authorized in section 124.2713;

(8) adult education aid authorized in section 124.26;

(9) early childhood family education aid authorized in section 124.2711;

(10) capital expenditure aid authorized in sections 124.243, 124.244, and 124.83;

- (11) secondary vocational cooperative aid according to section 124.575;
- (12) assurance of mastery aid according to section 124.311;
- (13) ~~individual learning and development aid according to section 124.331;~~
- (14) ~~homestead credit under section 273.13 for taxes payable in 1989 and additional transition credit under section 273.1398, subdivision 5, for taxes payable in 1990 and thereafter;~~
- (15) ~~agricultural credit under section 273.132 for taxes payable in 1989 and additional transition credit under section 273.1398, subdivision 5, for taxes payable in 1990 and thereafter;~~
- (16) ~~homestead and agricultural credit aid and, disparity reduction credit and aid authorized in, and changes to credits for prior year adjustments according to section 273.1398, subdivision subdivisions 2, 3, 4, and 7;~~
- (17) (14) attached machinery aid authorized in section 273.138, subdivision 3; and
- (18) (15) alternative delivery aid authorized in section 124.322.

(b) 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. 6. Minnesota Statutes 1993 Supplement, section 124.17, subdivision 1, is amended to read:

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

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

(b) A prekindergarten pupil with a disability who is enrolled for less than the entire fiscal year in a program approved by the commissioner is counted as the greater of:

(1) one-half times the ratio of the number of instructional days from the date the pupil is enrolled to the date the pupil withdraws to the number of instructional days in the school year; or

(2) the ratio of the number of hours of assessment and education service required in the fiscal year by the pupil's individual education program plan to 875, but not more than one.

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

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

(e) A kindergarten pupil who is not included in paragraph (d) is counted as ~~one-half~~ .515 of a pupil unit for fiscal year 1994 and .53 of a pupil unit for fiscal year 1995 and thereafter.

(f) A pupil who is in any of grades 1 to 6 is counted as 1.03 pupil units for fiscal year 1994 and 1.06 pupil units for fiscal year 1995 and thereafter.

(g) A pupil who is in any of grades 7 to 12 is counted as 1.3 pupil units.

(h) A pupil who is in the post-secondary enrollment options program is counted as 1.3 pupil units.

Sec. 7. Minnesota Statutes 1992, section 124.195, subdivision 3a, is amended to read:

Subd. 3a. [APPEAL.] The commissioner in consultation with the commissioner of finance may revise the payment dates and percentages in subdivision 3 for a district if it is determined that there is an emergency or there are serious cash flow problems in the district that cannot be resolved by issuing warrants or other forms of indebtedness or if the commissioner determines that excessive short-term borrowing costs will be incurred by a district, because of the increase in the levy recognition percentage from 37 percent to 50 percent according to section 121.904, subdivisions 4a and 4e, and the district can document substantial harm to instructional programs due to these costs. The commissioner shall establish a process and criteria for school districts to appeal the payment dates and percentages established in subdivision 3.

Sec. 8. Minnesota Statutes 1992, section 124.2725, subdivision 16, is amended to read:

Subd. 16. [EXCLUSION FROM FUND BALANCE.] Revenue received by a district under this section for each year of cooperation and the first three years of combination shall be excluded from the net unreserved operating fund balance, for the purposes of ~~section~~ sections 124A.03, subdivision 3b, paragraph (c), and 124A.26.

Sec. 9. Minnesota Statutes 1992, section 124A.02, is amended by adding a subdivision to read:

Subd. 25. [NET UNAPPROPRIATED OPERATING FUND BALANCE.] "Net unappropriated operating fund balance" means the sum of the fund balances in the general, transportation, food service, and community service funds minus the balances reserved for statutory operating debt reduction, bus purchase, severance pay, taconite, unemployment compensation, maintenance levy reduction, and encumbrances, computed as of June 30 each year.

Sec. 10. Minnesota Statutes 1993 Supplement, section 124A.03, subdivision 1c, is amended to read:

Subd. 1c. [REFERENDUM ALLOWANCE LIMIT.] (a) Notwithstanding subdivision 1b, a district's referendum allowance must not exceed the greater of:

- (1) the district's referendum allowance for fiscal year 1994; or
- (2) 25 percent of the formula allowance for fiscal year 1995 and later.

(b) The allowance calculated in paragraph (a) must be reduced by the amount of the referendum allowance reduction computed in subdivision 3b.

Sec. 11. Minnesota Statutes 1993 Supplement, section 124A.03, subdivision 3b, is amended to read:

Subd. 3b. [REFERENDUM ALLOWANCE REDUCTION.] A district's referendum allowance under subdivision 1c is reduced by the amounts calculated in paragraphs (a), (b), ~~and~~ (c), ~~and~~ (d).

(a) The referendum allowance reduction equals the amount by which a district's supplemental revenue reduction exceeds the district's supplemental revenue allowance for fiscal year 1993.

(b) Notwithstanding paragraph (a), if a district's initial referendum allowance is less than ten percent of the formula allowance for that year, the reduction equals the lesser of (1) an amount equal to \$100, or (2) the amount calculated in paragraph (a).

(c) Notwithstanding paragraph (a) or (b), a school district's referendum allowance reduction equals (1) an amount equal to \$100, times (2) one minus the ratio of 20 percent of the formula allowance minus the district's initial referendum allowance limit to 20 percent of the formula allowance for that year if:

(i) the district's adjusted net tax capacity for assessment year 1992 per actual pupil unit for fiscal year 1995 is less than \$3,000;

(ii) the district's net unappropriated operating fund balance as of June 30, 1993, divided by the actual pupil units for fiscal year 1995 is less than \$200;

(iii) the district's supplemental revenue allowance for fiscal year 1993 is equal to zero; and

(iv) the district's initial referendum revenue authority for the current year divided by the district's net tax capacity for assessment year 1992 is greater than ten percent.

(d) Notwithstanding paragraph (a), (b), or (c), the referendum revenue reduction for a newly consolidated district is computed as follows:

(1) for a newly reorganized district created effective July 1, 1994, the referendum revenue reduction equals either the lesser of the amount calculated for the reorganized district under paragraph (a), (b), or (c), or the sum of the amounts by which each of the reorganizing district's supplemental revenue reduction exceeds its respective supplemental revenue allowances calculated for the districts as if they were still in existence for fiscal year 1995; or

(2) for a newly reorganized district created after July 1, 1994, the referendum revenue reduction equals either the lesser of the amount calculated for the reorganized district under paragraph (a), (b), or (c), or the sum of the amounts by which each of the reorganizing district's supplemental revenue reduction exceeds its respective supplemental revenue allowances calculated for the year preceding the year of reorganization.

Sec. 12. Minnesota Statutes 1993 Supplement, section 124A.22, subdivision 5, is amended to read:

Subd. 5. [DEFINITIONS.] The definitions in this subdivision apply only to subdivisions 6 and 6a.

(a) "High school" means a secondary school that has pupils enrolled in at least the 10th, 11th, and 12th grades. If there is no secondary school in the district that has pupils enrolled in at least the 10th, 11th, and 12th grades, and

the school is at least 19 miles from the next nearest school, 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. For a district that does not operate a high school and is less than 19 miles from the nearest operating high school, the attendance area equals zero.

(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. *For a district in which there is located land defined in section 84A.01, 84A.20, or 84A.31, the distance in miles is the sum of:*

- (1) the square root of one-half of the attendance area; and*
- (2) the distance from the border of the district to 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.

(f) "Qualifying elementary school" means an elementary school that is located 19 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. *For a building in a district where the nearest elementary school is at least 65 miles distant, pupils served shall be used to determine average daily membership.*

Sec. 13. Minnesota Statutes 1993 Supplement, section 124A.22, subdivision 9, is amended to read:

Subd. 9. [SUPPLEMENTAL REVENUE REDUCTION.] A district's supplemental revenue allowance is reduced by the sum of:

- (1) the sum of one-fourth of the difference of:

- (i) the sum of the district's training and experience revenue and compensatory revenue per actual pupil unit for that fiscal year, and

- (ii) the sum of district's training and experience revenue and compensatory revenue per actual pupil unit for fiscal year 1994; and

(2) the difference between the formula allowance for the current fiscal year and \$3,050.

For fiscal year 1995 only if a district's ratio of adjusted net tax capacity divided by actual pupil units to the equalizing factor is less than or equal to .25 then the difference is equal to \$50.

A district's supplemental revenue allowance may not be less than zero.

Sec. 14. Minnesota Statutes 1993 Supplement, section 124A.225, subdivision 1, is amended to read:

Subdivision 1. [REVENUE.] (a) Of a district's general education revenue an amount equal to the sum of the number of elementary ~~pupil units~~ *pupils in average daily membership* defined in section 124.17, subdivision 1, clause (f) and *one-half of the number of kindergarten pupil units in average daily membership* as defined in section 124.17, subdivision 1, clause (e), times .03 for fiscal year 1994 and .06 for fiscal year 1995 and thereafter times the formula allowance must be reserved according to this section.

(b) For fiscal year 1995, a district must reserve an additional amount equal to the greater of

(i) \$0, or

(ii) \$100 minus the sum of the reduction for supplemental revenue under section 124A.22, subdivision 9, and the reduction for referendum revenue under section 124A.03, subdivision 3b, times the district's actual pupil units times the ratio of the district's elementary average daily membership to the district's average daily membership according to this section. The revenue must be placed in a learning and development reserved account and may only be used according to this section.

(c) The ratio in paragraph (a) for fiscal year 1995 is adjusted by adding an amount equal to the ratio of the difference between the formula allowance for fiscal year 1995 minus 3,150 to 10,000.

Sec. 15. Minnesota Statutes 1993 Supplement, section 124A.23, subdivision 1, is amended to read:

Subdivision 1. [GENERAL EDUCATION TAX RATE.] The commissioner shall establish the general education tax rate by 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 percent, that, when applied to the adjusted net tax capacity for all districts, raises the amount specified in this subdivision. The general education tax rate shall be the rate that raises ~~\$969,800,000 for fiscal year 1994, \$1,044,000,000 for fiscal year 1995 and \$1,075,000,000 for fiscal year 1996 and later fiscal years.~~ The general education tax rate may not be changed due to changes or corrections made to a district's adjusted net tax capacity after the tax rate has been established.

Sec. 16. Minnesota Statutes 1992, section 124A.26, is amended by adding a subdivision to read:

Subd. 5. [ALLOCATION AMONG ACCOUNTS.] The district must apportion any fund balance reduction under this section among all reserved and unreserved fund balance accounts included in the net unappropriated operating fund balance in the proportion that each account bears to the total.

Sec. 17. Minnesota Statutes 1992, section 124A.28, is amended by adding a subdivision to read:

Subd. 1a. [BUILDING ALLOCATION.] A district must allocate, to the greatest extent possible, compensatory revenue to the buildings in the district with the highest concentration of children from low-income families.

Sec. 18. Laws 1993, chapter 224, article 1, section 38, is amended to read:

Sec. 38. [TAX CREDIT ADJUSTMENT.]

Prior to the computation of homestead and agricultural aid for taxes payable in 1994, the commissioner of revenue shall reduce a school district's homestead and agricultural aid by an amount equal to the homestead and agricultural aid for calendar year 1993 times the ratio of referendum levy certified for 1993 to the certified unequalized levies for 1993. The department of education shall determine the change in referendum levies payable in 1994 attributable to *this section* and the increase in equalization under sections 8 and 9. Notwithstanding any law to the contrary, a district may recognize revenue equal to ~~one-half~~ *37.4 percent for fiscal year 1994 and 31.0 percent for fiscal year 1995 and thereafter of the levy reduction in the fiscal year the levy is certified and each year thereafter.*

Sec. 19. Laws 1993, chapter 224, article 15, section 2, is amended to read:

Sec. 2. [DECLINING PUPIL UNIT AID.]

(a) For fiscal year 1994 only, a school district is eligible for declining pupil unit aid equal to the greater of zero or the result of the following computation:

(1) add 77 percent of the district's actual pupil units for fiscal year 1994 and 23 percent of the district's actual pupil units for fiscal year 1993;

(2) subtract from the amount calculated in clause (1) the district's actual pupil units for fiscal year 1994; and

(3) multiply the amount determined in clause (2) by the basic formula allowance for that year.

(b) The aid amount calculated under paragraph (a) is available from the general education appropriation under article 1, section 41, subdivision 2, to the department of education for payment of declining pupil unit aid.

(c) *For the purposes of this section, pursuant to Minnesota Statutes, section 124.17, subdivision 3, a pupil who is in grades 1 to 6 is counted as 1.03 pupil units for fiscal year 1993.*

Sec. 20. [PEQUOT LAKES; DELAY IN AID REPAYMENT.]

The department of education must allow independent school district No. 186, Pequot Lakes, to repay over a five-year period state aid overpayments for fiscal years 1991 and 1992 due to the property tax revenue recognition shift. Notwithstanding Minnesota Statutes, section 124.155, subdivision 1, aids for independent school district No. 186, Pequot Lakes, shall not be adjusted for fiscal years 1991 and 1992 for pupils transferring into the district under Minnesota Statutes, section 120.062.

Sec. 21. [LEVY RECOGNITION ADJUSTMENT PAYMENT; TRANSFER OF FUNDS.]

The commissioner of finance shall transfer from the general fund to the education aids appropriations specified by the commissioner of education the amounts needed to finance the adjustment to aids required under Minnesota Statutes, section 124.155, resulting from the reduction of the levy recognition percent in Minnesota Statutes, section 121.904, subdivisions 4a and 4e, and the additional payments required under Minnesota Statutes, section 121.904, subdivision 4c, paragraph (d). This transfer of funds is required to ensure that the property tax shift reduction for fiscal year 1994 under Minnesota Statutes, section 16A.152, subdivision 2, as certified by the commissioner of finance according to Minnesota Statutes, section 121.904, subdivision 4c, paragraph (c), is funded for the amount certified.

Sec. 22. [EXEMPTION TO CONTRACT DEADLINE; HAYFIELD.]

Notwithstanding Minnesota Statutes, section 124A.22, subdivision 2a, independent school district No. 203, Hayfield, is not subject to the contract penalty reduction in general education revenue for fiscal year 1994.

Sec. 23. [RICHFIELD AIRPORT IMPACT AID.]

Notwithstanding Minnesota Statutes, section 124.17, independent school district No. 280, Richfield, may count pupils for fiscal years 1995 and 1996 who no longer enroll in the district due to the purchase of homes by the metropolitan airports commission. These pupils shall count as one-half of a pupil unit in 1995 and one-fourth of a pupil unit in 1996.

Sec. 24. [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 year designated.

Subd. 2. [GENERAL EDUCATION AID.] For general education aid:

\$ 2,467,000 1994

\$66,730,000 1995

This appropriation recognizes an additional \$51,100,000 of aid savings related to pay 1995 property taxes.

Sec. 25. [EFFECTIVE DATE.]

(a) Section 1 [16A.152, subdivision 2] is effective July 1, 1995.

(b) Sections 2 [121.904, subdivision 4a], 3 [121.904, subdivision 4c], 4 [121.904, subdivision 4e], 18 [Laws 1993, chapter 224, article 1, section 38], and 21 [Levy Recognition], are effective retroactive to January 1, 1994, and apply to aid payments for fiscal years 1994 and later. However, the levy recognition percent for taxes payable in 1994 is set by this article at 37.4 percent, and shall not be recomputed for taxes payable in 1994 under the provisions of section 3, paragraph (b).

(c) Section 11 [124A.03, subdivision 3b] is effective for revenue for the 1994-1995 school year and thereafter.

(d) Sections 6 [124.17, subdivision 1], 14 [124A.225, subdivision 1], 19 [Laws 1993, chapter 224, article 15, section 2], and 24 are effective for fiscal year 1994 and thereafter.

(e) Section 22 [Hayfield] is effective the day following final enactment.

ARTICLE 2

TRANSPORTATION

Section 1. Minnesota Statutes 1992, section 124.225, is amended by adding a subdivision to read:

Subd. 7f. [ADDITIONAL NONREGULAR TRANSPORTATION REVENUE.] A district shall receive additional nonregular transportation revenue equal to 80 percent of the district's actual cost for board and lodging and transportation to and from board and lodging facilities under section 124.223, subdivisions 5, 7, and 8, not funded through the nonregular transportation formula under subdivision 7d. The additional nonregular transportation revenue shall be added to the nonregular transportation revenue under subdivision 7d for purposes of computing transportation aid under subdivision 8a and the nonregular transportation levy under section 124.226, subdivision 4.

Sec. 2. Minnesota Statutes 1993 Supplement, section 124.226, subdivision 3a, is amended to read:

Subd. 3a. [TRANSPORTATION LEVY EQUITY.] (a) If a district's basic transportation levy for a fiscal year is adjusted according to subdivision 3, an amount must be deducted from the state payments that are authorized in chapter 273 and that are receivable for the same fiscal year. The amount of the deduction equals the difference between:

(1) the district's transportation revenue under section 124.225, subdivision 7d; and

(2) the sum of the district's maximum basic transportation levy under subdivision 1, the district's maximum nonregular levy under subdivision 4, ~~the district's maximum excess transportation levy under subdivision 5,~~ the district's contracted services aid reduction under section 124.225, subdivision 8k, and the amount of any reduction due to insufficient appropriation under section 124.225, subdivision 8a.

(b) Notwithstanding paragraph (a), for fiscal year 1995, the amount of the deduction is one-fourth of the difference between clauses (1) and (2); for fiscal year 1996, the amount of the deduction is one-half of the difference between clauses (1) and (2); and for fiscal year 1997, the amount of the deduction is three-fourths of the difference between clauses (1) and (2).

(c) The amount of the deduction in any fiscal year must not exceed the amount of state payments that are authorized in chapter 273 and that are receivable for the same fiscal year in the district's transportation fund.

Sec. 3. Minnesota Statutes 1993 Supplement, section 124.226, subdivision 9, is amended to read:

Subd. 9. [LATE ACTIVITY BUSES.] (a) A school district may levy an amount equal to the lesser of:

(1) the actual cost of late transportation home from school, between schools within a district, or between schools in one or more districts that have an agreement under sections 122.241 to 122.248, 122.535, 122.541, or 124.494, for pupils involved in after school activities for the school year beginning in the year the levy is certified; or

(2) two percent of the *sum of the district's regular transportation revenue and the district's nonregular transportation revenue* for that school year according to section 124.225, subdivision 7d, ~~paragraph (a)~~.

(b) A district that levies under this section must provide late transportation from school for students participating in any academic-related activities provided by the district if transportation is provided for students participating in athletic activities.

(c) *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.*

Sec. 4. [STAPLES TRANSPORTATION FUNDING.]

Notwithstanding Minnesota Statutes, section 124.225, for fiscal year 1994, transportation aid paid to independent school district No. 793, Staples, for residents of independent school district No. 483, Motley, transported under Minnesota Statutes, section 120.062, subdivision 9, shall be computed using the regular transportation allowance determined according to Minnesota Statutes, section 124.225, for independent school district No. 483, Motley.

Sec. 5. [TRANSPORTATION AID.]

The appropriation in Laws 1993, chapter 224, article 2, section 15, subdivision 2, is reduced by \$89,000 in fiscal year 1995.

Sec. 6. [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 year designated.

Subd. 2. [TRANSPORTATION AID.] For transportation aid:

\$77,000 1995

This amount is in addition to the amount appropriated in Laws 1993, chapter 224, article 2, section 15, subdivision 2, as amended by Laws 1993, chapter 374, section 5.

Subd. 3. [METRO DEAF SCHOOL AID.] For transportation aid to independent school district No. 4005, Metro Deaf School:

\$21,000 1994

\$68,000 1995

Notwithstanding Minnesota Statutes, sections 120.064 and 124.248, or other law, the state shall pay transportation aid for fiscal years 1994 and 1995 to independent school district No. 4005, Metro Deaf School. The state aid for each fiscal year equals the district's actual cost for providing transportation services approved by the commissioner of education.

ARTICLE 3

SPECIAL PROGRAMS

Section 1. Minnesota Statutes 1992, section 13.04, is amended by adding a subdivision to read:

Subd. 5. [EDUCATION RECORDS; CHILD WITH A DISABILITY.] Nothing in this chapter shall be construed as limiting the frequency of inspection of the educational records of a child with a disability by the child's parent or guardian or by the child upon the child reaching the age of majority. An agency or institution may not charge a fee to search for or to retrieve the educational records. An agency or institution that receives a request for copies of the educational records of a child with a disability may charge a fee that reflects the costs of reproducing the records except when to do so would impair the ability of the child's parent or guardian, or the child who has reached the age of majority, to exercise their right to inspect and review those records.

Sec. 2. Minnesota Statutes 1992, section 120.17, subdivision 1, is amended to read:

Subdivision 1. [SPECIAL INSTRUCTION FOR CHILDREN WITH A DISABILITY.] Every district shall provide special instruction and services, either within the district or in another district, for children with a disability who are residents of the district and who are disabled as set forth in section 120.03. *Notwithstanding any law to the contrary*, special instruction and services must be provided from birth until September 1 after the child with a disability becomes ~~21~~ 22 years old but shall not extend beyond secondary school or its equivalent, except as provided in section 126.22, subdivision 2. Local health, education, and social service agencies shall refer children under age five who are known to need or suspected of needing special instruction and services to the school district. Districts with less than the minimum number of eligible children with a disability as determined by the state board shall cooperate with other districts to maintain a full range of programs for education and services for children with a disability. This subdivision does not alter the compulsory attendance requirements of section 120.101.

Sec. 3. Minnesota Statutes 1993 Supplement, section 120.17, subdivision 3, is amended to read:

Subd. 3. [RULES OF THE STATE BOARD.] (a) The state board shall promulgate rules relative to qualifications of essential personnel, courses of study, methods of instruction, pupil eligibility, size of classes, rooms, equipment, supervision, parent consultation, and any other rules it deems necessary for instruction of children with a disability. 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 children with a disability. ~~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 ease 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. These rules are binding on state and local education, health, and human services agencies. The state board shall adopt rules to determine eligibility for special education services. The rules shall include procedures and standards by which to grant variances for experimental eligibility criteria. 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.

(b) The state's regulatory scheme should support schools by assuring that all state special education rules adopted by the state board of education result in one or more of the following outcomes:

(1) increased time available to teachers for educating students through direct and indirect instruction;

(2) consistent and uniform access to effective education programs for students with disabilities throughout the state;

(3) reduced inequalities, conflict, and court actions related to the delivery of special education instruction and services for students with disabilities;

(4) clear expectations for service providers and for students with disabilities;

(5) increased accountability for all individuals and agencies that provide instruction and other services to students with disabilities;

(6) greater focus for the state and local resources dedicated to educating students with disabilities; and

(7) clearer standards for evaluating the effectiveness of education and support services for students with disabilities.

Sec. 4. Minnesota Statutes 1993 Supplement, section 120.17, subdivision 11b, is amended to read:

Subd. 11b. [RESPONSIBILITIES OF COUNTY BOARDS AND SCHOOL BOARDS.] (a) It is the joint responsibility of county boards and school boards to coordinate, provide, and pay for appropriate services, and to facilitate payment for services from public and private sources. Appropriate services for children eligible under section 120.03 must be determined in consultation with parents, physicians, and other educational, medical, health, and human services providers. The services provided must be in conformity with an individual family service plan (IFSP) as defined in Code of Federal Regulations, title 34, sections 303.340, 303.341a, and 303.344 for each eligible infant and toddler from birth through age two and its family, or an individual education plan (IEP) or individual service plan (ISP) for each eligible child ages three through four. ~~County boards and school boards shall not be required to provide any services under an individual family service plan that are not required in an individual education plan or individual service plan.~~

(b) Appropriate services include family education and counseling, home visits, occupational and physical therapy, speech pathology, audiology, psychological services, special instruction, nursing, respite, nutrition, assistive technology, transportation and related costs, social work, vision services, case management including service coordination under subdivision 8, medical services for diagnostic and evaluation purposes, early identification, and screening, assessment, and health services necessary to enable children with disabilities to benefit from early intervention services.

(c) School and county boards shall coordinate early intervention services. In the absence of agreements established according to subdivision 13, service responsibilities for children birth through age two are as follows:

(1) school boards are required to provide, pay for, and facilitate payment for special education and related services required under section 120.17, subdivision 2;

(2) county boards are required to provide, pay for, and facilitate payment for noneducational services of social work, psychology, transportation and related costs, nursing, respite, and nutrition services not required under clause (1).

(d) School and county boards may develop an interagency agreement according to subdivision 13 to establish agency responsibility that ensures that early intervention services are coordinated, provided, paid for, and that payment is facilitated from public and private sources.

(e) County and school boards shall jointly determine the primary agency in this cooperative effort and must notify the commissioner of ~~education~~ the state lead agency of their decision.

Sec. 5. Minnesota Statutes 1993 Supplement, section 120.17, subdivision 12, is amended to read:

Subd. 12. [INTERAGENCY EARLY INTERVENTION COMMITTEES.]

(a) A school district, group of districts, or special education cooperative, in cooperation with the health and human service agencies located in the county or counties in which the district or cooperative is located, shall establish an interagency early intervention committee for children with disabilities under age five and their families. Committees shall include representatives of local and regional health, education, and county human service agencies; county boards; school boards; early childhood family education programs; parents of young children with disabilities under age 12; current service providers; and may also include representatives from other private or public agencies. The committee shall elect a chair from among its members and shall meet at least quarterly.

(b) The committee shall develop and implement interagency policies and procedures concerning the following ongoing duties:

(1) develop public awareness systems designed to inform potential recipient families of available programs and services;

(2) implement interagency child find systems designed to actively seek out, identify, and refer infants and young children with, or at risk of, disabilities and their families;

(3) establish and evaluate the identification, referral, child and family assessment systems, procedural safeguard process, and community learning systems to recommend, where necessary, alterations and improvements;

(4) assure the development of individualized family service plans for all eligible infants and toddlers with disabilities from birth through age two, and their families, and individual education plans and individual service plans when necessary to appropriately serve children with disabilities, age three and older, and their families and recommend assignment of financial responsibilities to the appropriate agencies. Agencies are encouraged to develop individual family service plans for children with disabilities, age three and older;

(5) implement a process for assuring that services involve cooperating agencies at all steps leading to individualized programs;

(6) facilitate the development of a transitional plan if a service provider is not recommended to continue to provide services;

(7) identify the current services and funding being provided within the community for children with disabilities under age five and their families; ~~and~~

(8) develop a plan for the allocation and expenditure of additional state and federal early intervention funds under United States Code, title 20, section 1471 et seq. (Part H, Public Law Number 102-119) and United States Code, title 20, section 631, et seq. (Chapter I, Public Law Number 89-313); *and*

(9) develop a policy that is consistent with section 13.05, subdivision 9, and federal law to enable a member of an interagency early intervention committee to allow another member access to data classified as not public.

(c) The local committee shall also:

(1) participate in needs assessments and program planning activities conducted by local social service, health and education agencies for young children with disabilities and their families;

(2) review and comment on the early intervention section of the total special education system for the district, the county social service plan, the section or sections of the community health services plan that address needs of and service activities targeted to children with special health care needs, and the section of the maternal and child health special project grants that address needs of and service activities targeted to children with chronic illness and disabilities; and

(3) prepare a yearly summary on the progress of the community in serving young children with disabilities, and their families, including the expenditure of funds, the identification of unmet service needs identified on the individual family services plan and other individualized plans, and local, state, and federal policies impeding the implementation of this section.

(d) The summary must be organized following a format prescribed by the commissioner of ~~education~~ *the state lead agency* and must be submitted to each of the local agencies and to the state interagency coordinating council by October 1 of each year.

The departments of education, health, and human services must provide assistance to the local agencies in developing cooperative plans for providing services.

Sec. 6. Minnesota Statutes 1993 Supplement, section 120.17, subdivision 17, is amended to read:

Subd. 17. [STATE INTERAGENCY AGREEMENT.] (a) The commissioners of the departments of education, health, and human services shall enter into an agreement to implement this section and Part H, Public Law Number 102-119, and as required by Code of Federal Regulations, title 34, section 303.523, to promote the development and implementation of interagency, coordinated, multidisciplinary state and local early childhood intervention service systems for serving eligible young children with disabilities, birth through age two, and their families. The agreement must be reviewed annually.

(b) The state interagency agreement shall outline at a minimum the

conditions, procedures, purposes, and responsibilities of the participating state and local agencies for the following:

(1) membership, roles, and responsibilities of a state interagency committee for the oversight of priorities and budget allocations under Part H, Public Law Number 102-119, and other state allocations for this program;

(2) child find;

(3) establishment of local interagency agreements;

(4) review by a state interagency committee of the allocation of additional state and federal early intervention funds by local agencies;

(5) fiscal responsibilities of the state and local agencies;

(6) intra-agency and interagency dispute resolution;

(7) payor of last resort;

(8) maintenance of effort;

(9) procedural safeguards, including mediation;

(10) complaint resolution;

(11) quality assurance;

(12) data collection; and

(13) *an annual summary to the state interagency coordinating council regarding conflict resolution activities including disputes, due process hearings, and complaints; and*

(14) other components of the state and local early intervention system consistent with Public Law Number 102-119.

Written materials must be developed for parents, IEIC's, and local service providers that describe procedures developed under this section as required by Code of Federal Regulations, title 34, section 303.

Sec. 7. [120.1701] [INTERAGENCY EARLY CHILDHOOD INTERVENTION SYSTEM.]

Subdivision 1. [PURPOSE.] It is the policy of the state to develop and implement comprehensive, coordinated, multidisciplinary interagency programs of early intervention services for children with disabilities and their families.

Subd. 2. [DEFINITIONS.] For the purposes of this section the following terms have the meaning given them.

(a) "Coordinate" means to provide ready access to a community's services and resources to meet child and family needs.

(b) "Core early intervention services" means services that are available at no cost to children and families. These services include:

(1) identification and referral;

(2) screening;

(3) evaluation;

(4) *assessment;*

(5) *service coordination;*

(6) *special education and related services provided under section 120.17, subdivision 3a, and United States Code, title 20, section 1401; and*

(7) *protection of parent and child rights by means of procedural safeguards.*

(c) *"County board" means a county board established under chapter 375.*

(d) *"Early intervention record" means any personally identifiable information about a child or the child's family that is generated by the early intervention system, and that pertains to evaluation and assessment, development of an individualized family service plan, and the delivery of early intervention services.*

(e) *"Early intervention services" means services provided in conformity with an individualized family service plan that are designed to meet the special developmental needs of a child eligible under Code of Federal Regulations, title 34, part 303, and the needs of the child's family related to enhancing the child's development and that are selected in collaboration with the parent. These services include core early intervention services and additional early intervention services listed in subdivision 4 and services defined in Code of Federal Regulations, title 34, section 303 et seq.*

(f) *"Early intervention system" means the total effort in the state to meet the needs of eligible children and their families, including, but not limited to:*

(1) *any public agency in the state that receives funds under the Individuals with Disabilities Education Act, United States Code, title 20, sections 1471 to 1485 (Part H, Public Law Number 102-119);*

(2) *other state and local agencies administering programs involved in the provision of early intervention services, including, but not limited to:*

(i) *the Maternal and Child Health program under Title V of the Social Security Act, United State Code, title 42, sections 701 to 709;*

(ii) *the Individuals with Disabilities Education Act, United State Code, title 20, sections 1411 to 1420 (Part B);*

(iii) *medical assistance under the Social Security Act, United State Code, title 42, section 1396 et seq.;*

(iv) *the Developmental Disabilities Assistance and Bill of Rights Act, United States Code, title 42, sections 6021 to 6030 (Part B); and*

(v) *the Head Start Act, United States Code, title 42, sections 9831 to 9852; and*

(3) *services provided by private groups or third-party payers in conformity with an individualized family service plan.*

(g) *"Eligibility for Part H" means eligibility for early childhood special education under section 120.03 and Minnesota Rules, part 3525.2335, subpart 1, items A and B.*

(h) *"Facilitate payment" means helping families access necessary public or private assistance that provides payment for services required to meet needs identified in a service plan, individual education plan (IEP), individual*

service plan (ISP), or individualized family service plan, according to time frames required by the plan. This may also include activities to collect fees for services provided on a sliding fee basis, where permitted by state law.

(i) "Individualized family service plan" or "IFSP" means a written plan for providing services to a child and the child's family.

(j) "Interagency child find systems" means activities developed on an interagency basis with the involvement of interagency early intervention committees and other relevant community groups to actively seek out, identify, and refer infants and young children with, or at risk of, disabilities, and their families.

(k) "Local primary agency" means the agency designated jointly by the school and county board under subdivision 4.

(l) "Parent" means the biological parent with parental rights, adoptive parent, legal guardian, or surrogate parent.

(m) "Part H state plan" means the annual state plan application approved by the federal government under the Individuals with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part H, Public Law Number 102-119).

(n) "Pay for" means using federal, state, local, and private dollars available for early intervention services.

(o) "Respite" means short term, temporary care provided to a child with a disability due to the temporary absence or need for relief of the family member or members or primary care giver, normally providing the care.

(p) "State lead agency" means the state agency receiving federal funds under the Individuals with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part H, Public Law Number 102-119).

(q) "Surrogate parent" means a person appointed by the local education agency to ensure that the rights of the child to early intervention services are protected.

Subd. 6. [LOCAL PRIMARY AGENCY.] (a) The local primary agency shall:

(1) facilitate the development of annual fund requests that identify arrangements with other local and regional agencies providing services as part of the state's early childhood intervention system, and that result in service availability on a year-round basis, as necessary;

(2) administer funds received through the annual fund request;

(3) provide oversight for data collection efforts;

(4) facilitate completion of interagency early intervention committee duties as indicated in subdivision 5;

(5) request mediation from the state lead agency, if necessary;

(6) request assistance from the state lead agency when disputes between agencies cannot be resolved within 20 calendar days; and

(7) receive written requests from parents for matters that may be resolved through due process hearings.

(b) When the local primary agency is not an education agency, resources distributed under the early intervention fund shall be transferred from a local educational agency to a noneducation agency using a state provided contract. A local primary agency may budget for indirect costs at an amount not to exceed five percent of the amount allocated from the early intervention fund.

Subd. 7. [INDIVIDUALIZED FAMILY SERVICE PLAN.] (a) A team must participate in IFSP meetings to develop the individualized family service plan. The team shall include:

- (1) a parent or parents of the child;
- (2) other family members, as requested by the parent, if feasible to do so;
- (3) an advocate or person outside of the family, if the parent requests that the person participate;
- (4) the service coordinator who has been working with the family since the initial referral, or who has been designated by the public agency to be responsible for implementation of the IFSP; and
- (5) a person or persons involved in conducting evaluation and assessments.

(b) The IFSP must include:

- (1) information about the child's developmental status;
- (2) family information, with the consent of the family;
- (3) major outcomes expected to be achieved by the child and the family, that include the criteria, procedures, and time lines;
- (4) specific early intervention services necessary to meet the unique needs of the child and the family to achieve the outcomes;
- (5) payment arrangements, if any;
- (6) medical and other services that the child needs, but that are not required under the Individual with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part H, Public Law Number 102-119) including funding sources to be used in paying for those services and the steps that will be taken to secure those services through public or private sources;
- (7) dates and duration of early intervention services;
- (8) name of the service coordinator;
- (9) steps to be taken to support a child's transition from early intervention services to other appropriate services; and
- (10) signature of the parent and authorized signatures of the agencies responsible for providing, paying for, or facilitating payment (or any combination of these) for early intervention services.

Subd. 8. [SERVICE COORDINATION.] (a) The team developing the individualized family service plan under subdivision 7 shall select a service coordinator to carry out service coordination activities on an interagency basis. Service coordination must actively promote a family's capacity and competency to identify, obtain, coordinate, monitor, and evaluate resources and services to meet the family's needs. Service coordination activities include:

- (1) coordinating the performance of evaluations and assessments;
 - (2) facilitating and participating in the development, review, and evaluation of individualized family service plans;
 - (3) assisting families in identifying available service providers;
 - (4) coordinating and monitoring the delivery of available services;
 - (5) informing families of the availability of advocacy services;
 - (6) coordinating with medical, health, and other service providers;
 - (7) facilitating the development of a transition plan at least six months prior to the time the child is no longer eligible for early intervention services, if appropriate;
 - (8) managing the early intervention record and submitting additional information to the local primary agency at the time of periodic review and annual evaluations; and
 - (9) notifying a local primary agency when disputes between agencies impact service delivery required by an individualized family service plan.
- (b) A service coordinator must be knowledgeable about children and families receiving services under this section, requirements of state and federal law, and services available in the interagency early childhood intervention system.

Subd. 8a. [EARLY INTERVENTION RESPITE.] The provision of respite services for an eligible child and family shall be determined in the context of the IFSP development based on the individual needs of the child and family, and with consideration given to the following criteria:

- (1) severity of the child's disability and needs;
- (2) potential risk of out-of-home placement for the child if respite services are not provided;
- (3) parental lack of access to informal support systems, including but not limited to extended family, supportive friends, and community supports;
- (4) presence of factors known to increase family stress, including but not limited to family size, and presence of another child or family member with a disability;
- (5) the availability of other public services provided to the family which assist the parent or primary caretaker in obtaining relief from caretaking responsibilities; and
- (6) the perceived and expressed level of need for respite services by the parent.

Counties are encouraged to make a variety of respite service models available, which may include in- or out-of-home respite, family reimbursement programs, and parent-to-parent respite projects.

Subd. 9. [EARLY INTERVENTION FLOW-THROUGH DOLLARS.] (a) The state lead agency shall administer the early intervention account which consists of federal allocations. The Part H state plan shall state the amount of federal resources in the early intervention account available for use by local

agencies. The state lead agency shall distribute the funds to the local primary agency based on a December 1 count of the prior year of Part H eligible children for the following purposes:

(1) as provided in Code of Federal Regulations, part 303.425, to arrange for payment for early intervention services not elsewhere available, or to pay for services during the pendency of a conflict procedure, including mediation, complaints, due process hearings, and interagency disputes; and

(2) to support interagency child find system activities.

(b) The priority purpose for this fund is paragraph (a), clause (1). The local primary agency shall reallocate resources from the early intervention fund as necessary in order to meet this priority.

(c) Nothing in this subdivision shall limit the state lead agency's authority to allocate discretionary federal funds for any purpose consistent with the Individuals with Disabilities Education Act, United States Code, title 20, sections 1471 to 1485 (Part H, Public Law Number 102-119) and regulations adopted under United States Code, title 20, sections 1471 to 1485.

(d) Each county board must continue to spend for early intervention services under subdivision 2, paragraph (e), an amount equal to the total county expenditures during the period from January 1, 1993, to December 31, 1993, for these same services. The commissioner of human services, in consultation with the commissioner of health and the association of Minnesota counties, shall establish a process for determining base year 1993 expenditures.

(e) County boards that have submitted base year 1993 expenditures as required under paragraph (d) are not required to pay any increased cost over the base year 1993 for early intervention services resulting from implementing the early intervention system. Increased costs to county boards may be paid for with early intervention flow-through dollars.

(f) School boards are not required to pay for services defined in section 120.17, subdivision 11b, paragraph (c), clause (2).

Subd. 10. [PAYMENT FOR SERVICES.] Core early intervention services shall be provided at public expense with no cost to parents. Parents shall be requested to assist in the cost of additional early intervention services by using third-party payment sources and applying for available resources. If a parent chooses not to access these resources, additional early intervention services may not be provided. Payment structures permitted under state law shall be used to pay for additional early intervention services. Parental financial responsibility shall be clearly defined in the individualized family service plan. A parent's inability to pay shall not prohibit a child from receiving needed early intervention services.

Subd. 11. [PAYOR OF LAST RESORT.] (a) For fiscal years 1995 and 1996, the state lead agency shall establish a reserve account from federal sources to pay for services in dispute or to pay for early intervention services when local agencies have exhausted all other public and private funds available for Part H eligible children.

(b) The lead agency shall report to the legislature by January 1, 1996, regarding county board expenditures for early intervention services and the continuing need and funding of the reserve account.

Subd. 14. [THIRD-PARTY PAYMENT.] Nothing in this section relieves an insurer or similar third party from an otherwise valid obligation to pay, or changes the validity of an obligation to pay, for services rendered to a child with a disability, and the child's family.

Subd. 15. [BENEFITS COORDINATION.] The department of health shall provide technical assistance in a timely manner to service coordinators, parents of children with disabilities, and agencies in situations requiring the coordination of health insurance benefits, or the identification of third-party payor responsibilities to provide necessary health benefits.

Subd. 16. [PROCEDURAL SAFEGUARDS; PARENT AND CHILD RIGHTS.] (a) This subdivision applies to local school and county boards for children from birth through age two who are eligible for Part H, Public Law Number 102-119, and their families. This subdivision must be consistent with the Individuals with Disabilities Education Act, United States Code, title 20, sections 1471 to 1485 (Part H, Public Law Number 102-119), regulations adopted under United States Code, title 20, sections 1471 to 1485, and this section.

(b) A parent has the right to:

(1) inspect and review early intervention records;

(2) prior written notice of a proposed action in the parents' native language unless it is clearly not feasible to do so;

(3) give consent to any proposed action;

(4) selectively accept or decline any early intervention service; and

(5) resolve issues regarding the identification, evaluation, or placement of the child, or the provision of appropriate early intervention services to the child and the child's family through an impartial due process hearing pursuant to subdivision 20.

(c) The eligible child has the right to have a surrogate parent appointed by a school district as required by section 120.17, subdivision 3a.

Subd. 17. [MEDIATION PROCEDURE.] The commissioner of the state lead agency shall use federal funds to provide mediation for the activities in paragraphs (a) and (b).

(a) A parent may resolve a dispute regarding issues in subdivision 16, paragraph (b), clause (5), through mediation. If the parent chooses mediation, all public agencies involved in the dispute shall participate in the mediation process. The parent and the public agencies must complete the mediation process within 20 calendar days of the date the commissioner receives a parent's written request for mediation. The mediation process may not be used to delay a parent's right to a due process hearing. The resolution of the mediation is not binding on any party.

(b) The local primary agency may request mediation on behalf of involved agencies when there are disputes between agencies regarding responsibilities to coordinate, provide, pay for, or facilitate payment for early intervention services.

Subd. 18. [COMPLAINT PROCEDURE.] (a) An individual or organization may file a written signed complaint with the commissioner of the state

lead agency alleging that one or more requirements of the Code of Federal Regulations, title 34, part 303, is not being met. The complaint must include:

(1) a statement that the state has violated the Individuals with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part H, Public Law Number 102-119) or Code of Federal Regulations, title 34, section 303; and

(2) the facts on which the complaint is based.

(b) The commissioner of the state lead agency shall receive and coordinate with other state agencies the review and resolution of a complaint within 60 calendar days according to the state interagency agreement required under subdivision 22.

Subd. 19. [INTERAGENCY DISPUTE PROCEDURE.] (a) A dispute between a school board and a county board that is responsible for implementing the provisions of subdivision 4 regarding early identification, child and family assessment, service coordination, and IFSP development and implementation shall be resolved according to this subdivision when the dispute involves services provided to children and families eligible under the Individuals with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part H, Public Law Number 102-119).

(b) A dispute occurs when the school board and county board are unable to agree as to who is responsible to coordinate, provide, pay for, or facilitate payment for services from public and private sources.

(c) Written and signed disputes shall be filed with the local primary agency.

(d) The local primary agency shall have attempted to resolve the matter with the involved school board and county board and may request mediation from the commissioner of the state lead agency for this purpose.

(e) When interagency disputes have not been resolved within 30 calendar days, the local primary agency shall request the commissioner of the state lead agency to review the matter with the commissioners of health and human services and make a decision. The commissioner shall provide a consistent process for reviewing these procedures. The commissioner's decision is binding subject to the right of the aggrieved party to an appeal.

(f) The local primary agency shall ensure that eligible children and their families receive early intervention services during resolution of a dispute. While a local dispute is pending, the local primary agency shall either assign financial responsibility to an agency or pay for the service from the early intervention account under subdivision 9. If in resolving the dispute, it is determined that the assignment of financial responsibility was inappropriate, the responsibility for payment must be reassigned to the appropriate agency and the responsible agency shall make arrangements for reimbursing any expenditures incurred by the agency originally assigned financial responsibility.

Subd. 20. [DUE PROCESS HEARINGS.] By July 1, 1994, the departments of education, health, and human services shall develop procedures for hearings.

Subd. 21. [DATA COLLECTION.] By July 1, 1994, the departments of education, health, and human services shall develop a plan to collect data about which early intervention services are being provided to children and

families eligible under the Individuals with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part H, Public Law Number 102-119) and sources of payment for those services.

Sec. 8. [120.185] [ACCOMMODATING STUDENTS WITH DISABILITIES.]

A school or school district shall provide a student who is an "individual with a disability" under Section 504 of the Rehabilitation Act of 1973, United States Code, title 29, section 794, or under the Americans with Disabilities Act, Public Law Number 101-336, with appropriate accommodations or modifications in programs.

Sec. 9. Minnesota Statutes 1992, section 124.248, subdivision 3, is amended to read:

Subd. 3. [SPECIAL EDUCATION AID.] Special education aid shall be paid to an outcome-based school according to section 124.32 as though it were a school district. The school may charge tuition to the district of residence as provided in section 120.17, subdivision 4. ~~The district of residence shall levy as provided in section 275.125, subdivision 8c, as though it were participating in a cooperative.~~ The outcome-based school shall allocate its special education levy equalization revenue minus the amount of state aid paid to the school under section 124.32, subdivisions 1b and 10, to the resident districts of the pupils attending the outcome-based school as though it were a cooperative, as provided in section 124.321, subdivision 2, paragraph (a), clause (1). The districts of residence shall levy as though they were participating in a cooperative, as provided in section 124.321, subdivision 3.

Sec. 10. [124.325] [GRANTS FOR COMMUNITY LIVING PROGRAMS FOR YOUTHS WITH DISABILITIES.]

A school district may apply to the commissioner of education for a grant to provide, or to assist district staff to provide, individualized education and training to youth with disabilities for transition from school to post-secondary education, work, or community living. The education and training shall be provided in accordance with the transition plan contained in the youth's individual education plan. A district must develop its transition services in consultation with the community transition interagency committee to be eligible for a grant. The grant must be used to contract with a center for independent living certified under section 268A.11, or with another transition program approved by the commissioner, to provide appropriate education and training under this section.

Sec. 11. Minnesota Statutes 1993 Supplement, section 124.573, subdivision 2b, is amended to read:

Subd. 2b. [SECONDARY VOCATIONAL AID.] A district's ~~or cooperative center's~~ "secondary vocational aid" for secondary vocational education programs aid for a fiscal year equals the ~~sum of the following amounts for each program lesser of:~~

(a) the greater of zero, or 75 percent of the difference between:

(1) salaries paid to essential, licensed personnel providing direct instructional services to students in that fiscal year for services rendered in the district's approved secondary vocational education programs; and

~~(2)~~ 50 percent of the general education revenue attributable to secondary pupils for the number of hours that the pupils are enrolled in that program; and \$80 times the district's average daily membership in grades 10 to 12; or

(b) 40 25 percent of approved expenditures for the following:

(1) salaries paid to essential, licensed personnel providing direct instructional services to students in that fiscal year for services rendered in the district's approved secondary vocational education programs;

(2) contracted services provided by a public or private agency other than a Minnesota school district or cooperative center under subdivision 3a;

~~(2)~~ (3) necessary travel between instructional sites by licensed secondary vocational education personnel;

(3) (4) necessary travel by licensed secondary vocational education personnel for vocational student organization activities held within the state for instructional purposes;

(4) (5) curriculum development activities that are part of a five-year plan for improvement based on program assessment;

(5) (6) necessary travel by licensed secondary vocational education personnel for noncollegiate credit bearing professional development; and

~~(6)~~ (7) specialized vocational instructional supplies.

Sec. 12. Minnesota Statutes 1993 Supplement, section 124.573, subdivision 2e, is amended to read:

Subd. 2e. [ALLOCATION FROM COOPERATIVE CENTERS AND INTERMEDIATE DISTRICTS.] For purposes of subdivision 2b, paragraph (b), and subdivision 2f, paragraph (b), a cooperative center or an intermediate district shall allocate its approved expenditures for secondary vocational education programs among participating school districts. For purposes of subdivision 2f, paragraph (a), a cooperative center or an intermediate district shall allocate its secondary vocational aid for fiscal year 1994 among participating school districts. For 1995 and later fiscal years, secondary vocational aid for services provided by a cooperative center or an intermediate district shall be paid to the participating school district.

Sec. 13. Minnesota Statutes 1992, section 124.573, is amended by adding a subdivision to read:

Subd. 2f. [AID GUARANTEE.] Notwithstanding subdivision 2b, the secondary vocational education aid for a school district is not less than the lesser of:

(a) 95 percent of the secondary vocational education aid the district received for the previous fiscal year; or

(b) 40 percent of the approved expenditures for secondary vocational programs included in subdivision 2b, paragraph (b).

Sec. 14. Minnesota Statutes 1993 Supplement, section 124.573, subdivision 3, is amended to read:

Subd. 3. [COMPLIANCE WITH RULES.] Aid shall be paid under this section only for services rendered or for costs incurred in secondary vocational education programs approved by the commissioner and operated in

accordance with rules promulgated by the state board. These rules shall provide minimum student-staff ratios required for a secondary vocational education program in a ~~cooperative center~~ area to qualify for this aid. *The rules must not require the collection of data at the program or course level to calculate secondary vocational aid.* The rules shall not require any minimum number of administrative staff, any minimum period of coordination time or extended employment for secondary vocational education personnel, or the availability of vocational student activities or organizations for a secondary vocational education program to qualify for this aid. The requirement in these rules that program components be available for a minimum number of hours shall not be construed to prevent pupils from enrolling in secondary vocational education courses on an exploratory basis for less than a full school year. The state board shall not require a school district to offer more than four credits or 560 hours of vocational education course offerings in any school year. Rules relating to secondary vocational education programs shall not incorporate the provisions of the state plan for vocational education by reference. This aid shall be paid only for services rendered and for costs incurred by essential, licensed personnel who meet the work experience requirements for licensure pursuant to the rules of the state board. Licensed personnel means persons holding a valid secondary vocational license issued by the commissioner, except that when an average of five or fewer secondary full-time equivalent students are enrolled per teacher in an approved post-secondary program at intermediate district No. 287, 916, or 917, licensed personnel means persons holding a valid vocational license issued by the commissioner or the state board for vocational technical education. Notwithstanding section 124.15, the commissioner may modify or withdraw the program or aid approval and withhold aid under this section without proceeding under section 124.15 at any time. To do so, the commissioner must determine that the program does not comply with rules of the state board or that any facts concerning the program or its budget differ from the facts in the district's approved application.

Sec. 15. Minnesota Statutes 1992, section 124.90, is amended by adding a subdivision to read:

Subd. 5. [NO REDUCTION IN REVENUE.] A school district's revenue for special education programs shall not be reduced by any payments for medical assistance or insurance received according to this section.

Sec. 16. Minnesota Statutes 1992, section 126.02, subdivision 1, is amended to read:

Subdivision 1. [INSTRUCTION REQUIRED IN PUBLIC SCHOOLS.] There shall be established and provided in all the public schools of this state, physical and health education, training, and instruction of pupils of both sexes. Every pupil attending any such school, to the extent physically fit and able to do so, shall participate in the physical training program. Suitable modified courses shall be provided for pupils physically or mentally unable or unfit to take the *regular* courses ~~prescribed for normal pupils~~. No pupil shall be required to undergo a physical or medical examination or treatment if the parent or legal guardian of the person of such pupil shall in writing notify the teacher or principal or other person in charge of such pupil of an objection to such physical or medical examination or treatment; provided that secondary school pupils in junior and senior years need not take the course unless required by the local school board.

Sec. 17. Minnesota Statutes 1992, section 126.51, subdivision 1, is amended to read:

Subdivision 1. [PARENT COMMITTEE.] School boards and American Indian schools shall provide for the maximum involvement of parents of children enrolled in education programs, including language and culture education programs, programs for elementary and secondary grades, special education programs, and support services. Accordingly, the school board of a school district in which there are ten or more American Indian children enrolled and each American Indian school shall establish a parent committee. If a committee *whose membership consists of a majority of parents of American Indian children* has been or is established according to federal, tribal, or other state law, that committee ~~shall~~ *may* serve as the committee required by this section and shall be subject to, at least, the requirements of this ~~section~~ *subdivision and subdivision 1a*.

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

Sec. 18. [COALITION FOR EDUCATION REFORM AND ACCOUNTABILITY.]

Subdivision 1. [RECOMMENDATIONS.] *The coalition for education reform and accountability shall include in the financial plan required under Laws 1993, chapter 224, article 1, section 35, subdivision 5, recommendations for improving the integration of the special education and regular education systems to effectively meet the individual needs of all students. The coalition shall make recommendations for redesigning funding programs, program requirements, and service delivery systems for students with special needs to improve the effectiveness and efficiency of school administration, instruction, assessment, and other educational services.*

Subd. 2. [SPECIAL EDUCATION REPRESENTATION.] *Notwithstanding Laws 1993, chapter 224, article 1, section 35, subdivision 2, the panel established under Laws 1993, chapter 224, article 1, section 35, subdivision 3, shall appoint a representative of special education who is familiar with both special education services and finance. The additional member under this subdivision shall be appointed by July 1, 1994. The coalition shall also consult with the state special education advisory council in developing its recommendations.*

Sec. 19. [CONSENT FORM.]

The commissioner of administration shall prepare a form to be used in obtaining informed consent to the sharing of private data by state agencies, statewide systems, and political subdivisions for purposes of providing services to a child under Minnesota Statutes, section 120.17, and issue guidelines for using the form. The form and guidelines are not subject to the rulemaking provisions of Minnesota Statutes, chapter 14.

Sec. 20. [STATE BOARD OF EDUCATION SHALL ADOPT RULES.]

The state board of education shall use the recommended rules in the final report of the task force on education for children with disabilities and Minnesota Rules, part 3525.2925, subpart 1, as its proposed rules. It shall adopt, amend, or repeal the special education rules under Minnesota Statutes, sections 14.131 to 14.20. In addition to the task force report, the board shall consider public comment about the educational needs of individual students and students' access to necessary services. The statement of need and reasonableness under Minnesota Statutes, section 14.131, shall address the effects of proposed changes regarding individual student needs and student access to necessary services. The office of administrative hearings shall hold a public hearing under Minnesota Statutes, section 14.14, no later than August 15, 1994. Any future amendments to the rules adopted or amended under this section are governed by Minnesota Statutes, chapter 14.

Sec. 21. [TASK FORCE.]

Subdivision 1. [REAUTHORIZATION:] Notwithstanding Laws 1993, chapter 224, article 3, section 41, the task force on education for children with disabilities shall expire February 15, 1995. The commissioner may appoint new members to fill vacancies on the task force.

Subd. 2. [STUDY OF STATE BOARD OF EDUCATION RULES.] (a) The task force shall review and may recommend changes to the education committees of the legislature in the following Minnesota Rules, parts 3525.1325, 3525.1327, 3525.1329, 3525.1331, 3525.1333, 3525.1335, 3525.1337, 3525.1339, 3525.1341, 3525.1343, 3525.1345, 3525.2325, and 3525.2340. In making its recommendations, the task force shall consider the educational needs of individual students, students' access to necessary services, maximization of teacher contact time with students, paperwork requirements, student achievement of educational outcomes, the integration of special education and general education instructional practices, and the costs of instruction and support services.

(b) In making its recommendations, the task force shall consult appropriate experts.

Subd. 3. [PLAN FOR MEETING TECHNOLOGY NEEDS:] The task force shall develop a plan for meeting the information, instructional, and assistive technology needs of special education within the context of the state educational system. The task force shall make recommendations to the education committees of the legislature by January 15, 1995. The plan shall, at a minimum, address the following:

- (1) identification of the various technology needs of special education;*
- (2) appropriate integration of special education technology needs with general education information technology;*
- (3) effective uses of technology for enabling special education and regular education staff to meet the needs of children with disabilities;*
- (4) effective uses of technology for improving the efficiency and effectiveness of special education administration, instruction, assessment, and reporting;*
- (5) methods for developing the appropriate technologies and making them available statewide; and*

(6) costs of developing and implementing the appropriate technologies statewide.

Sec. 22. [REPORTS OF INCIDENTS OF MISBEHAVIOR IN SCHOOLS.]

(a) For the 1994-1995 and 1995-1996 school years, each school district shall use a standardized form developed by the commissioner of education to report to the commissioner all incidents of misbehavior that result in the suspension or expulsion of students under Minnesota Statutes, sections 127.26 to 127.39. The standardized reporting form, which the commissioner may coordinate with the reporting form required under Minnesota Statutes, section 121.207, shall include the following information:

(1) a description of each incident of misbehavior that leads to the suspension or expulsion of the student including, where appropriate, a description of the dangerous weapon as defined in Minnesota Statutes, section 609.02, subdivision 6, involved in the incident;

(2) information about the suspended or expelled student, other than the student's name, including the student's age, whether the student is a student of color, and the number of times the student has been suspended or expelled previously and for what misbehavior;

(3) whether the student has or had an individualized learning plan (IEP) under Minnesota Statutes, section 120.17, and, if the student has or had an IEP, whether the misbehavior resulting in suspension or expulsion was a manifestation of the student's disabling condition;

(4) the actions taken by school officials to respond to the incident of misbehavior; and

(5) the duration of the suspension or expulsion.

(b) School districts shall use the standardized form to transmit the information described in paragraph (a) to the commissioner biannually by February 1 and July 1, beginning February 1, 1995, and ending July 1, 1996. The commissioner shall compile and analyze the data and present to the education committees of the legislature an interim report by January 1, 1996, and a final report by February 1, 1997.

(c) Based on the data collected, the department shall make recommendations to the legislature by March 15, 1995, for changes in the pupil fair dismissal act.

Sec. 23. [GRADUATION RULE.]

Subdivision 1. [SPECIAL EDUCATION.] The state board of education shall consult with the state special education advisory council in developing the high school graduation rule to ensure that students with disabilities may fully participate under the rule. The state board shall ensure that state and local assessments provide for accommodations, modifications, and adaptations to meet the needs of students with disabilities; clear policies are developed for modifying graduation requirements when necessary to meet a student's needs under an individual education plan; and that state monitoring of learning sites assesses the achievement of a representative sample of all students, including students with individual learning plans.

Subd. 2. [TRANSITION OUTCOMES.] The state board of education shall include in the high school graduation rule outcomes for all students in skills

for transition from school to the community, work, vocational training, and higher education. The outcome shall emphasize knowledge of life skills, skills for planning and evaluating vocational and educational choices, and state and community resources available to assist in identifying and evaluating choices. The state board shall consult with the state education and employment transitions council and the state special education advisory council in developing the outcomes.

Sec. 24. [SPECIAL EDUCATION MANUAL.]

(a) The commissioner of education shall develop a manual pertaining to the delivery of special education instruction and services for use by parents, school district administrators, teachers, and related service staff, and other direct service providers. The commissioner shall update the manual as necessary to ensure that the information contained in the manual is current. The manual shall contain at least the following:

(1) a concise listing of all federal and state laws, rules, and regulations that apply to special education;

(2) the rights and procedural safeguards available to students with disabilities and their parents or guardian; and

(3) best practice recommendations for school districts for policies and procedures to meet the needs of students with disabilities.

(b) The manual must be available within three months following the state board of education's adoption of state special education rules under section 20. The commissioner shall develop a plan to ensure that the manual is widely available to parents, school staff, and other interested individuals and organizations.

Sec. 25. [SCHOOL BOARD MEMBER TRAINING.]

The commissioner of education, in consultation with the Minnesota school boards association and the task force on education of children with disabilities, shall develop a model training curriculum for school board members in state and federal special education statutes, rules, and regulations, and in modifications and accommodations for students with disabilities consistent with the Individuals with Disabilities Education Act, United States Code, title 20, sections 1411 to 1420 (Part B), section 504 of the Rehabilitation Act of 1973, United States Code, title 29, section 794, and the Americans with Disabilities Act, Public Law Number 101-336. The model training curriculum shall be available to school board members by January 1, 1995.

Sec. 26. [CERTIFICATION OF SCHOOL INTERPRETERS.]

The state board of education, in consultation with the state board of teaching, interpreter/transliterator training programs, the Minnesota resource center, deaf and hard-of-hearing, the Minnesota registry of interpreters for the deaf, the Minnesota association of deaf citizens, the Minnesota commission serving deaf and hard-of-hearing people, and the deaf and hard-of-hearing services division of the department of human services, shall develop and implement a competency-based certification system for school interpreters and transliterators using the national Registry of Interpreters for the Deaf (RID), National Association of the Deaf (NAD), and National Cued Speech Certification Systems, or a comparable Minnesota state certifying system. The state board shall adopt the state certification system by September 1, 1995.

The system shall include timelines by which newly hired and currently employed school interpreters and transliterators must attain certification.

The state board of education, in consultation with the same groups, shall also develop an implementation plan to address the need for appropriate training for school interpreters and transliterators throughout the state and the cost to the state, school districts, and their employees for training and certification. The state board shall submit a report on the proposed certification system and the implementation plan to the education committees of the legislature by February 1, 1995.

Sec. 27. [SPECIAL LEVY FOR INDEPENDENT SCHOOL DISTRICT NO. 100, WRENSHALL.]

Notwithstanding Minnesota Statutes, section 124.321, or any other law to the contrary, independent school district No. 100, Wrenshall, may levy up to \$40,000 for taxes payable in 1995 for excess special education expenditures or for nonregular transportation expenditures according to Minnesota Statutes, section 124.223, subdivision 4, incurred in the 1993-1994 school year. 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. Levy revenue under this section used to pay for nonregular transportation expenditures shall not be included in determining base year nonregular transportation costs according to Minnesota Statutes, section 124.225, subdivision 7d, paragraph (b).

Sec. 28. [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 year designated.

Subd. 2. [TASK FORCE.] For the task force on education for children with disabilities:

\$25,000 1995

A portion of this appropriation may be used to pay for the costs of adopting, amending, or repealing state board of education rules according to section 20. This appropriation may not be used to compensate department staff assisting the task force in carrying out its responsibilities. This appropriation expires February 15, 1995.

Subd. 3. [STUDENT SUSPENSIONS AND EXPULSIONS STUDY.] For a study of student suspensions and expulsions:

\$50,000 1995

This appropriation does not cancel.

Subd. 4. [GRANTS FOR COMMUNITY LIVING PROGRAMS.] For grants to school districts for transition services for youths with disabilities:

\$250,000 1995

Sec. 29. [REVISOR INSTRUCTION.]

In the next edition of Minnesota Statutes, the revisor shall renumber sections 120.17, subdivision 11a, as 120.1701, subdivision 3; 120.17, subdi-

vision 11b, as 120.1701, subdivision 4; 120.17, subdivision 12, as 120.1701, subdivision 5; 120.17, subdivision 14, as 120.1701, subdivision 12; 120.17, subdivision 14a, as 120.1701, subdivision 13; 120.17, subdivision 17, as 120.1701, subdivision 22. The revisor, with the assistance of the department of education, shall, where appropriate, change cross-references to conform with the renumbering.

Sec. 30. [EFFECTIVE DATE.]

Sections 18 [coalition], 20 [rules], and 21 [task force] are effective the day following final enactment.

ARTICLE 4

COMMUNITY PROGRAMS

Section 1. Minnesota Statutes 1992, section 120.101, is amended by adding a subdivision to read:

Subd. 5c. [EDUCATION RECORDS.] A school district from which a student is transferring must transmit the student's educational records, within ten business days of the date the student withdraws, to the school district in which the student is enrolling. School districts must make reasonable efforts to determine the school district in which a transferring student is next enrolling in order to comply with this subdivision.

Sec. 2. Minnesota Statutes 1993 Supplement, section 121.702, subdivision 2, is amended to read:

Subd. 2. [ELIGIBLE ORGANIZATION.] "Eligible organization" means:

(1) a local unit of government including a statutory or home rule charter city, township, county, or group of two or more contiguous counties;

(2) an existing nonprofit organization organized under chapter 317A;

(3) an educational institution;

(4) a private industry council; or

(5) a state agency; or

(6) a federal agency.

Sec. 3. Minnesota Statutes 1993 Supplement, section 121.702, subdivision 9, is amended to read:

Subd. 9. [~~YOUTH WORKS TASK FORCE COMMISSION.~~] "~~Youth works task force~~" "Commission" means the ~~task force~~ Minnesota commission on national and community service established in section 121.703.

Sec. 4. Minnesota Statutes 1993 Supplement, section 121.703, is amended to read:

121.703 [~~YOUTH WORKS TASK FORCE MINNESOTA COMMISSION ON NATIONAL AND COMMUNITY SERVICE.~~]

Subdivision 1. [CREATION.] The ~~youth works task force~~ Minnesota commission on national and community service is established to assist the governor and the legislature in implementing sections 121.701 to 121.710 and federal law. *Retroactive to the first Monday in January 1994, the terms of the*

members of the first commission shall be, as nearly as possible, one year for one-third of the members, two years for one-third of the members, and three years for one-third of the members. The members of the first commission shall determine the length of their terms by lot. Thereafter, the terms of commission members shall be for three years. Commission members may be reappointed upon the completion of their current term. The terms, compensation, filling of vacancies, and removal of members are governed by section 15.059 15.0575. The youth works task force commission may accept gifts and contributions from public and private organizations.

Subd. 2. [MEMBERSHIP.] The youth works task force consists of 16 voting members. The membership includes the commissioner or designee of the departments of education, jobs and training, and natural resources and the executive director of the higher education coordinating board, and four persons appointed by the governor from among the following agencies: departments of human services, health, corrections, agriculture, public safety, finance, labor and industry, office of strategic and long-range planning, Minnesota office of volunteer services, Minnesota high technology council, Minnesota housing finance agency, association of service delivery areas, and Minnesota Technology, Inc. The governor shall appoint four members, one each representing a public or private sector labor union, business, students, and parents, and the remaining four members from among representatives of the following groups: educators, senior citizen organizations, local agencies working with youth service corps programs, school-based community service programs, higher education institutions, local educational agencies, volunteer public safety organizations, education partnership programs, public or non-profit organizations experienced in youth employment and training, and volunteer administrators, or other organizations working with volunteers. (a) The commission consists of 18 voting members. Voting members shall include the commissioner of education, a representative of the children's cabinet elected by the members of the children's cabinet, and the executive director of the higher education coordinating board.

(b) The governor shall appoint 15 additional voting members. Eight of the voting members appointed by the governor shall include a representative of public or nonprofit organizations experienced in youth employment and training, organizations promoting adult service and volunteerism, community-based service agencies or organizations, local public or private sector labor unions, local governments, business, a national service program, and Indian tribes. The remaining seven voting members appointed by the governor shall include an individual with expertise in the educational, training, and development needs of youth, particularly disadvantaged youth; a youth or young adult who is a participant in a higher education-based service-learning program; a disabled individual representing persons with disabilities; a youth who is out-of-school or disadvantaged; an educator of primary or secondary students; an educator from a higher education institution; and an individual between the ages of 16 and 25 who is a participant or supervisor in a youth service program.

(c) The governor shall appoint up to five ex officio nonvoting members from among the following agencies or organizations: the departments of jobs and training, natural resources, human services, health, corrections, agriculture, public safety, finance, and labor and industry, the Minnesota office of volunteer services, the housing finance agency, and Minnesota Technology,

Inc. A representative of the corporation for national and community service shall also serve as an ex officio nonvoting member.

(d) Voting and ex officio nonvoting members may appoint designees to act on their behalf. The number of voting members who are state employees shall not exceed 25 percent.

(e) The governor shall ensure that, to the extent possible, the membership of the ~~task force~~ commission is balanced according to geography, race, ethnicity, age, and gender. The speaker of the house and the majority leader of the senate shall each appoint two legislators to be nonvoting members of the ~~task force~~ commission.

Subd. 3. [DUTIES.] (a) The ~~youth works task force~~ commission shall:

(1) develop, with the assistance of the governor, *the commissioner of education*, and affected state agencies, a comprehensive state plan to provide services under sections 121.701 to 121.710 and federal law;

(2) actively pursue public and private funding sources for services, including funding available under federal law;

(3) coordinate volunteer service learning programs within the state;

(4) develop, in cooperation with the education and employment transitions council *and the commissioner of education*, volunteer service learning programs, including curriculum, materials, and methods of instruction;

(5) work collaboratively with the education and employment transitions council, *the commissioner of education*, schools, public and private agencies, for-profit and nonprofit employers, and labor unions to identify mentoring and service learning opportunities, solicit and recruit participants for these programs, and disseminate information on the programs;

(6) administer the youth works grant program under sections 121.704 to 121.709, *with assistance from the commissioner of education and the executive director of the higher education coordinating board*, including soliciting and approving grant applications from eligible organizations, and administering individual postservice benefits;

(7) establish an evaluation plan for programs developed and services provided under sections 121.701 to 121.710;

(8) report to the governor, *commissioner of education*, and legislature; ~~and~~

(9) provide oversight and support for school, campus, and community-based service programs; *and*

(10) *administer the federal AmeriCorps program.*

(b) Nothing in sections 121.701 to 121.710 precludes an organization from independently seeking public or private funding to accomplish purposes similar to those described in paragraph (a).

Sec. 5. Minnesota Statutes 1993 Supplement, section 121.705, is amended to read:

121.705 [YOUTH WORKS GRANTS.]

Subdivision 1. [APPLICATION.] An eligible organization interested in receiving a grant under sections 121.704 to 121.709 may prepare and submit

to the ~~youth works task force~~ *commission* an application that complies with section 121.706.

Subd. 2. [GRANT AUTHORITY.] The ~~youth works task force~~ *commission* shall use any state appropriation and any available federal funds, including any grant received under federal law, to award grants to establish programs for youth works meeting the requirements of section 121.706. At least one grant each must be available for a metropolitan proposal, a rural proposal, and a statewide proposal. If a portion of the suburban metropolitan area is not included in the metropolitan grant proposal, the statewide grant proposal must incorporate at least one suburban metropolitan area. In awarding grants, the ~~youth works task force~~ *commission* may select at least one residential proposal and one nonresidential proposal, provided the proposals meet or exceed the criteria in section 121.706.

Sec. 6. Minnesota Statutes 1993 Supplement, section 121.706, is amended to read:

121.706 [GRANT APPLICATIONS.]

Subdivision 1. [APPLICATIONS REQUIRED.] An organization seeking federal or state grant money under sections 121.704 to 121.709 shall prepare and submit to the ~~youth works task force~~ *commission* an application that meets the requirements of this section. The ~~youth works task force~~ *commission* shall develop, and the applying organizations shall comply with, the form and manner of the application.

Subd. 2. [APPLICATION CONTENT.] An applicant on its application shall:

(1) propose a program to provide participants the opportunity to perform community service to meet specific unmet community needs, and participate in classroom, work-based, and service learning;

(2) assess the community's unmet educational, human, environmental, and public safety needs, the resources and programs available for meeting those needs, and how young people participated in assessing community needs;

(3) describe the ~~classroom~~ *educational* component of the program, including classroom hours per week, classroom time for participants to reflect on the program experience, and anticipated academic outcomes related to the service experience;

(4) describe the work to be performed, the ratio of youth participants to crew leaders and mentors, and the expectations and qualifications for crew leaders and mentors;

(5) describe local funds or resources available to meet the match requirements of section 121.709;

(6) describe any funds available for the program from sources other than the requested grant;

(7) describe any agreements with local businesses to provide participants with work-learning opportunities and mentors;

(8) describe any agreement with local post-secondary educational institutions to offer participants course credits for their community service learning experience;

(9) describe any agreement with a local high school or an alternative learning center to provide remedial education, credit for community service work and work-based learning, or graduate equivalency degrees;

(10) describe any pay for service or other program delivery mechanism that will provide reimbursement for benefits conferred or recover costs of services participants perform;

(11) describe how local resources will be used to provide support and assistance for participants to encourage them to continue with the program, fulfill the terms of the contract, and remain eligible for any postservice benefit;

(12) describe the arbitration mechanism for dispute resolution required under section 121.707, subdivision 2;

(13) describe involvement of community leaders in developing broad-based support for the program;

(14) describe the consultation and sign-off process to be used with any local labor organization representing employees in the area engaged in work similar to that proposed for the program to ensure that no current employees or available employment positions will be displaced by program participants;

(15) certify to the ~~youth works task force commission~~ and to any certified bargaining representatives representing employees of the applying organization that the project will not decrease employment opportunities that would be available without the project; will not displace current employees including any partial displacement in the form of reduced hours of work other than overtime, wages, employment benefits, or regular seasonal work; will not impair existing labor agreements; and will not result in the substitution of project funding for preexisting funds or sources of funds for ongoing work;

(16) describe the length of the required service period, which may not be less than six months or more than two years, a method to incorporate a participant's readiness to advance or need for postservice financial assistance into individual service requirements, and any opportunity for participating part time or in another program;

(17) describe a program evaluation plan that contains cost effectiveness measures, measures of participant success including educational accomplishments, job placements, community contributions, and ongoing volunteer activities, outcome measures based on a preprogram and postprogram survey of community rates of arrest, incarceration, teenage pregnancy, and other indicators of youth in trouble, and a list of local resources dedicated to reducing these rates;

(18) describe a three-year financial plan for maintaining the program;

(19) describe the role of local youth in developing all aspects of the grant proposal; and

(20) describe the process by which the local private industry council participated in, and reviewed the grant application.

Sec. 7. Minnesota Statutes 1993 Supplement, section 121.707, is amended to read:

121.707 [PROGRAM PROVISIONS.]

Subdivision 1. [PARTICIPANT ELIGIBILITY.] (a) An individual is eligible to participate in full-time youth community service if the individual:

- (1) is *at least 17 to 24* years old;
- (2) is a citizen of the United States or lawfully admitted for permanent residency;
- (3) is a ~~permanent Minnesota resident as that term is used in section 256.936, subdivision 4e, paragraph (d), clause (2);~~
- (4) (3) is applying for service and has received a high school diploma or its equivalent, or agrees to attain a high school diploma or its equivalent while participating in the program; and
- (5) (4) agrees to act as an alumni volunteer or an alumni mentor upon successfully completing the program and postprogram education.

(b) An individual is eligible to participate in part-time youth community service if the individual is 15 to 24 years old and meets the requirements under paragraph (a), clauses (2) to ~~(5)~~ (4).

Subd. 2. [TERMS OF SERVICE.] (a) A participant shall agree to perform community service for the period required unless the participant is unable to complete the terms of service for the reason provided in paragraph (b).

An agreement to perform community service must be in the form of a written contract between the participant and the grantee organization. Terms of the contract must include a length of service between six months and two years, the participant's education goals and commitment, the anticipated date of completion, dismissal for cause, including failure to fully participate in the education component, and the exclusive right to challenge a dismissal for cause through binding arbitration. The arbitrator must be chosen jointly by the grantee organization and the participant from the community or, if agreement cannot be reached, an arbitrator must be determined from a list of arbitrators provided by the American Arbitration Association. The sole remedy available to the participant through arbitration is reinstatement to the program and eligibility for postservice benefits. The parent or guardian of a minor shall consent in writing to the contract between the participant and the grantee organization.

(b) If the grantee organization releases a participant from completing a term of service in a program receiving assistance under sections 121.704 to 121.709 for compelling personal circumstances as demonstrated by the participant, or if the program in which the participant serves does not receive continued funding for any reason, the grantee organization may provide the participant with that portion of the financial assistance described in subdivision 3 that corresponds to the quantity of the service obligation completed by the individual.

If the grantee organization terminates a participant for cause or a participant resigns without demonstrating compelling personal circumstances under this section, no postservice benefit under subdivision 3 may be paid.

(c) A participant performing part-time service under sections 121.701 to 121.710 shall serve at least two weekends each month and two weeks during the year; ~~or at least an average of nine hours per week each year.~~ *A part-time participant shall serve at least 900 hours during a period of not more than two years, or three years if enrolled in an institution of higher education. A*

participant performing full-time service under sections 121.701 to 121.710 shall serve ~~for not less than 40 hours per week at least 1,700 hours during a period of not less than nine months, or more than one year.~~

(d) Notwithstanding any other law to the contrary, for purposes of tort liability under sections 3.732 and 3.736, while participating in a program a participant is an employee of the state.

(e) Participants performing community service in a program are not public employees for purposes of chapter 43A, 179A, 197, 353, or any other law governing hiring or discharging of public employees.

Subd. 3. [POSTSERVICE BENEFIT.] (a) Each participant shall receive a nontransferable postservice benefit upon successfully completing the program. The benefit must be ~~\$2,000 per year of part-time service or \$5,000 per year of full-time service~~ *not less than \$4,725 per year of full-time service or prorated for part-time service or for partial service of at least 900 hours.*

~~(b) In the event that a program does not receive a federal grant that provides a postservice benefit, the participants in the program shall receive a postservice benefit equal in value to one-half the amount provided under paragraph (a).~~

(e) Nothing in this subdivision prevents a grantee organization from using funds from nonfederal or nonstate sources to increase the value of postservice benefits above the value described in paragraph (a).

(c) The higher education coordinating board shall establish an account for depositing funds for postservice benefits. If a participant does not use a postservice benefit according to subdivision 4 within seven years after completing the program, the amount of the postservice benefit shall be used to provide a postservice benefit to another eligible participant.

(d) The state shall provide an additional postservice benefit to any participant who successfully completes the program. The benefit must be a credit of five points to be added to the competitive open rating of a participant who obtains a passing grade on a civil service examination under chapter 43A. The benefit is available for five years after completing the community service.

Subd. 4. [USES OF POSTSERVICE BENEFITS.] (a) A postservice benefit for a participant provided under subdivision 3, paragraph (a), (b), or (c), must be available for ~~five~~ *seven* years after completing the program and may only be used for:

(1) paying a student loan;

(2) costs of attending an institution of higher education; or

(3) expenses incurred *by a student in an approved youth apprenticeship program under chapter 126B, or in an approved apprenticeship program approved by the department of labor and industry.*

Financial assistance provided under this subdivision must be in the form of vendor payments whenever possible. Any postservice benefits provided by federal funds or vouchers may be used as a downpayment on, or closing costs for, purchasing a first home.

(b) Postservice benefits are to be used to develop skills required in occupations where numbers of jobs are likely to increase. The ~~youth works~~

~~task force commission~~, in consultation with the education and employment transitions council, shall determine how the benefits may be used in order to best prepare participants with skills that build on their service learning and equip them for meaningful employment.

(c) The postservice benefit shall not be included in determining financial need when establishing eligibility or award amounts for financial assistance programs under chapter 136A.

Subd. 5. [LIVING ALLOWANCE.] (a) A participant in a full-time community service program shall receive a monthly stipend of *not less than \$500*. An eligible organization may provide participants with additional amounts from ~~nonfederal or~~ nonstate sources. *The amount of the living allowance may be prorated for part-time participants.*

(b) Nothing in this subdivision requires an existing program to decrease any stipend, salary, or living allowance provided to a participant under the program.

(c) In addition to the living allowance provided under paragraph (a), a grantee organization shall provide health ~~and dental~~ and ~~child care~~ coverage to each participant in a full-time youth works program who does not otherwise have access to health ~~or dental or child care~~ coverage. The state shall include the cost of group health and ~~dental child care~~ coverage in the grant to the eligible organization.

Subd. 6. [PROGRAM TRAINING.] (a) The ~~youth works task force commission~~ shall, within available resources, ensure an opportunity for each participant to have three weeks of training in a residential setting. If offered, each training session must:

(1) orient each participant in the nature, philosophy, and purpose of the program;

(2) build an ethic of community service through general community service training; and

(3) provide additional training as it determines necessary.

(b) Each grantee organization shall also train participants in skills relevant to the community service opportunity.

Subd. 7. [TRAINING AND EDUCATION REQUIREMENTS.] Each grantee organization shall assess the educational level of each entering participant. Each grantee shall work to enhance the educational skills of each participant. The ~~youth works task force commission~~ may coordinate or contract with educational institutions or other providers for educational services and evaluation. All grantees shall give priority to educating and training participants who do not have a high school diploma or its equivalent, or who cannot afford post-secondary training and education.

Sec. 8. Minnesota Statutes 1993 Supplement, section 121.708, is amended to read:

121.708 [PRIORITY.]

The ~~youth works task force commission~~ shall give priority to an eligible organization proposing a program that meets the goals of sections 121.704 to 121.707, and that:

(1) involves youth in a meaningful way in all stages of the program, including assessing community needs, preparing the application, and assuming postservice leadership and mentoring responsibilities;

(2) serves a community with significant unmet needs;

(3) provides an approach that is most likely to reduce arrest rates, incarceration rates, teenage pregnancy, and other indicators of troubled youth;

(4) builds linkages with existing, successful programs; and

(5) can be operational quickly.

Sec. 9. Minnesota Statutes 1993 Supplement, section 121.709, is amended to read:

121.709 [MATCH REQUIREMENTS.]

A grant awarded through the youth works program must be matched at \$2 of grant funds for at least \$1 of applicant funds. Youth works grant funds must be used for the living allowance, cost of employer taxes under sections 3111 and 3301 of the Internal Revenue Code of 1986, workers' compensation coverage, and health and dental benefits for each program participant. Applicant funds resources, from sources and in a form determined by the youth works task force commission, must be used to pay provide for crew leaders, administration, all other program operating costs, including such costs as supplies, materials, and transportation, and salaries and benefits of those staff directly involved in the operation, internal monitoring, and evaluation of the program. Administrative expenses must not exceed seven percent of total program costs. To the extent that administrative costs are less than seven percent, an amount equal to the difference between the percent expended and seven percent shall be applied to the local match requirement in this section.

Sec. 10. Minnesota Statutes 1993 Supplement, section 121.710, is amended to read:

121.710 [EVALUATION AND REPORTING REQUIREMENTS.]

Subdivision 1. [GRANTEE ORGANIZATIONS.] Each grantee organization shall report to the youth works task force commission at the time and on the matters requested by the youth works task force commission.

Subd. 2. [INTERIM REPORT.] The youth works task force commission shall report semiannually to the legislature with interim recommendations to change the program.

Subd. 3. [FINAL REPORT.] The youth works task force commission shall present a final report to the legislature by January 1, 1998, summarizing grantee evaluations, reporting on individual participants and participating grantee organizations, and recommending any changes to improve or expand the program.

Sec. 11. Minnesota Statutes 1993 Supplement, section 121.8355, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT.] (a) In order to qualify as a family services collaborative, a minimum of one school district, one county, and one public health entity must agree in writing to provide coordinated family services and commit resources to an integrated fund. Collaboratives are

expected to have broad community representation, which may include other local providers, including additional school districts, counties, and public health entities, other municipalities, *public libraries*, existing culturally specific community organizations, local health organizations, private and nonprofit service providers, child care providers, local foundations, community-based service groups, businesses, local transit authorities or other transportation providers, community action agencies under section 268.53, senior citizen volunteer organizations, and sectarian organizations that provide nonsectarian services.

(b) Community-based collaboratives composed of representatives of schools, local businesses, local units of government, parents, students, clergy, health and social services providers, youth service organizations, and existing culturally specific community organizations may plan and develop services for children and youth. A community-based collaborative must agree to collaborate with county, school district, and public health entities. Their services may include opportunities for children or youth to improve child health and development, reduce barriers to adequate school performance, improve family functioning, provide community service, enhance self esteem, and develop general employment skills.

Sec. 12. Minnesota Statutes 1993 Supplement, section 121.885, subdivision 1, is amended to read:

Subdivision 1. [SERVICE LEARNING AND WORK-BASED LEARNING PROGRAMS STUDY.] The ~~youth works task force~~ *Minnesota commission on national and community service*, established in section 121.703, shall assist the commissioner of education in studying how to combine community service activities and service learning with work-based learning programs.

Sec. 13. Minnesota Statutes 1993 Supplement, section 121.885, subdivision 2, is amended to read:

Subd. 2. [SERVICE LEARNING PROGRAMS DEVELOPED.] The commissioner, in consultation with the ~~task force commission~~, shall develop a service learning program curriculum that includes a policy framework and strategies for youth community service and an infrastructure for mentoring youth. The commissioner shall include in the curriculum at least the following:

(1) youth community service strategies that enable young people to make significant contributions to the welfare of their community through such organizations as schools, colleges, government agencies, and community-based organizations or through individual efforts;

(2) mentoring strategies that enable young people to be matched with caring, responsible individuals who can encourage and guide the young people in their personal growth and development;

(3) guidelines, criteria, and procedures for community service programs that incorporate the results of the study in subdivision 1; and

(4) criteria for community service activities and service learning.

Sec. 14. Minnesota Statutes 1993 Supplement, section 121.885, subdivision 4, is amended to read:

Subd. 4. [PROGRAMS FOLLOWING YOUTH COMMUNITY SERVICE.] (a) The ~~youth works task force~~ *Minnesota commission on national and*

community service established in section 121.703, in cooperation with the commissioner and the higher education coordinating board, shall provide for those participants who successfully complete youth community service under sections 121.703 to 121.709, the following:

(1) for those who have a high school diploma or its equivalent, an opportunity to participate in a youth apprenticeship program at a community or technical college; and

(2) for those who are post-secondary students, an opportunity to participate in an educational program that supplements post-secondary courses leading to a degree or a statewide credential of academic and occupational proficiency.

(b) Participants who successfully complete a youth community service program under sections 121.704 to 121.710 are eligible to receive an education voucher as provided under section 121.707, subdivision 4. The voucher recipient may apply the voucher toward the cost of the recipient's tuition and other education-related expenses at a ~~public~~ post-secondary school under paragraph (a).

(c) ~~The youth works task force~~ *Minnesota commission on national and community service*, in cooperation with the state board of technical colleges, shall establish a mechanism to transfer credit earned in a youth apprenticeship program between the technical colleges and other post-secondary institutions offering applied associate degrees.

Sec. 15. Minnesota Statutes 1992, section 124.26, subdivision 1b, is amended to read:

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

Sec. 16. Minnesota Statutes 1993 Supplement, section 124.26, subdivision 1c, is amended to read:

Subd. 1c. [PROGRAM APPROVAL.] (a) To receive aid under this section, a district, *a consortium of districts, or a nonprofit organization* must 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 different levels of 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 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.

(b) The commissioner may ~~contract with~~ *grant adult basic education funds* to 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~~ *this provision* must be approved *and funded* according to the same criteria used for district programs.

(c) Adult basic education programs may be approved under this subdivision for up to five years. Five-year program approval shall be granted to an applicant who has demonstrated the capacity to:

(1) offer comprehensive learning opportunities and support service choices appropriate for and accessible to adults at all basic skill need levels;

(2) provide a participatory and ~~experimental~~ *experiential* learning approach based on the strengths, interests, and needs of each adult, that enables adults with basic skill needs to:

(i) identify, plan for, and evaluate their own progress toward achieving their defined educational and occupational goals;

(ii) master the basic academic reading, writing, and computational skills, as well as the problem-solving, decision making, interpersonal effectiveness, and other life and learning skills they need to function effectively in a changing society;

(iii) locate and be able to use the health, governmental, and social services and resources they need to improve their own and their families' lives; and

(iv) continue their education, if they desire, to at least the level of secondary school completion, with the ability to secure and benefit from continuing education that will enable them to become more employable, productive, and responsible citizens;

(3) plan, coordinate, and develop cooperative agreements with community resources to address the needs that the adults have for support services, such as transportation, flexible course scheduling, convenient class locations, and child care;

(4) collaborate with business, industry, labor unions, and employment-training agencies, as well as with family and occupational education providers, to arrange for resources and services through which adults can attain economic self-sufficiency;

(5) provide sensitive and well trained adult education personnel who participate in local, regional, and statewide adult basic education staff development events to master effective adult learning and teaching techniques;

(6) participate in regional adult basic education peer program reviews and evaluations; and

(7) submit accurate and timely performance and fiscal reports.

Sec. 17. Minnesota Statutes 1993 Supplement, section 124.26, subdivision 2, is amended to read:

Subd. 2. [ACCOUNTS; REVENUE; AID.] Each district ~~or~~, group of districts, *or nonprofit organization* providing adult basic education programs shall establish and maintain accounts separate from all other district accounts for the receipt and disbursement of all funds related to these programs. All *aid revenue* received pursuant to this section shall be utilized solely for the purposes of adult basic education programs. In no case shall federal and state aid equal more than 100 percent of the actual cost of providing these programs.

Sec. 18. Minnesota Statutes 1992, section 124.2601, subdivision 3, is amended to read:

Subd. 3. [AID.] Adult basic education aid for each ~~district with an eligible approved~~ program equals 65 percent of the general education formula allowance times the number of full-time equivalent students in its adult basic education program.

Sec. 19. Minnesota Statutes 1992, section 124.2601, subdivision 5, is amended to read:

Subd. 5. [REVENUE.] Adult basic education revenue is equal to the sum of a ~~district's an approved program's~~ adult basic education aid and its adult basic education levy.

Sec. 20. Minnesota Statutes 1992, section 124.2601, subdivision 7, is amended to read:

Subd. 7. [PRORATION.] If the total appropriation for adult basic education aid is insufficient to pay all ~~districts approved programs~~ the full amount of aid earned, the department of education shall proportionately reduce each ~~district's approved program's~~ aid.

Sec. 21. Minnesota Statutes 1993 Supplement, section 124.2711, subdivision 1, is amended to read:

Subdivision 1. [REVENUE.] The revenue for early childhood family education programs for a school district equals \$101.25 for 1993 and later fiscal years times the greater of:

(1) 150; or

(2) the number of people under five years of age residing in the school district on ~~September~~ October 1 of the previous school year.

Sec. 22. Minnesota Statutes 1992, section 124.2711, is amended by adding a subdivision to read:

Subd. 6. [RESERVE ACCOUNT.] *Early childhood family education revenue must be maintained in a reserve account within the community service fund.*

Sec. 23. Minnesota Statutes 1992, section 124.2713, is amended by adding a subdivision to read:

Subd. 10. [RESERVE ACCOUNT.] *Community education revenue must be maintained in a reserve account within the community service fund.*

Sec. 24. Minnesota Statutes 1993 Supplement, section 124.2714, is amended to read:

124.2714 [ADDITIONAL COMMUNITY EDUCATION REVENUE.]

(a) A district that is eligible under section 124.2713, subdivision 2, may levy an amount up to the amount authorized by Minnesota Statutes 1986, section 275.125, subdivision 8, clause (2).

(b) Beginning with levies for fiscal year 1995, this levy must be reduced each year by the amount of any increase in the levying district's general community education revenue under section 124.2713, subdivision 3, for that fiscal year over the amount received by the district under section 124.2713, subdivision 3, for fiscal year 1994.

(c) The proceeds of the levy may be used for the purposes set forth in section 124.2713, subdivision 8.

Sec. 25. Minnesota Statutes 1992, section 126.23, is amended to read:

126.23 [AID FOR PRIVATE ALTERNATIVE PROGRAMS.]

If a pupil enrolls in an alternative program, eligible under section 126.22, subdivision 3, paragraph (d), or subdivision 3a, operated by a private organization that has contracted with a school district to provide educational services for eligible pupils under section 126.22, subdivision 2, the ~~resident~~ district *contracting with the private organization* must reimburse the provider an amount equal to at least 88 percent of the basic revenue of the district for each pupil attending the program full time. For a pupil attending the program part time, basic revenue paid to the program shall be reduced proportionately, according to the amount of time the pupil attends the program, and basic revenue paid to the district shall be reduced accordingly. 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. If payment is made to a district or program for a pupil under this section, the department of education shall not make a payment for the same pupil under section 126.22, subdivision 8.

Sec. 26. Minnesota Statutes 1992, section 126.69, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM GOALS.] The department of education, in consultation with the state curriculum advisory committee, must develop guidelines and model plans for parental involvement programs that will:

(1) engage the interests and talents of parents or guardians in recognizing and meeting the emotional, intellectual, and physical needs of their school-age children;

(2) promote healthy self-concepts among parents or guardians and other family members;

(3) offer parents or guardians a chance to share and learn about educational skills, techniques, and ideas;

(4) provide creative learning experiences for parents or guardians and their school-age children, including involvement from parents or guardians of color; and

(5) encourage parents to actively participate in their district's curriculum advisory committee under section 126.666 in order to assist the school board in improving children's education programs; and

(6) *encourage parents to help in promoting school desegregation/integration.*

Sec. 27. Minnesota Statutes 1992, section 126.69, subdivision 3, is amended to read:

Subd. 3. [PLAN ACTIVITIES.] Activities contained in the model plans must include:

(1) educational opportunities for families that enhance children's learning development;

(2) educational programs for parents or guardians on families' educational responsibilities and resources;

(3) the hiring, training, and use of parental involvement liaison workers to coordinate family involvement activities and to foster communication among families, educators, and students;

(4) curriculum materials and assistance in implementing home and community-based learning activities that reinforce and extend classroom instruction and student motivation;

(5) technical assistance, including training to design and carry out family involvement programs;

(6) parent resource centers;

(7) parent training programs and reasonable and necessary expenditures associated with parents' attendance at training sessions;

(8) reports to parents on children's progress;

(9) use of parents as classroom volunteers, *or as volunteers in before and after school programs for school-age children*, tutors, and aides;

(10) soliciting parents' suggestions in planning, developing, and implementing school programs;

(11) educational programs and opportunities for parents or guardians that are multicultural, gender fair, and disability sensitive; and

(12) involvement in a district's curriculum advisory committee or a school building team under section 126.666; and

(13) *opportunities for parent involvement in developing, implementing, or evaluating school and district desegregation/integration plans.*

Sec. 28. Minnesota Statutes 1992, section 127.27, subdivision 5, is amended to read:

Subd. 5. "Expulsion" means an action taken by a school board to prohibit an enrolled pupil from further attendance for a period that shall not extend beyond ~~the~~ *an amount of time equal to one school year from the date a pupil is expelled.*

Sec. 29. Minnesota Statutes 1992, section 272.02, subdivision 8, is amended to read:

Subd. 8. [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 grade 12; special education for handicapped children; adult basic and continuing education as described in section 124.26; preschool and early childhood family education; or community education programs, 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.

Sec. 30. Laws 1993, chapter 224, article 4, section 44, subdivision 6, is amended to read:

Subd. 6. [ADULT GRADUATION AID.] For adult graduation aid:

\$1,827,000 1994

~~\$1,986,000~~ \$2,195,000 1995

The 1994 appropriation includes \$204,000 for 1993 and \$1,623,000 for 1994.

The 1995 appropriation includes \$286,000 for 1994 and ~~\$1,700,000~~ \$1,909,000 for 1995.

In the event that the appropriation in either year is insufficient, the adult graduation aid paid to a school district and to a higher education institution shall be prorated equally.

ARTICLE 5

FACILITIES

Section 1. Minnesota Statutes 1993 Supplement, section 124.243, subdivision 8, is amended to read:

Subd. 8. [FUND TRANSFERS.] (a) Money in the account for capital expenditure facilities revenue must not be transferred into any other account or fund, except as specified in this subdivision.

(b) The school board may, by resolution, transfer money into the debt redemption fund to pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475.

(c) *Each fiscal year, if a district does not have any obligations outstanding under chapter 475, has not levied under section 124.239, subdivision 3 or 5, or has not received revenue under section 124.83, a school board may use up to one-third of its capital expenditure facilities revenue for equipment uses under section 124.244.*

(d) *Notwithstanding paragraph (c), a school board may transfer all or a part*

of its capital expenditure facilities revenue to its capital expenditure equipment account if:

(1) the district has only one facility and that facility is less than ten years old; or

(2) the district receives approval from the commissioner to make the transfer.

~~(d)~~ (e) In considering approval of a transfer under paragraph ~~(e)~~ (d), clause (2), the commissioner must consider the district's facility needs.

Sec. 2. Minnesota Statutes 1993 Supplement, section 124.244, subdivision 1, is amended to read:

Subdivision 1. [REVENUE AMOUNT.] (a) For fiscal ~~years 1994 and year~~ 1995, the capital expenditure equipment revenue for each district equals \$63 \$66 times its actual pupil units for the school year.

(b) For fiscal years 1996 and later, the capital expenditure equipment revenue for each district equals \$68 \$71 times its actual pupil units for the school year.

(c) Of a district's capital expenditure equipment revenue, \$3 times its actual pupil units for the school year shall be reserved and used according to subdivision 4, paragraph (b).

Sec. 3. Minnesota Statutes 1992, section 124.244, subdivision 4, is amended to read:

Subd. 4. [USES OF REVENUE.] (a) Capital expenditure equipment revenue may be used only for the following purposes:

(1) to pay capital expenditure equipment related assessments of any entity formed under a cooperative agreement between two or more districts;

(2) to purchase or lease computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment;

(3) to purchase or lease *assistive technology or* equipment for instructional programs;

(4) to purchase textbooks;

(5) to purchase library books; and

(6) to purchase vehicles except those for which a levy is authorized under section 124.226, subdivision 6.

(b) The reserved capital expenditure equipment revenue shall only be used to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:

(1) managing and reporting learner outcome information for all students under a results-oriented graduation rule;

(2) managing student assessment, services, and achievement information required for students with individual education plans; and

(3) other classroom information management needs.

(c) The equipment obtained with reserved revenue shall be utilized, to the greatest extent possible given available funding, on a per instructor or per classroom basis. A school district may supplement its reserved revenue with other capital expenditure equipment revenue, and cash and in-kind grants from public and private sources.

Sec. 4. Minnesota Statutes 1992, section 124.46, subdivision 3, is amended to read:

Subd. 3. The commissioner of finance shall maintain a separate school loan bond account in the state bond fund, showing all money transferred to that fund for the payment of school loan bonds and all income received from the investment of such money. On the first day of December in each year there shall be transferred to the bond account all or so much of the money then on hand in the loan repayment account in the maximum effort school loan fund as will be sufficient, with the balance then on hand in said bond account, to pay all principal and interest then and theretofore due and to become due within the next ensuing year and to and including July 1 in the second ensuing year on school loan bonds issued and sold pursuant to this section. In the event that moneys are not available for such transfer in the full amount required, the state auditor shall levy on all taxable property within the state a tax sufficient to meet the deficiency. Such tax shall be and remain subject to no limitation of rate or amount until all school loan bonds and all interest thereon are fully paid. The proceeds of this tax are hereby irrevocably appropriated and shall be credited to the state bond fund, but the school loan bond account is appropriated as the primary source of payment of such bonds and interest, and only so much of said tax as may be necessary is appropriated for this purpose. If any principal or interest on school loan bonds should become due at any time when there is not on hand a sufficient amount from any of the sources herein appropriated for the payment thereof, it the moneys shall nevertheless be paid out of the general fund in the state treasury according to section 16A.641; and the amount necessary therefor is hereby appropriated; but any such payments shall be reimbursed from the proceeds of taxes levied as required herein, and any such payments made from taxes shall be reimbursed from the loan repayment account in the maximum effort school loan fund, when the balance therein is sufficient.

Sec. 5. Minnesota Statutes 1993 Supplement, section 124.91, subdivision 3, is amended to read:

Subd. 3. [POST-JUNE 1992 LEASE PURCHASE, INSTALLMENT BUYS.] (a) Upon application to, and approval by, the commissioner in accordance with the procedures and limits in subdivision 1, a district, as defined in this subdivision, may:

(1) purchase real or personal property under an installment contract or may lease real or personal property with an option to purchase under a lease purchase agreement, by which installment contract or lease purchase agreement title is kept by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any; and

(2) annually levy the amounts necessary to pay the district's obligations under the installment contract or lease purchase agreement.

(b)(1) The obligation created by the installment contract or the lease purchase agreement must not be included in the calculation of net debt for purposes of section 475.53, and does not constitute debt under other law.

(2) An election is not required in connection with the execution of the installment contract or the lease purchase agreement.

(c) The proceeds of the levy authorized by this subdivision must not be used to acquire a facility to be primarily used for athletic or school administration purposes.

(d) In this subdivision, "district" means:

(1) a school district required to have a comprehensive plan for the elimination of segregation whose plan has been determined by the commissioner to be in compliance with the state board of education rules relating to equality of educational opportunity and school desegregation; or

(2) a school district that participates in a joint program for interdistrict desegregation with a district defined in clause (1) if the facility acquired under this subdivision is to be primarily used for the joint program.

(e) Notwithstanding subdivision 1, the prohibition against a levy by a district to lease or rent a district-owned building to itself does not apply to levies otherwise authorized by this subdivision.

(f) Projects may be approved under this section by the commissioner in fiscal years 1993, 1994, and 1995 only.

(g) For the purposes of this subdivision, any references in subdivision 1 to building or land shall be deemed to include personal property.

Sec. 6. Minnesota Statutes 1993 Supplement, section 124.95, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the eligible debt service revenue of a district is defined as follows:

(1) the amount needed to produce between five and six percent in excess of the amount needed to meet when due the principal and interest payments on the obligations of the district for eligible projects according to subdivision 2, including the amounts necessary for repayment of energy loans according to section 216C.37 or sections 298.292 to 298.298, debt service loans and capital loans, lease purchase payments under section 124.91, subdivisions 2 and 3, minus

(2) the amount of debt service excess levy reduction for that school year calculated according to the procedure established by the commissioner.

(b) The obligations in this paragraph are excluded from eligible debt service revenue:

(1) obligations under section 124.2445;

(2) the part of debt service principal and interest paid from the taconite environmental protection fund or northeast Minnesota economic protection trust; and

(3) obligations issued under Laws 1991, chapter 265, article 5, section 18, as amended by Laws 1992, chapter 499, article 5, section 24; and

(4) obligations under section 124.2455.

(c) For purposes of this section, if a preexisting school district reorganized under section 122.22, 122.23, or 122.241 to 122.248 is solely responsible for

retirement of the preexisting district's bonded indebtedness, capital loans or debt service loans, debt service equalization aid must be computed separately for each of the preexisting school districts.

Sec. 7. Minnesota Statutes 1992, section 124.95, subdivision 4, is amended to read:

Subd. 4. [EQUALIZED DEBT SERVICE LEVY.] To obtain debt service equalization revenue, a district must levy an amount not to exceed the district's debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the actual pupil units in the district for the *school year ending in the year prior to the year the levy is certified*; to

(2) 50 percent of the equalizing factor as defined in section 124A.02, subdivision 8, for the year to which the levy is attributable.

Sec. 8. Minnesota Statutes 1992, section 475.61, subdivision 4, is amended to read:

Subd. 4. [SURPLUS FUNDS.] (a) All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of which levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality. However, the amount of any surplus remaining in the debt service fund of a school district when the obligations and interest thereon are paid shall be used to reduce the general education levy authorized pursuant to section 124A.23 and the state aids authorized pursuant to chapters 124, 124A, and 273.

(b) *The reduction to state aids equals the lesser of (1) the amount of the surplus times the ratio of the district's debt service equalization aid to the district's debt service equalization revenue for the last year that the district qualified for debt service equalization aid; or (2) the district's cumulative amount of debt service equalization aid.*

(c) *The reduction to the general education levy equals the total amount of the surplus minus the reduction to state aids.*

Sec. 9. Laws 1993, chapter 224, article 5, section 43, is amended to read as follows:

Sec. 43. [EXCEPTION TO LEASE LIMIT LEASE SPACE; EDUCATIONAL PURPOSES.]

Subdivision 1. [LEASE SPACE; BONDS.] *The city of Rollingstone may issue revenue bonds in accordance with Minnesota Statutes, chapter 475, except as otherwise provided in this section, to finance the acquisition, construction, and equipping of a facility to be leased for educational purposes.*

Subd. 2. [EXCEPTION TO LEASE LIMIT.] Notwithstanding any law to the contrary, independent school district No. 861, Winona, may enter into an

agreement, for the number of years stated in the agreement, with the city of Rollingstone to lease space for educational purposes.

Subd. 3. [PAYMENTS; LEVY.] (a) The payments required to be made by the district under the agreement described in subdivision 2 are fixed for the term of the agreement, except as otherwise provided therein. Upon approval of the agreement described in subdivision 2 by the commissioner of education and the district, the district may shall levy for as many years as required under the agreement a tax in the amount and at the times necessary to make payments required by the agreement in accordance with Minnesota Statutes, section 475.61. The payments shall be a general obligation of the district and are not subject to Minnesota Statutes, section 475.58.

(b) To obtain approval for the agreement described in subdivision 2 from the commissioner, the district must demonstrate substantial collaboration with the city in the use of the facility. The city must also agree to contribute \$100,000 toward the cost of the education portion of the facility. The amount of the levy shall be annually included in the district's debt service levy under Minnesota Statutes, section 124.95, subdivision 1, for purposes of determining the district's debt service equalization aid.

Sec. 10. Laws 1993, chapter 224, article 5, section 46, subdivision 2, is amended to read:

Subd. 2. [CAPITAL EXPENDITURE FACILITIES AID.] For capital expenditure facilities aid according to Minnesota Statutes, section 124.243, subdivision 5:

~~\$73,290,000~~ \$73,390,000 1994

~~\$75,980,000~~ \$76,198,000 1995

The 1994 appropriation includes \$10,730,000 for 1993 and ~~\$62,560,000~~ \$62,660,000 for 1994.

The 1995 appropriation includes ~~\$11,040,000~~ \$11,058,000 for 1994 and ~~\$64,940,000~~ \$65,140,000 for 1995.

Sec. 11. Laws 1993, chapter 224, article 5, section 46, subdivision 3, is amended to read:

Subd. 3. [CAPITAL EXPENDITURE EQUIPMENT AID.] For capital expenditure equipment aid according to Minnesota Statutes, section 124.244, subdivision 3:

~~\$36,049,000~~ \$36,098,000 1994

~~\$37,390,000~~ \$38,998,000 1995

The 1994 appropriation includes \$5,279,000 for 1993 and ~~\$30,720,000~~ \$30,819,000 for 1994.

The 1995 appropriation includes ~~\$5,430,000~~ \$5,439,000 for 1994 and ~~\$31,960,000~~ \$33,559,000 for 1995.

Sec. 12. Laws 1993, chapter 224, article 5, section 46, subdivision 4, is amended to read:

Subd. 4. [HEALTH AND SAFETY AID.] (a) For health and safety aid according to Minnesota Statutes, section 124.83, subdivision 5:

\$11,260,000 1994

\$18,924,000 1995

The 1994 appropriation includes \$1,256,000 for 1993 and \$10,004,000 for 1994.

The 1995 appropriation includes \$1,694,000 for 1994 and \$17,230,000 for 1995.

(b) \$400,000 in fiscal year 1994 and \$400,000 in fiscal year 1995 is for health and safety management assistance contracts under section 24.

(c) \$60,000 of each year's appropriation shall be used to contract with the state fire marshal to provide services under Minnesota Statutes, section 121.502. This amount is in addition to the amount for this purpose in article 11.

(d) For fiscal year 1995, the sum of total health and safety revenue and levies under section 3 may not exceed \$64,000,000. The state board of education shall establish criteria for prioritizing district health and safety project applications not to exceed this amount.

(e) Notwithstanding section 124.14, subdivision 7, the commissioner of education, with the approval of the commissioner of finance, may transfer a projected excess in the appropriation for health and safety aid for fiscal year 1995 to the appropriation for debt service aid for the same fiscal year. The projected excess amount ~~and~~ the projected deficit in the appropriation for debt service aid, ~~and the amount of the transfer must be determined and the transfer made as of November 1, 1994~~ 1993. *The projections and the amount of the transfer may be revised to reflect corrected data as of June 1, 1994. The transfer must be made as of July 1, 1994.* The amount of the transfer is limited to the lesser of the projected excess in the health and safety appropriation or the projected deficit in the appropriation for debt service aid. Any transfer must be reported immediately to the education committees of the house of representatives and senate.

Sec. 13. [FLOODWOOD.]

Subdivision 1. [HEALTH AND SAFETY REVENUE EXPENDITURE.] Notwithstanding Minnesota Statutes, section 124.83, subdivision 6, independent school district No. 698, Floodwood, may expend health and safety revenue for the construction of new facilities.

Subd. 2. [FUND TRANSFER.] Notwithstanding Minnesota Statutes, sections 121.912, 121.9121, and 124.243, subdivision 8, or any other law, independent school district No. 698, Floodwood, may permanently transfer any amount from its health and safety and facilities accounts in its capital expenditure fund to its building construction fund.

Subd. 3. [DATE OF TRANSFER.] Independent school district No. 698, Floodwood, may make the fund transfer according to subdivision 2 only after the school district has held a successful referendum for the sale of bonds according to the provisions of Minnesota Statutes, chapter 475.

Sec. 14. [INDEPENDENT SCHOOL DISTRICT NO. 2170; MOTLEY-STAPLES, REFERENDUM REVENUE RECOGNITION.]

Notwithstanding Minnesota Statutes, section 121.912 or 121.9121, before July 1, 1996, independent school district No. 2170, Motley-Staples, may recognize as revenue in the capital expenditure fund up to \$800,000 of referendum revenue received pursuant to Minnesota Statutes, section 124A.03.

Sec. 15. [INCREASE IN AUTHORIZATION.]

Notwithstanding any other law to the contrary, the approved amount of indebtedness authorized by the electors of independent school district No. 38, Red Lake, on December 10, 1991, may be increased by resolution of the board of directors of independent school district No. 38, Red Lake, from \$9,926,070 to an amount not to exceed \$10,075,000.

Sec. 16. [NASHWAUK-KEEWATIN; HEALTH AND SAFETY REVENUE.]

Notwithstanding the revenue limitation in Laws 1991, chapter 265, article 5, section 24, subdivision 4, for independent school district No. 319, Nashwauk-Keewatin, the full amount of authority for health and safety projects approved by the commissioner of education may be expended in fiscal year 1993, 1994, or 1995.

Sec. 17. [NASHWAUK-KEEWATIN; HEALTH AND SAFETY REVENUE USE VARIANCE.]

Notwithstanding Minnesota Statutes, section 124.83, subdivision 6, upon approval of the commissioner of education, independent school district No. 319, Nashwauk-Keewatin, may use its health and safety revenue in fiscal years 1994 and 1995 to relocate its vocational center to a Nashwauk-Keewatin high school garage.

Sec. 18. [CASS LAKE; CAPITAL LOAN CONTRACT DEADLINE EXTENSION.]

Notwithstanding Minnesota Statutes 1993 Supplement, section 124.431, subdivision 1, for a capital loan granted to independent school district No. 115, Cass Lake, contracts must be entered into within 42 months after the date on which the loan is granted.

Sec. 19. [ADDITIONAL CAPITAL EXPENDITURE EQUIPMENT REVENUE.]

Notwithstanding Minnesota Statutes, section 121.904, the entire portion of the revenue attributable to the increase in capital expenditure equipment revenue for fiscal year 1995 according to section 2 [124.244, subdivision 1], 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. 20. [APPROPRIATION.]

\$100,000 is appropriated from the general fund in fiscal year 1995 to the department of education for a grant and administrative expenses to facilitate a joint elementary facility for independent school district Nos. 622, North St. Paul-Maplewood; 833, South Washington County; and 834, Stillwater, that is continuous progress, performance-based, collaboratively developed, and operated year-round. The districts must report to the education committees of the legislature on the progress of the project by March 1, 1995.

Sec. 21. [EFFECTIVE DATE.]

Section 18 [Cass Lake] is effective retroactive to July 1, 1993.

ARTICLE 6

EDUCATION ORGANIZATION AND COOPERATION

Section 1. Minnesota Statutes 1993 Supplement, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. [LEVY RECOGNITION.] (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to ~~sections 124.2721, subdivision 3; 124.575, subdivision 3; and section 124.914, subdivision 1; 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 May, 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 an amount equal to the levy recognized as revenue in June of the prior year plus 50.0 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) 50.0 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 124.914, subdivision 1, and ~~Laws 1976, chapter 20, section 4;~~

(iii) retirement and severance pay pursuant to sections 122.531, subdivision 9, 124.2725, subdivision 15, 124.4945, 124.912, subdivision 1, and 124.916, subdivision 3, and Laws 1975, chapter 261, section 4;

(iv) amounts levied for bonds issued and interest thereon, amounts levied for debt service loans and capital loans, amounts levied for down payments under section 124.82, subdivision 3, and amounts levied pursuant to section 136C.411; and

(v) amounts levied under section 124.755.

(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. 2. Minnesota Statutes 1992, 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 obligations, as defined in section 475.51, for computer hardware. 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 obligation. The district is not liable for any additional outstanding regional obligations that occur after written notice is given to transfer or use an alternative finance system. A regional management information center must not charge a district for transferring the district's summary financial data and essential data elements to the state. The regional management information center may charge the district for any service it provides to, or performs on behalf of, a district to render the data in the proper format for reporting to the state.

Sec. 3. Minnesota Statutes 1992, section 122.23, subdivision 6, is amended to read:

Subd. 6. The state board commissioner shall, upon receipt of a plat, forthwith examine it and approve, modify or reject it. The state board commissioner shall also approve or reject any proposal contained in the resolution or petition regarding the disposition of the bonded debt of the component districts. If the plat shows the boundaries of proposed separate election districts and if the state board commissioner modifies the plat, the state board commissioner shall also modify the boundaries of the proposed separate election districts. Prior thereto the state board or a member thereof or The commissioner or assistant commissioner as designated by the state board shall conduct a hearing at the nearest county seat in the area upon reasonable notice to the affected districts and county boards if requested within 20 days after submission of the plat. Such a hearing may be requested by the board of any affected district, a county board of commissioners, or the petition of 20 resident voters living within the area proposed for consolidation. The state board commissioner shall endorse on the plat its action regarding any proposal for the disposition of the bonded debt of component districts and its the reasons for its these actions and within 60 days of the date of the receipt of the plat, it the commissioner shall return it to the county auditor who submitted it. The state board commissioner shall furnish a copy of that plat, and the supporting statement and its endorsement to the auditor of each county containing any land area of the proposed new district. If land area of a particular county was included in the plat, as submitted by the county auditor, and all of such land area is excluded in the plat as modified and approved, the state board commissioner shall also furnish a copy of the modified plat, supporting statement, and its any endorsement to the auditor of such county.

Sec. 4. Minnesota Statutes 1992, section 122.23, subdivision 8, is amended to read:

Subd. 8. The board of any independent district maintaining a secondary

school, the board of any common district maintaining a secondary school, all or part of whose land is included in the proposed new district, shall, within 45 days of the approval of the plat by the ~~state board commissioner~~, either adopt or reject the plan as proposed in the approved plat. If the board of any such district entitled to act on the petition rejects the proposal, the proceedings are terminated and dismissed. If any board fails to act on the plat within the time allowed, the proceedings are terminated.

Sec. 5. Minnesota Statutes 1992, section 122.23, subdivision 10, is amended to read:

Subd. 10. If an approved plat contains land area in any district not entitled to act on approval or rejection of the plat by action of its board, the plat may be approved by the residents of the land area within 60 days of approval of plat by the ~~state board commissioner~~ in the following manner:

A petition calling upon the county auditor to call and conduct an election on the question of adoption or rejection of the plat may be circulated in the land area by any person residing in the area. Upon the filing of the petition with the county auditor, executed by at least 25 percent of the eligible voters in each district or part of a district contained in the land area, the county auditor shall forthwith call and conduct a special election of the electors resident in the whole land area on the question of adoption of the plat. For the purposes of this section, the term "electors resident in the whole land area" means any person residing on any remaining portion of land, a part of which is included in the consolidation plat. Any eligible voter owning land included in the plat who lives upon land adjacent or contiguous to that part of the voter's land included in the plat shall be included and counted in computing the 25 percent of the eligible voters necessary to sign the petition and shall also be qualified to sign the petition. Failure to file the petition within 60 days of approval of the plat by the ~~state board commissioner~~ terminates the proceedings.

Sec. 6. Minnesota Statutes 1992, section 122.23, subdivision 13, is amended to read:

Subd. 13. If a majority of the votes cast on the question at the election approve the consolidation, and if the necessary approving resolutions of boards entitled to act on the plat have been adopted, the school board shall, within ten days of the election, notify the county auditor who shall, within ten days of the notice or of the expiration of the period during which an election can be called, issue an order setting a date for the effective date of the change. The effective date shall be July 1 of an ~~odd-numbered year, unless an even-numbered year is agreed upon according to subdivision 13a~~ the year determined by the school board in the original resolution adopted under subdivision 2. The auditor shall mail or deliver a copy of such order to each auditor holding a copy of the plat and to the clerk of each district affected by the order and to the commissioner. The school board shall similarly notify the county auditor if the election fails. The proceedings are then terminated and the county auditor shall so notify the commissioner and the auditors and the clerk of each school district affected.

Sec. 7. Minnesota Statutes 1992, section 122.23, is amended by adding a subdivision to read:

Subd. 20. [RETIRED INCENTIVES.] (a) A school board of a consolidated district may offer early retirement incentives to licensed and nonlicensed staff. The early retirement incentives that the board may offer are:

(1) the payment of employer pension plan contributions for a specified

period of allowable service credit for district employees who have at least ten years of allowable service credit in the applicable pension plan under paragraph (b);

(2) an extended leave of absence for an eligible employee under section 125.60;

(3) severance payment incentives under paragraph (c); and

(4) the employer payment of the premiums for continued health insurance coverage under paragraph (d).

These incentives may only be offered to employees who terminate active employment with the school district or who enter into an extended leave of absence as a result of the consolidation, whichever applies. The board may determine the staff to whom the incentives are offered. Unilateral implementation of this section by a school board is not an unfair labor practice under chapter 179A.

(b) An employee with at least ten years of allowable service credit in the applicable pension plan who is offered an early retirement incentive under paragraph (a), clause (1), may purchase up to five additional years of allowable service credit from the applicable pension plan. To do so, the former employee must pay the member contributions to the pension plan annually in a manner and in accord with a schedule specified by the executive director of the applicable fund. If the former employee makes the member contribution, the board shall make the applicable employer contribution. The salary used to determine these contributions is the salary of the person in the last year that the former employee was employed by the district. During the period of continuing member and employer contributions, the person is not considered to be an active member of the applicable pension plan, is not eligible for any active member disability or survivorship benefit coverage, and is not included in any postemployment termination benefit plan changes unless the applicable benefit legislation provides otherwise. Continued eligibility to purchase service credit under this paragraph expires if the person is subsequently employed during the service purchase period by a public employer with retirement coverage under a pension plan specified in section 356.30, subdivision 3.

(c) Severance payment incentives must conform with sections 465.72, 465.721, and 465.722.

(d) The board may offer a former employee continued employer-paid health insurance coverage. Coverage may not extend beyond age 65 or the end of the first month in which the employee is eligible for employer-paid health insurance coverage from a new employer. For purposes of this subdivision, "employer-paid health insurance coverage" means medical, hospitalization, or health insurance coverage provided through an insurance company that is licensed to do business in the state and for which the employing unit pays more than one-half of the cost of the insurance premiums.

Sec. 8. Minnesota Statutes 1992, section 122.531, subdivision 9, is amended to read:

Subd. 9. [LEVY FOR SEVERANCE PAY OR EARLY RETIREMENT INCENTIVES.] The school board of a newly created or enlarged district; to which part or all of a dissolved district was attached according to section 122.22 ~~or 122.23~~, may levy for severance pay or early retirement incentives

for licensed and nonlicensed employees who resign or retire early as a result of the dissolution or consolidation, if the commissioner of education approves the incentives and the amount to be levied. The amount may be levied over a period of up to five years and shall be spread in whole or in part on the property of a preexisting district or the newly created or enlarged district, as determined by the school board of the newly created or enlarged district.

Sec. 9. Minnesota Statutes 1992, section 122.533, is amended to read:

122.533 [EXPENSES OF TRANSITION.]

The newly elected board of a newly created district pursuant to section 122.23 or the board of a district to which a dissolved district is attached pursuant to section 122.22, may, for the purpose of paying the expenses of negotiations and other administrative expenses relating to the transition, enter into agreements with banks or any person to take its orders at any rate of interest not to exceed seven percent per annum. These orders shall be paid by the treasurer of the district from district funds after the effective date of the consolidation or dissolution and attachment. Notwithstanding the provisions of sections 124.226, 124.2716, 124.91, 124.912, 124.914, 124.916, 124.918, and 136C.411, the district may, in the year the consolidation or dissolution and attachment becomes effective, levy an amount equal to the amount of the orders issued pursuant to this subdivision and the interest on these orders. No district shall issue orders for funds or make a levy pursuant to this subdivision without the commissioner's approval of the expenses to be paid with the funds from the orders and levy.

Sec. 10. [122.98] [COOPERATIVE UNIT INSURANCE POOLS.]

Any cooperative unit defined in section 123.35, subdivision 19b, that directly manages a health insurance pool or provides health insurance coverage through an insurance pool as a service to members must create a labor-management committee representative of the groups covered by the pool to advise the governmental unit on management matters of the coverage.

Sec. 11. Minnesota Statutes 1992, section 123.35, subdivision 19a, is amended to read:

Subd. 19a. [LIMITATION ON PARTICIPATION AND FINANCIAL SUPPORT.] (a) No school district shall be required by any type of formal or informal agreement, including a joint powers agreement, or otherwise membership in any cooperative unit defined in subdivision 19b, paragraph (c), to participate in or provide financial support for the purposes of the agreement for a time period in excess of one fiscal year, or the time period set forth in this subdivision. Any agreement, part of an agreement, or other type of requirement to the contrary is void.

(b) This subdivision shall not affect the continued liability of a school district for its share of bonded indebtedness or other debt incurred as a result of any agreement before July 1, 1993. The school district is liable only until the obligation or debt is discharged and only according to the payment schedule in effect on July 1, 1993, except that the payment schedule may be altered for the purpose of restructuring debt or refunding bonds outstanding on July 1, 1993, if the annual payments of the school district are not increased and if the total obligation of the school district for its share of outstanding bonds or other debt is not increased.

(c) To cease participating in or providing financial support for any of the services or activities relating to the agreement or to terminate participation in the agreement, the school board shall adopt a resolution and notify other parties to the agreement of its decision on or before February 1 of any year. The cessation or withdrawal shall be effective June 30 of the same year ~~or, except that for a member of an education district organized under sections 122.91 to 122.95 or an intermediate district organized under chapter 136D, cessation or withdrawal shall be effective June 30 of the following fiscal year.~~ At the option of the school board, ~~cessation or withdrawal may be effective June 30 of the following fiscal year for a district participating in any type of agreement.~~

(d) Before issuing bonds or incurring other debt, the governing body responsible for implementing the agreement shall adopt a resolution proposing to issue bonds or incur other debt and the proposed financial effect of the bonds or other debt upon each participating district. The resolution shall be adopted within a time sufficient to allow the school board to adopt a resolution within the time permitted by this paragraph and to comply with the statutory deadlines set forth in sections 122.895, 125.12, and 125.17. The governing body responsible for implementing the agreement shall notify each participating school board of the contents of the resolution. Within 120 days of receiving the resolution of the governing body, the school board of the participating district shall adopt a resolution stating:

- (1) its concurrence with issuing bonds or incurring other debt;
- (2) its intention to cease participating in or providing financial support for the service or activity related to the bonds or other debt; or
- (3) its intention to terminate participation in the agreement.

A school board adopting a resolution according to clause (1) is liable for its share of bonded indebtedness or other debt as proposed by the governing body implementing the agreement. A school board adopting a resolution according to clause (2) is not liable for the bonded indebtedness or other debt, as proposed by the governing body, related to the services or activities in which the district ceases participating or providing financial support. A school board adopting a resolution according to clause (3) is not liable for the bonded indebtedness or other debt proposed by the governing body implementing the agreement.

(e) After July 1, 1993, a district is liable according to paragraph (d) for its share of bonded indebtedness or other debt incurred by the governing body implementing the agreement to the extent that the bonds or other debt are directly related to the services or activities in which the district participates or for which the district provides financial support. The district has continued liability only until the obligation or debt is discharged and only according to the payment schedule in effect at the time the governing body implementing the agreement provides notice to the school board, except that the payment schedule may be altered for the purpose of refunding the outstanding bonds or restructuring other debt if the annual payments of the district are not increased and if the total obligation of the district for the outstanding bonds or other debt is not increased.

Sec. 12. Minnesota Statutes 1992, section 123.35, is amended by adding a subdivision to read:

Subd. 19b. [WITHDRAWING FROM COOPERATIVE.] If a school district withdraws from a cooperative unit defined in paragraph (c), the distribution of assets and assignment of liabilities to the withdrawing district shall be determined according to this subdivision.

(a) The withdrawing district remains responsible for its share of bonded debt incurred by the cooperative unit according to subdivision 19a. The school district and cooperative unit may mutually agree, through a board resolution by each, to terms and conditions of the distribution of assets purchased with the proceeds of bonds, assignment of liabilities for outstanding bond obligations, and the distribution of detached equipment. If the cooperative unit and the school district cannot agree on the terms and conditions, the commissioner of education shall resolve the dispute.

(b) The school district and cooperative unit may mutually agree, through a board resolution by each, to the terms and conditions of the distribution of assets and assignment of liabilities not acquired with the proceeds of bonds. The assets shall not include detached equipment. If the cooperative unit and the school district cannot agree on the terms and conditions, the withdrawing district shall receive a proportionate share of assets and liabilities. The commissioner shall develop the method used to determine the share. The assets shall be disbursed to the withdrawing district in a manner that minimizes financial disruption to the cooperative unit.

(c) For the purposes of this section, a cooperative unit is:

- (1) an education district organized under sections 122.91 to 122.95;*
- (2) a cooperative vocational center organized under section 123.351;*
- (3) an intermediate district organized under chapter 136D;*
- (4) an educational cooperative service unit organized under section 123.58;*
- (5) a regional management information center organized under section 121.935; or*
- (6) a joint powers district organized according to section 471.59.*

Sec. 13. Minnesota Statutes 1992, section 123.35, is amended by adding a subdivision to read:

Subd. 21. [APPEAL TO COMMISSIONER.] If a cooperative unit as defined in subdivision 19b, paragraph (c), denies membership in the unit to a school district, the school district may appeal to the commissioner of education. The commissioner may require the cooperative unit to grant the district membership.

Sec. 14. Minnesota Statutes 1993 Supplement, section 123.351, subdivision 8, is amended to read:

Subd. 8. [ADDITION AND WITHDRAWAL OF DISTRICTS.] Upon approval by majority vote of a school board, and of the center board, and of the commissioner, an adjoining school district may become a member in the center and be governed by the provisions of this section and the agreement in effect.

Any participating district may withdraw from the center and from the agreement in effect by a majority vote of the full board membership of the participating school district desiring withdrawal and upon compliance with

provisions in the agreement establishing the center. Upon receipt of the withdrawal resolution reciting the necessary facts, the center board shall file a certified copy with the county auditors of the counties affected. The withdrawal shall become effective at the end of the next following school year but the withdrawal shall not affect the continued liability of the withdrawing district for bonded indebtedness it incurred prior to the effective withdrawal date.

Sec. 15. Minnesota Statutes 1992, section 123.58, subdivision 2, is amended to read:

Subd. 2. [ESTABLISHMENT OF EDUCATIONAL COOPERATIVE SERVICE UNITS.] (a) In furtherance of this policy, ten educational cooperative service units are ~~designated~~ *established*. Each unit, ~~should it become operational~~, shall be termed an educational cooperative service unit, hereafter designated as an ECSU. Geographical boundaries for each ECSU shall coincide with those identified in governor's executive orders 8, dated September 1, 1971, and 59, dated May 29, 1973, issued pursuant to the regional development act of 1969, Minnesota Statutes, sections 462.381 to 462.397, with the following exceptions:

(i) (1) development regions one and two shall be combined to form a single ECSU;

(ii) (2) development regions six east and six west shall be combined to form a single ECSU;

(iii) (3) development regions seven east and seven west shall be combined to form a single ECSU.

(b) The ECSU shall cooperate with the regional development commission for the region with which its boundaries coincide but shall not be responsible to nor governed by that regional development commission.

(c) The geographic location of the central administrative office of a school district shall determine the membership of the total school district in a particular ECSU. Existing school district boundaries shall not be altered as a result of this section.

(d) Notwithstanding paragraphs (a), (b), and (c), a school district may become a full member of an ECSU other than the one in which its central administrative office is located if the district is a member of an education district or a participant in another cooperative agreement, and more than half of the member districts of the education district or participants in the cooperative agreement are members of another ECSU.

(e) Two or more identified ECSU units may, upon approval by a majority of school boards of participating school districts in each affected ECSU, be combined and administered as a single ECSU unit but state assistance shall be allocated on the basis of two or more ECSU units.

(f) The initial organization of each ECSU may occur only upon petition to the state board of education by a majority of all school districts in an ECSU. The state board of education shall, upon receipt of this petition, invite representation from all public school districts and shall encourage the participation of nonpublic school administrative units to the extent allowed by law in an ECSU at a regional meeting. The state board of education shall then

assist in the necessary organizational activities for establishment of an ECSU pursuant to the requirements of this section.

Sec. 16. Minnesota Statutes 1992, 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. *A school district may belong to one or more ECSUs.* Participation in programs and services provided by the ECSU shall be discretionary. No school district shall be compelled to participate in these services under authority of this section. ~~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. 17. Minnesota Statutes 1993 Supplement, section 123.58, subdivision 6, is amended to read:

Subd. 6. [DUTIES AND POWERS OF ECSU BOARD OF DIRECTORS.] The board of directors shall have authority to maintain and operate an ECSU. Subject to the availability of necessary resources, the powers and duties of this board shall include the following:

(a) The board of directors shall submit ~~within 90 days after the filing of the initial petition with the state board of education and~~ by June 1 of each year thereafter to the commissioner and to each participating school district an annual plan which describes the objectives and procedures to be implemented in assisting in resolution of the educational needs of the ECSU. In formulating the plan the board is encouraged to consider: (1) the number of dropouts of school age in the ECSU area and the reasons for the dropouts; (2) existing programs within participating districts for dropouts and potential dropouts; (3) existing programs of the ECSU for dropouts and potential dropouts and (4) program needs of dropouts and potential dropouts in the area served by the ECSU.

(b) The ECSU board of directors may provide adequate office, service center, and administrative facilities by lease, purchase, gift, or otherwise, subject to the review of the commissioner as to the adequacy of the facilities proposed.

(c) The ECSU board of directors may employ a central administrative staff and other personnel as necessary to provide and support the agreed upon programs and services. The board may discharge staff and personnel pursuant to provisions of law applicable to independent school districts. ECSU staff and personnel may participate in retirement programs and any other programs available to public school staff and personnel.

(d) The ECSU board of directors may appoint special advisory committees composed of superintendents, central office personnel, building principals, teachers, parents and lay persons.

(e) The ECSU board of directors may employ service area personnel pursuant to licensure standards developed by the state board and the board of teaching.

(f) The ECSU board of directors may enter into contracts with school boards of local districts including school districts outside the ECSU area.

(g) The ECSU board of directors may enter into contracts with other public and private agencies and institutions which may include, but are not limited to, contracts with Minnesota institutions of higher education to provide administrative staff and other personnel as necessary to furnish and support the agreed upon programs and services.

(h) The ECSU board of directors shall exercise all powers and carry out all duties delegated to it by participating local school districts under provisions of the ECSU bylaws. The ECSU board of directors shall be governed, when not otherwise provided, by the provisions of law applicable to independent school districts of the state.

(i) The ECSU board of directors shall submit an annual evaluation report of the effectiveness of programs and services to the school districts and nonpublic school administrative units within the ECSU and the commissioner by September 1 of each year following the school year in which the program and services were provided.

(j) The ECSU board is encouraged to establish cooperative, working relationships with post-secondary educational institutions in the state.

Sec. 18. Minnesota Statutes 1993 Supplement, section 123.58, subdivision 7, is amended to read:

Subd. 7. [APPOINTMENT OF AN ADVISORY COUNCIL.] There shall be an advisory council selected to give advice and counsel to the ECSU board of directors. This council shall be composed of superintendents, central office personnel, principals, teachers, parents, and lay persons. Nonpublic school administrative units are encouraged to participate on the council to the extent allowed by law. ~~A plan detailing procedures for selection of membership in this council shall be submitted by the ECSU board of directors to the commissioner.~~

Sec. 19. Minnesota Statutes 1993 Supplement, section 123.58, subdivision 8, is amended to read:

Subd. 8. [EDUCATIONAL PROGRAMS AND SERVICES.] ~~Pursuant to subdivision 6, and rules of the state board of education,~~ The board of directors of each operational ECSU shall submit annually a plan to the public school districts ~~and nonpublic school administrative units within the ECSU, the nonpublic school administrative units, and the commissioner.~~ The plan shall identify the programs and services which are suggested for implementation by the ECSU during the following school year and shall contain components of long range planning determined by the ECSU ~~in cooperation with the commissioner and other appropriate agencies. The commissioner may review and recommend modification of the proposed plan and conduct ongoing program reviews.~~ These programs and services may include, but are not limited to, the following areas:

- (a) Administrative services and purchasing
- (b) Curriculum development

- (c) Data processing
- (d) Educational television
- (e) Evaluation and research
- (f) In-service training
- (g) Media centers
- (h) Publication and dissemination of materials
- (i) Pupil personnel services
- (j) Regional planning, joint use of facilities, and flexible and year-round school scheduling
- (k) Secondary, post-secondary, community, adult, and adult vocational education
- (l) Individualized instruction and services, including services for students with special talents and special needs
- (m) Teacher personnel services
- (n) Vocational rehabilitation
- (o) Health, diagnostic, and child development services and centers
- (p) Leadership or direction in early childhood and family education
- (q) Community services
- (r) Shared time programs.

Sec. 20. Minnesota Statutes 1993 Supplement, section 123.58, subdivision 9, is amended to read:

Subd. 9. [FINANCIAL SUPPORT FOR THE EDUCATIONAL COOPERATIVE SERVICE UNITS.] (a) Financial support for ECSU programs and services shall be provided by participating local school districts and nonpublic school administrative units with private, state and federal financial support supplementing as available. The ECSU board of directors may, in each year, for the purpose of paying any administrative, planning, operating, or capital expenses incurred or to be incurred, assess and certify to each participating school district and nonpublic school administrative unit its proportionate share of any and all expenses. This share shall be based upon the extent of participation by each district or nonpublic school administrative unit and shall be in the form of a service fee. Each participating district and nonpublic school administrative unit shall remit its assessment to the ECSU board as provided in the ECSU bylaws. The assessments shall be paid within the maximum levy limitations of each participating district. No participating school district or nonpublic school administrative unit shall have any additional liability for the debts or obligations of the ECSU except that assessment which has been certified as its proportionate share or any other liability the school district or nonpublic school administrative unit ~~agrees to assume~~ *assumes under section 123.35, subdivision 19b.*

(b) Any property acquired by the ECSU board is public property to be used for essential public and governmental purposes which shall be exempt from all taxes and special assessments levied by a city, county, state or political

subdivision thereof. If the ECSU is dissolved, its property must be distributed to the member public school districts at the time of the dissolution.

(c) A school district or nonpublic school administrative unit may elect to withdraw from participation in the ECSU by a majority vote of its full board membership and upon compliance with the applicable withdrawal provisions of the ECSU organizational agreement. ~~Upon receipt of the withdrawal resolution reciting the necessary facts, the ECSU board shall file a certified copy with the commissioner.~~ The withdrawal shall be effective on the June 30 following receipt by the board of directors of written notification of the withdrawal ~~at least six months prior to June 30 by February 1 of the same year.~~ Notwithstanding the withdrawal, the proportionate share of any expenses already certified to the withdrawing school district or nonpublic school administrative unit for the ECSU shall be paid to the ECSU board.

(d) ~~Notwithstanding paragraph (c), if a member school district of an education district withdraws from an ECSU to comply with subdivision 4, the school district's withdrawal is effective on June 30, following receipt by the board of directors of the district's written notification.~~

(e) The ECSU is a public corporation and agency and its board of directors may make application for, accept and expend private, state and federal funds that are available for programs of educational benefit approved by the commissioner in accordance with rules adopted by the state board of education pursuant to chapter 14. The commissioner shall not distribute special state aid or federal aid directly to an ECSU in lieu of distribution to a school district within the ECSU which would otherwise qualify for and be entitled to this aid without the consent of the school board of that district.

(f) (e) The ECSU is a public corporation and agency and as such, no earnings or interests of the ECSU may inure to the benefit of an individual or private entity.

Sec. 21. Minnesota Statutes 1993 Supplement, section 124.155, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF ADJUSTMENT.] Each year 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 121.904, subdivision 4e,~~ 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 121.904, subdivision 4e.~~ 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 121.904, subdivision 4e,~~ shall not include any amount levied pursuant to sections 124.226, subdivision 9, 124.912, subdivisions 2, 3, and 5, or a successor provision only for those districts affected, 124.916, subdivisions 1 and 2, 124.918, subdivision 6, and 124A.03, subdivision 2; and Laws 1992, chapter 499, articles 1, section 20, and 6, section 36. 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. 22. Minnesota Statutes 1993 Supplement, section 124.155, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENT TO AIDS.] (a) The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (1) general education aid authorized in sections 124A.23 and 124B.20;
 - (2) secondary vocational aid authorized in section 124.573;
 - (3) special education aid authorized in section 124.32;
 - (4) secondary vocational aid for children with a disability authorized in section 124.574;
 - (5) aid for pupils of limited English proficiency authorized in section 124.273;
 - (6) transportation aid authorized in section 124.225;
 - (7) community education programs aid authorized in section 124.2713;
 - (8) adult education aid authorized in section 124.26;
 - (9) early childhood family education aid authorized in section 124.2711;
 - (10) capital expenditure aid authorized in sections 124.243, 124.244, and 124.83;
 - (11) ~~secondary vocational cooperative aid according to section 124.575~~
school district cooperation aid authorized in section 124.2727;
 - (12) assurance of mastery aid according to section 124.311;
 - (13) individual learning and development aid according to section 124.331;
 - (14) homestead credit under section 273.13 for taxes payable in 1989 and additional transition credit under section 273.1398, subdivision 5, for taxes payable in 1990 and thereafter;
 - (15) agricultural credit under section 273.132 for taxes payable in 1989 and additional transition credit under section 273.1398, subdivision 5, for taxes payable in 1990 and thereafter;
 - (16) homestead and agricultural credit aid and disparity reduction aid authorized in section 273.1398, subdivision 2;
 - (17) attached machinery aid authorized in section 273.138, subdivision 3; and
 - (18) alternative delivery aid authorized in section 124.322.
- (b) 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. 23. [124.193] [PROHIBITED AID AND LEVIES.]

Unless specifically permitted in the provision authorizing an aid or a levy, cooperative units of government defined in section 123.35, subdivision 19b, paragraph (c), are prohibited from making a property tax levy or qualifying for or receiving any form of state aid.

Sec. 24. [124.2726] [CONSOLIDATION TRANSITION REVENUE.]

Subdivision 1. [ELIGIBILITY AND USE.] A school district that has been reorganized under section 122.23 and has not received revenue under section 124.2725 is eligible for consolidation transition revenue. Revenue is equal to the sum of aid under subdivision 2 and levy under subdivision 3. Consolidation transition revenue may only be used according to this section. Revenue must initially be used for the payment of district costs for the early retirement incentives granted by the district under section 122.23, subdivision 20. Any revenue under subdivision 2 remaining after the payment of district costs for the early retirement incentives must be used to reduce operating debt as defined in section 121.915. Any additional aid remaining after the reduction of operating debt must be deposited in the district's general fund.

Subd. 2. [AID.] Consolidation transition aid is equal to \$200 times the number of actual pupil units in the newly created district in the year of consolidation and \$100 times the number of actual pupil units in the first year following the year of consolidation. The number of pupil units used to calculate aid in either year shall not exceed 1,000.

Subd. 3. [LEVY.] If the aid available in subdivision 2 is insufficient to cover the costs of the district under section 122.23, subdivision 20, the district may levy the difference over a period of time not to exceed three years.

Subd. 4. [NEW DISTRICTS.] If a district consolidates with another district that has received consolidation transition aid within six years of the effective date of the new consolidation, only the pupil units in the district not previously reorganized shall be counted for aid purposes under subdivision 2. If two districts consolidate and both districts received aid under subdivision 2 within six years of the effective date of the new consolidation, only one quarter of the pupil units in the newly created district shall be used to determine aid under subdivision 2.

Sec. 25. Minnesota Statutes 1993 Supplement, section 124.2727, subdivision 6a, is amended to read:

Subd. 6a. [DISTRICT COOPERATION REVENUE.] A district's cooperation revenue is equal to the greater of \$50 times the actual pupil units or \$25,000 plus the additional revenue determined under subdivision 8.

Sec. 26. Minnesota Statutes 1993 Supplement, section 124.2727, subdivision 6d, is amended to read:

Subd. 6d. [REVENUE USES.] (a) A district must place its district cooperation revenue in a reserved account and may only use the revenue to purchase goods and services from entities formed for cooperative purposes or to otherwise provide educational services in a cooperative manner.

(b) A district that is a member of an intermediate school district organized pursuant to chapter 136D ~~may not access revenue under this section on July 1, 1994, must place its district cooperation revenue in a reserved account and must allocate a portion of the reserved revenue for instructional services from entities formed for cooperative services for special education programs and secondary vocational programs. The allocated amount is equal to the levy made according to section 124.2727, subdivision 6, for taxes payable in 1994 divided by the actual pupil units in the intermediate school district for fiscal year 1995 times the number of actual pupil units in the school district in 1995. The district must use 5/11 of the revenue for special education and 6/11 of the~~

revenue for secondary vocational education. The district must demonstrate that the revenue is being used to provide the full range of special education and secondary vocational programs and services available to each child served by the intermediate. The secondary vocational programs and service must meet the requirements established in an articulation agreement developed between the state board of education and the higher education board.

Sec. 27. Minnesota Statutes 1993 Supplement, section 124.2727, subdivision 8, is amended to read:

Subd. 8. [ADDITIONAL LEVY AUTHORITY REVENUE.] A district other than a member of an intermediate school district under chapter 136D, may levy for taxes payable in 1995, \$5 times the number of actual pupil units, for taxes payable in 1996, \$9 times the number of actual pupil units, for taxes payable in 1997, \$13 times the number of actual pupil units and for taxes payable in 1998 and thereafter, is eligible for additional cooperative revenue equal to \$17 times the number of actual pupil units in the district for the year for which the levy is attributable.

The levy revenue under this subdivision must be used according to subdivision 6d except that for districts that were not members of an intermediate school district organized under chapter 136D on July 1, 1995, at least 55 percent must be spent on secondary vocational programs.

Sec. 28. [124.2728] [SPECIAL CONSOLIDATION AID.]

Subdivision 1. [ELIGIBILITY.] A school district that reorganizes under section 122.23 or sections 122.241 to 122.248 effective on or after July 1, 1994, is eligible for special consolidation aid under this section. A district may receive aid under this section for only three years.

Subd. 2. [AID CALCULATION.] Special consolidation aid for a reorganized school district is calculated by computing the sum of:

(1) the difference between the total amount of early childhood family education revenue under section 124.2711 available to the districts involved in the reorganization in the fiscal year prior to the effective date of reorganization and the maximum amount of early childhood family education revenue available to the reorganized district in the current year; and

(2) the difference between the total amount of community education revenue under section 124.2713 available to the districts involved in the reorganization in the fiscal year prior to the reorganization and the maximum amount of community education revenue available to the reorganized district in the current year.

Subd. 3. [AID AMOUNT.] In the fiscal year that the reorganization is effective, special combination aid is equal to the aid calculated under subdivision 2 times 100 percent. In the fiscal year following the effective date of reorganization, special combination aid is equal to the aid calculated under subdivision 2 times 67 percent. In the second fiscal year following the effective date of reorganization, special combination aid is equal to the aid calculated under subdivision 2 times 33 percent.

Sec. 29. Minnesota Statutes 1993 Supplement, section 124.83, subdivision 1, is amended to read:

Subdivision 1. [HEALTH AND SAFETY PROGRAM.] To receive health and safety revenue for any fiscal year a district, including an intermediate

~~district,~~ must submit to the commissioner of education an application for aid and levy by the date determined by the commissioner. The application may be for hazardous substance removal, fire and life safety code repairs, labor and industry regulated facility and equipment violations, and health, safety, and environmental management. The application must include a health and safety program adopted by the school district board. The program must include the estimated cost, per building, of the program by fiscal year.

Sec. 30. Minnesota Statutes 1993 Supplement, section 124.91, subdivision 5, is amended to read:

Subd. 5. [INTERACTIVE TELEVISION.] (a) A school district with its central administrative office located within economic development region one, two, three, four, five, six, seven, eight, nine, and ten may apply to the commissioner of education for ITV revenue up to the greater of .5 percent of the adjusted net tax capacity of the district or \$25,000 for the construction, maintenance, and lease costs of an interactive television system for instructional purposes. *The revenue in the first year for a district that has reorganized under sections 122.22, 122.23, or 122.241 to 122.247, shall be computed as if the member districts were separate.* The approval by the commissioner of education and the application procedures set forth in subdivision 1 shall apply to the revenue in this subdivision. In granting the approval, the commissioner must consider whether the district is maximizing efficiency through peak use and off-peak use pricing structures.

(b) To obtain ITV revenue, a district may levy an amount not to exceed the district's ITV revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the actual pupil units in the district for the year ~~prior to the year to which the levy is certified~~ attributable; to

(2) 100 percent of the equalizing factor as defined in section 124A.02, subdivision 8, for the year to which the levy is attributable.

(c) A district's ITV aid is the difference between its ITV revenue and the ITV levy.

Sec. 31. Minnesota Statutes 1993 Supplement, section 124C.60, is amended to read:

124C.60 [CAPITAL FACILITIES AND ~~EQUIPMENT~~ GRANTS FOR COOPERATION AND COMBINATION.]

Subdivision 1. [ELIGIBILITY.] Two or more districts that have a ~~cooperation and combination plan approved by the state board of education consolidated under section 122.23 or combined under section 122.242~~ sections 122.241 to 122.248, ~~may apply~~ are eligible for a capital facilities grant of up to \$100,000 under this section. ~~The grant must be awarded after the districts combine according to sections 122.241 to 122.248. To qualify the following criteria must be met:~~

(1) *the proposed facility changes are part of the plan according to section 122.242, subdivision 10, or the plan adopted by the reorganized district according to section 124.243, subdivision 1;*

(2) *the changes proposed to a facility must be needed to accommodate changes in the educational program due to the reorganization;*

(3) the utilization of the facility for educational programs is at least 85 percent of capacity; and

(4) the grant will be used only to remodel or improve existing facilities.

Subd. 2. [PROCEDURES.] The state board shall establish procedures and deadlines for the grant application. The state board shall review each application and may require modifications consistent with sections 122.241 to 122.248.

Subd. 3. [USE OF GRANT MONEY.] The grant money may be used for any capital expenditures specified in section 124.243 ~~or 122.124~~, subdivision 6, clauses (4), (6), (7), (8), (9), and (10).

Sec. 32. Minnesota Statutes 1992, section 136D.281, is amended by adding a subdivision to read:

Subd. 8. [EXPIRATION.] *The intermediate school board may not issue bonds under this section after July 1, 1994.*

Sec. 33. Minnesota Statutes 1992, section 136D.741, is amended by adding a subdivision to read:

Subd. 8. [EXPIRATION.] *The intermediate school board may not issue bonds under this section after July 1, 1994.*

Sec. 34. Minnesota Statutes 1992, section 136D.88, is amended by adding a subdivision to read:

Subd. 8. [EXPIRATION.] *The intermediate school board may not issue bonds under this section after July 1, 1994.*

Sec. 35. [DISTRICT COOPERATION HOLD HARMLESS AID.]

For fiscal year 1995, the cooperation hold harmless aid for a district that was a member of intermediate school district No. 287 is equal to the cooperation formula allowance times the fiscal year 1994 pupil units less the district cooperation revenue for fiscal year 1995.

The cooperation formula allowance is equal to the sum of the amounts in clauses (1) to (3):

(1) *the average per pupil allocation of the regional reporting subsidy grant under Minnesota Statutes 1992, section 121.935, subdivision 5, received in fiscal year 1994 by the regional management information center to which the district belonged in fiscal year 1994;*

(2) *the average per pupil allocation of state aid according to Laws 1993, chapter 224, article 6, section 30, subdivision 3, received by the ECSU in which the district was a full member in fiscal year 1994; and*

(3) *the average per pupil allocation of the intermediate district levy certified in 1992 for taxes payable in 1993 under Minnesota Statutes, section 124.2727, subdivision 6, by the intermediate district to which the district belonged in fiscal year 1994.*

Sec. 36. [FIRST YEAR OF COOPERATION SPECIFIED.]

For the purpose of receiving additional cooperation and combination aid under Minnesota Statutes, section 124.2725, subdivision 6, the first year of

cooperation for independent school district No. 427, Winsted, and independent school district No. 880, Howard Lake Waverly, is fiscal year 1995.

Sec. 37. [UNDERLEVY AND RECOGNITION.]

Notwithstanding Minnesota Statutes, section 124.2727, subdivision 6c, for district cooperation revenue for fiscal year 1995; a district's aid shall not be reduced if it does not levy the full amount permitted. Notwithstanding section 124.918, subdivision 6, the full amount of school district cooperation levy attributable to fiscal year 1995 shall be recognized in fiscal year 1995.

Sec. 38. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums in this section are appropriated from the general fund to the department of education for the fiscal year designated.

Subd. 2. [CAPITAL FACILITIES GRANTS.] For grants under Minnesota Statutes, section 124C.60:

\$500,000 1995

Subd. 3. [ITV GRANT.] For a grant to independent school district No. 95, Cromwell:

\$125,000 1995

The grant must be used to construct an interactive television transmission line. This appropriation is only available to the extent it is matched by the district with local and nonlocal sources. The district may levy up to \$50,000 to provide its share of local sources.

Subd. 4. [CONSOLIDATION TRANSITION AID.] For consolidation transition aid:

\$430,000 1995

Subd. 5. [COOPERATION AND COMBINATION AID.] For cooperation and combination aid:

\$100,000 1995

Subd. 6. [SPECIAL CONSOLIDATION AID.] For special consolidation aid under section 124.2728:

\$70,000 1995

Subd. 7. [DISTRICT COOPERATION REVENUE.] For district cooperation revenue:

\$4,330,000 1995

\$60,000 of this appropriation is for district cooperation hold harmless aid under section 35.

Sec. 39. [REPEALER.]

Minnesota Statutes 1992, sections 121.904, subdivision 4e; 121.935, subdivision 7; 122.23, subdivision 13a; 122.91, subdivisions 5 and 7; 122.93, subdivision 7; 122.937; 122.94, subdivisions 2, 3, and 6; 122.945; 136D.22, subdivision 3; 136D.27; 136D.71, subdivision 2; 136D.73, subdivision 3; 136D.74, subdivisions 2a, 2b, and 4; 136D.82, subdivision 3; and 136D.87;

Minnesota Statutes 1993 Supplement, sections 121.935, subdivision 5; and 124.2727, subdivisions 6, 7, and 8; Laws 1992, chapter 499, article 6, section 39, subdivision 3, are repealed.

Sec. 40. [EFFECTIVE DATE.]

Sections 25, 26, and 27 are effective for fiscal year 1995.

ARTICLE 7

COMMITMENT TO EXCELLENCE

Section 1. Minnesota Statutes 1993 Supplement, section 124A.29, subdivision 1, is amended to read:

Subdivision 1. [STAFF DEVELOPMENT, AND PARENTAL INVOLVEMENT REVENUE.] (a) Of a district's basic revenue under section 124A.22, subdivision 2, an amount equal to one percent in fiscal year 1994, ~~two three~~ percent in fiscal year 1995, and thereafter times the formula allowance times the number of actual pupil units shall be reserved and may be used only ~~to provide staff time~~ for in-service education for programs under section 126.77, subdivision 2, ~~challenging instructional activities and experiences or for staff development programs, for the purpose of improving student achievement of education outcomes plans, including plans for challenging instructional activities and experiences,~~ under section 126.70; ~~subdivisions 4 and 2a.~~ *Districts may expend an additional amount of basic revenue for staff development based on their needs.* The school board shall initially allocate 50 percent of the revenue to each school site in the district on a per teacher basis. The board may retain 25 percent to be used for district wide staff development efforts. The remaining 25 percent of the revenue shall be used to make grants to school sites that demonstrate exemplary use of allocated staff development revenue. A grant may be used for any purpose *authorized under section 126.70 or 126.77, subdivision 2,* determined by the site decision-making team. The site decision-making team must demonstrate to the school board the extent to which staff at the site have met the outcomes of the program. The board may withhold a portion of initial allocation of revenue if the staff development outcomes are not being met.

(b) Of a district's basic revenue under section 124A.22, subdivision 2, an amount equal to \$5 times the number of actual pupil units must be reserved and may be used only to provide parental involvement programs that implement section 126.69. Parental involvement programs may include career teacher programs, programs promoting parental involvement in the PER process, coordination of volunteer services, *participation in developing, implementing, or evaluating school desegregation/integration plans,* and programs designed to encourage community involvement.

Sec. 2. Minnesota Statutes 1993 Supplement, section 124A.292, subdivision 3, is amended to read:

Subd. 3. [STAFF DEVELOPMENT LEVY.] A district's levy equals its revenue times the lesser of one or the ratio of:

(1) *the quotient derived by dividing the district's adjusted net tax capacity per actual pupil unit for the year before the year the levy is certified by the district's actual pupil units for the school year to which the levy is attributable,* to

(2) the equalizing factor for the school year to which the levy is attributable.

Sec. 3. Minnesota Statutes 1993 Supplement, section 126.239, subdivision 3, is amended to read:

Subd. 3. [SUBSIDY FOR EXAMINATION FEES.] The state may pay all or part of the fee for advanced placement or international baccalaureate examinations for pupils in public and nonpublic schools ~~whose circumstances make state payment advisable~~. The commissioner shall adopt a schedule for fee subsidies that may allow payment of the entire fee for low-income families, as defined by the commissioner. The commissioner may also determine the circumstances under which the fee is subsidized, in whole or in part. The commissioner shall determine procedures for state payments of fees.

Sec. 4. Minnesota Statutes 1993 Supplement, section 126.70, subdivision 1, is amended to read:

Subdivision 1. [STAFF DEVELOPMENT COMMITTEE.] A school board shall use the revenue authorized in section 124A.29 for in-service education for programs under section 126.77, subdivision 2, or for staff development ~~plan plans~~ under this ~~subdivision~~ section. The board must establish a staff development committee to develop the plan, advise a site decision-making team about the plan, and evaluate staff development efforts at the site level. A majority of the advisory committee must be teachers representing various grade levels ~~and~~, subject areas, ~~and special education~~. The advisory committee must also include *noncertified staff*, parents, and administrators. Districts shall report staff development results to the commissioner in the form and manner determined by the commissioner.

Sec. 5. Minnesota Statutes 1993 Supplement, section 126.70, subdivision 2a, is amended to read:

Subd. 2a. [STAFF DEVELOPMENT OUTCOMES.] ~~(a)~~ The staff development committee shall adopt a staff development plan for ~~the improvement of improving~~ student achievement of education outcomes. The plan must be consistent with education outcomes ~~determined by the school board that the school board determines~~. The plan shall ~~include the following reflect activities that enhance staff skills for achieving outcomes such as:~~

(1) foster readiness for learning *by creating a school environment that supports the intellectual, emotional, physical, cultural, and nutritional needs of all pupils;*

(2) facilitate organizational changes by enabling a site-based team composed of pupils, parents, school personnel, *representatives of children with disabilities, and community members who reflect the racial composition of the school to address pupils' needs;*

(3) ~~develop programs to increase pupils' educational progress by develop-~~ing using appropriate outcomes and personal learning goals and by encouraging pupils and their parents to assume responsibility for their education;

(4) ~~design and develop programs containing various address pupils' individual needs through utilizing alternative instructional opportunities that recognize pupils' individual needs and utilize, accommodations, modifications, and family and community resources;~~

(5) evaluate the effectiveness of education policies, processes, and products through appropriate evaluation procedures that include multiple criteria and indicators;

(6) provide ~~staff time or~~ effective mentorship oversight ~~for and~~ peer review of probationary, continuing contract, and nonprobationary teachers;

(7) ~~train~~ assist elementary and secondary ~~staff to help~~ students ~~learn in~~ learning to resolve conflicts in effective, nonviolent ways;

(8) ~~encourage staff to effectively~~ teach and model violence prevention policy and curricula that address issues of sexual and racial harassment; ~~and~~

(9) ~~teach elementary and secondary staff to~~ effectively meet the needs of children with disabilities within the regular classroom ~~setting and other~~ settings;

(10) design and implement effective educational programs through improved staff collaboration, teaming, consulting, and conflict resolution;

(11) increase knowledge and awareness of school-age child care programs;

(12) provide challenging instructional activities and experiences, including advanced placement and international baccalaureate programs, that recognize and cultivate students' advanced abilities and talents;

(13) improve the knowledge and awareness of school leadership personnel of state and federal statutes, rules, and regulations governing special education, including laws governing information sharing, and the special instructional needs of students with disabilities; and

(14) provide equal educational opportunities for all students that are consistent with the school desegregation/integration policies adopted by school districts and approved by the state.

(b) If a school board approves a plan to accomplish any of the purposes listed in paragraph (a), it must also provide challenging instructional activities and experiences that recognize and cultivate students' advanced abilities and talents.

Sec. 6. Laws 1993, chapter 224, article 7, section 28, subdivision 3, is amended to read:

Subd. 3. [ADVANCED PLACEMENT AND INTERNATIONAL BACCALAUREATE PROGRAMS.] For the state advanced placement (AP) and international baccalaureate (IB) programs, including training programs, support programs, and examination fee subsidies:

\$300,000 1994

~~\$300,000~~ \$600,000 1995

Of the fiscal year 1995 sum, \$450,000 is for examination fee subsidies. Notwithstanding Minnesota Statutes, section 126.239, subdivision 3, in fiscal year 1995, the commissioner of education shall pay the fee for one AP or IB examination for each student taking at least one examination.

Sec. 7. Laws 1993, chapter 224, article 7, section 28, subdivision 4, is amended to read:

Subd. 4. [NSF MATH-SCIENCE. SYSTEMIC INITIATIVE.] To meet requirements for a proposal to the National Science Foundation for a systemic initiative in mathematics and science:

\$1,500,000 1994

\$1,500,000 1995

This appropriation is not contingent upon receiving funding from the National Science Foundation. *Any balance remaining in the first year does not cancel but is available in the second year.*

Sec. 8. Laws 1993, chapter 224, article 7, section 28, subdivision 11, is amended to read:

Subd. 11. [SCHOOL RESTRUCTURING GRANTS.] For school restructuring grants under section 22:

\$500,000 \$750,000 1995

~~This appropriation does not cancel.~~

Up to \$100,000 of this amount may be used for a grant to a nonstate organization to develop systemic site decision making models for expenses incurred in fiscal year 1994 and an additional \$250,000 of this amount may be used for a grant for this purpose in fiscal year 1995.

Sec. 9. [TIME AND TECHNOLOGY ENHANCED CURRICULUM SCHOOL PILOT PROJECT.]

Subdivision 1. [ESTABLISHMENT.] *A three-year pilot project is established to allow independent school district No. 94, Cloquet, to develop a Time and Technology Enhanced Curriculum school. The purpose of the project is to improve student achievement through individualized instruction and year-round education. For purposes of Minnesota Statutes, section 126.12, subdivision 1, the pilot program established in this subdivision is a flexible learning year program under Minnesota Statutes, sections 120.59 to 120.67.*

Subd. 2. [REPORT.] *Independent school district No. 94, Cloquet, shall report on the pilot project to the education committees of the legislature annually by February 1, beginning February 1, 1995, and ending February 1, 1997.*

Sec. 10. [INSTRUCTIONAL TRANSFORMATION THROUGH TECHNOLOGY GRANTS.]

Subdivision 1. [ESTABLISHMENT; PURPOSE.] *A grant program is established to help school districts work together and with higher education institutions, businesses, local government units, and community organizations in order to facilitate individualized learning and manage information by employing technological advances, especially computers and related products. Recipients shall use grant proceeds to:*

(1) develop personalized learning plans designed to give learners more responsibility for their learning success and change the role of teacher to learning facilitator;

(2) match and allocate resources;

(3) create a curriculum environment that is multiplatform;

(4) provide user and contributor access to electronic libraries;

(5) schedule activities;

(6) automate progress reports;

(7) increase collaboration between school districts and sites, and with businesses, higher education institutions, and local government units;

- (8) correlate state-defined outcomes to curriculum units for each student;
- (9) increase accountability through a reporting system; and
- (10) provide technical support, project evaluation, dissemination services, and replication.

Subd. 2. [ELIGIBILITY; APPLICATION.] A grant applicant must be a school district or a group of school districts that demonstrates collaboration with businesses and higher education institutions. Community organizations and local government units may also be involved. The commissioner of education shall prescribe the form and manner of applications. The commissioner shall form an advisory panel consisting of representatives of teachers, school administrators, school boards, parents, students, higher education, and business to assist in the grant selection process. The commissioner, in consultation with the advisory panel, may award up to ... grants to applicants likely to meet the outcomes in subdivision 1.

Subd. 3. [REPORTING.] A grant recipient shall report to the commissioner annually at a time specified by the commissioner on the extent to which it is meeting the outcomes specified in subdivision 1.

Sec. 11. [EDUCATIONAL PERFORMANCE IMPROVEMENT GRANT PILOT PROGRAM.]

Subdivision 1. [ESTABLISHMENT.] An educational performance improvement grant pilot program is established to provide incentives to school districts to improve student achievement and increase accountability for results. The state board of education may enter into contracts with school districts to award the grants.

Subd. 2. [ELIGIBILITY; APPLICATION.] A school district is eligible to apply for an educational performance improvement grant. The application shall be on a form approved by the commissioner of education. The commissioner shall make recommendations to the state board of education on which districts should be considered for a grant contract. The commissioner shall give priority to school districts:

(1) in which at least one school has received a school improvement incentive grant under Minnesota Statutes 1993 Supplement, section 121.602, subdivision 5; and

(2) that demonstrate a commitment to increasing accountability by using a results-oriented system for measuring student achievement.

Subd. 3. [CONTRACT.] The state board of education may enter into a one-year contract with a school district for the purpose of awarding an educational performance improvement grant. The state board shall award a grant only for measurable gains in student achievement. The terms of the contract shall at minimum address:

(1) the criteria and assessments to be used in measuring student achievement;

(2) the district's baseline level of student achievement;

(3) the level of student achievement to be reached under the contract;

(4) a timeline for determining whether the contract goals have been met; and

(5) at the discretion of the state board, provisions governing the award of a partial grant to the district if the contract goals are not fully met.

Subd. 4. [REPORT.] The state board of education shall make a preliminary report on the pilot project to the education committees of the legislature by February 15, 1995, and a final report by January 15, 1996.

Sec. 12. [APPROPRIATION.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the department of education in the fiscal year designated.

Subd. 2. [TIME AND TECHNOLOGY ENHANCED CURRICULUM.] For a grant to independent school district No. 94, Cloquet, for the time and technology enhanced curriculum pilot project:

\$83,000 1995

Subd. 3. [TECHNOLOGY GRANTS.] For instructional transformation through technology grants:

\$2,000,000 1995

The amount appropriated under this section does not cancel but is available until June 30, 1996.

Subd. 4. [EDUCATIONAL PERFORMANCE IMPROVEMENT GRANTS.] For an educational performance improvement grant pilot project under section 11:

\$1,000,000 1995

The state board of education shall enter into contracts to award at least three grants, one each to an urban, suburban, and rural school district. This appropriation is available until June 30, 1996, unless the commissioner has entered into a contract and has certified to the commissioner of finance the amount needed to make payments on the contract. Any remaining appropriation shall cancel June 30, 1996.

Subd. 5. [COALITION FOR EDUCATION REFORM AND ACCOUNTABILITY.] For support for the activities of the coalition for education reform and accountability as established in Laws 1993, chapter 224, article 1, section 35:

\$50,000 1995

ARTICLE 8

OTHER EDUCATION PROGRAMS

Section 1. Minnesota Statutes 1992, section 120.062, is amended by adding a subdivision to read:

Subd. 4a. [PART-TIME ENROLLMENT.] A pupil may enroll part time in a nonresident district for a program offered according to section 126.43. Notwithstanding subdivisions 4 and 6, a pupil may apply at any time for enrollment and is not required to explore the reasons with a school guidance counselor or other appropriate staff. The limitations of subdivision 5 do not apply except that the applications timelines in subdivision 5, paragraphs (d),

(e), (g), and (h), shall be used. Subdivision 9 shall not apply to pupils who enroll under this subdivision.

Sec. 2. Minnesota Statutes 1992, section 120.062, subdivision 12, is amended to read:

Subd. 12. [GENERAL EDUCATION AID.] Adjustments to general education aid, capital expenditure facilities aid, and equipment aid for the resident and nonresident districts shall be made according to sections 124A.036, subdivision 5, and 124.245, subdivision 6, respectively. *Adjustments shall not be made for pupils enrolling according to subdivision 4a.*

Sec. 3. Minnesota Statutes 1993 Supplement, section 121.11, subdivision 7d, is amended to read:

Subd. 7d. [~~DESEGREGATION~~ DESEGREGATION/INTEGRATION, INCLUSIVE EDUCATION, AND LICENSURE RULES.] (a) The state board may make rules relating to ~~desegregation~~ *desegregation/integration*, inclusive education, and licensure of school personnel not licensed by the board of teaching.

(b) *In making a rule related to school desegregation/integration, the state board shall direct school districts to provide equal educational opportunities for all students. Any interdistrict transfers under the rule must advance the requirements of this paragraph.*

Sec. 4. [121.1601] [OFFICE OF DESEGREGATION/INTEGRATION.]

There shall be established in the department of education an office of desegregation/integration to coordinate activities related to the issues of student enrollment, recruitment, transportation, and interdistrict cooperation among metropolitan school districts. In addition, the office shall periodically consult with the metropolitan council to examine desegregation/integration efforts and the educational, housing, infrastructure, social, and economic needs of the metropolitan area.

Sec. 5. Minnesota Statutes 1992, section 123.3514, subdivision 3, is amended to read:

Subd. 3. [DEFINITIONS.] For purposes of this section, an "eligible institution" means a Minnesota public post-secondary institution, a private, nonprofit two-year trade and technical school granting associate degrees, *an opportunities industrialization center accredited by the north central association of colleges and schools*, or a private, residential, two-year or four-year, liberal arts, degree-granting college or university located in Minnesota. "Course" means a course or program. *For the purposes of this section, a liberal arts college or university is one that offers courses in the liberal arts.*

Sec. 6. Minnesota Statutes 1992, section 123.3514, subdivision 4, is amended to read:

Subd. 4. [AUTHORIZATION; NOTIFICATION.] Notwithstanding any other law to the contrary, an 11th or 12th grade pupil, ~~except a foreign exchange pupil enrolled in a district under a cultural exchange program~~, *including an 11th or 12th grade pupil enrolled in an American Indian-controlled tribal contract or grant school eligible for aid under section 124.86*, may apply to an eligible institution, as defined in subdivision 3, to enroll in nonsectarian courses offered by that post-secondary institution. If an institution accepts a secondary pupil for enrollment under this section, the

institution shall send written notice to the pupil, the pupil's school district, and the commissioner of education within ten days of acceptance. The notice shall indicate the course and hours of enrollment of that pupil. If the pupil enrolls in a course for post-secondary credit, the institution shall notify the pupil about payment in the customary manner used by the institution. *A foreign exchange student enrolled in a district under a cultural exchange program may not apply to an eligible institution, as defined in subdivision 3, to enroll in nonsectarian courses offered by that post-secondary institution.*

Sec. 7. Minnesota Statutes 1992, section 124.17, subdivision 1d, is amended to read:

Subd. 1d. [AFDC PUPIL UNITS.] AFDC pupil units for fiscal year 1993 and thereafter must be computed according to this subdivision.

(a) The AFDC concentration percentage for a district equals the product of 100 times the ratio of:

(1) the number of pupils enrolled in the district from families receiving aid to families with dependent children according to subdivision 1e; to

(2) the number of pupils in average daily membership according to subdivision 1e enrolled in the district.

(b) The AFDC pupil weighting factor for a district equals the lesser of one or the quotient obtained by dividing the district's AFDC concentration percentage by:

(1) 11.5 for fiscal years 1994 and 1995;

(2) 13 for fiscal year 1996;

(3) 14 for fiscal year 1997; and

(4) 15 for fiscal year 1998 and each year thereafter.

(c) The AFDC pupil units for a district for fiscal year 1993 and thereafter equals the product of:

(1) the number of pupils enrolled in the district from families receiving aid to families with dependent children according to subdivision 1e; times

(2) the AFDC pupil weighting factor for the district; times

(3) .65 for fiscal years 1994 and 1995, .8 for fiscal year 1996, .9 for fiscal year 1997, and 1.0 for fiscal year 1998 and each year thereafter.

Sec. 8. Minnesota Statutes 1992, section 124.214, subdivision 2, is amended to read:

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

124.912, subdivision 9. The amount of the abatement adjustment shall be the product of:

- (1) the net revenue loss as certified by the county auditor, times
- (2) the ratio of:
 - (a) the sum of the amounts of the district's certified levy in the preceding year according to the following:
 - (i) section 124A.23 if the district receives general education aid according to that section, or section 124B.20, if the education district of which the district is a member receives general education aid according to that section;
 - (ii) section 124.226, subdivisions 1 and 4, if the district receives transportation aid according to section 124.225;
 - (iii) section 124.243, if the district receives capital expenditure facilities aid according to that section;
 - (iv) section 124.244, if the district receives capital expenditure equipment aid according to that section;
 - (v) section 124.83, if the district receives health and safety aid according to that section;
 - (vi) sections 124.2713, 124.2714, and 124.2715, if the district receives aid for community education programs according to any of those sections;
 - (vii) section 275.125, subdivision 8b, if the district receives early childhood family education aid according to section 124.2711;
 - (viii) section 124.321, subdivision 3, if the district receives special education levy equalization aid according to that section;
 - (ix) section 124A.03, subdivision 1g, if the district receives referendum equalization aid according to that section; and
 - (x) section 124A.22, subdivision 4a, if the district receives training and experience aid according to that section;
 - (b) to the total amount of the district's certified levy in the preceding October, plus or minus auditor's adjustments.

Sec. 9. Minnesota Statutes 1992, section 124.223, subdivision 1, is amended to read:

Subdivision 1. [TO AND FROM SCHOOL; BETWEEN SCHOOLS.] (a) State transportation aid is authorized for 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 resident pupils to and from programs under section 126.43*; transportation of 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. State transportation aid is not authorized for late transportation home from school for pupils involved in after school activities. State transportation aid is not authorized for summer program transportation except as provided in subdivision 8.

(b) For the purposes of this subdivision, a district may designate a licensed day care facility, 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) State transportation aid is authorized for 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 last year is more than 12 percent.

(d) A pupil withdrawal rate is determined by dividing:

(1) 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

(2) the number of pupils enrolled in the school.

(e) The district may establish eligibility requirements for individual pupils to receive transportation in the mobility zone.

Sec. 10. Minnesota Statutes 1992, section 124.223, is amended by adding a subdivision to read:

Subd. 2a. [PART-TIME OPEN ENROLLMENT.] State transportation aid is authorized for transportation to and from another district, or within a district, for a pupil in programs under section 126.43. The pupils may attend a school in another district and shall receive transportation to and from school at the expense of the district of the pupil's residence.

Sec. 11. Minnesota Statutes 1992, section 124.912, subdivision 6, is amended to read:

Subd. 6. [CRIME RELATED COSTS.] For taxes levied in 1991 and subsequent years, payable in 1992 and subsequent years, each school district may make a levy on all taxable property located within the school district for the purposes specified in this subdivision. The maximum amount which may be levied for all costs under this subdivision shall be equal to \$1 \$3 multiplied by the population of the school district. For purposes of this subdivision, "population" of the school district means the same as contained in section 275.14. The proceeds of the levy must be used for reimbursing the cities and counties who contract with the school district for the following purposes: (1) to pay the costs incurred for the salaries, benefits, and transportation costs of

peace officers and sheriffs for liaison services in the district's middle and secondary schools and (2) to pay the costs for a drug abuse prevention program as defined in Minnesota Statutes 1991 Supplement, section 609.101, subdivision 3, paragraph (f) in the elementary schools. The school district must initially attempt to contract for these services with the police department of each city or the sheriff's department of the county within the school district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries. The levy authorized under this subdivision is not included in determining the school district's levy limitations.

Sec. 12. Minnesota Statutes 1992, section 124.912, is amended by adding a subdivision to read:

Subd. 9. [ABATEMENT LEVY.] Each year, a school district may levy an amount to replace the net revenue lost to abatements that have occurred under chapter 278, section 270.07, 375.192, or otherwise. The maximum abatement levy is the sum of:

(1) the amount of the net revenue loss determined under section 124.214, subdivision 2, that is not paid in state aid including any prorated aid amounts;

(2) the difference of (i) the amount of any abatements that have been reported by the county auditor for the first six months of the calendar year during which the abatement levy is certified that the district chooses to levy, (ii) less any amount actually levied under this clause that was certified in the previous calendar year for the first six months of the previous calendar year; and

(3) an amount equal to any interest paid on abatement refunds. A district may spread this levy over a period not to exceed three years.

By July 15, the county auditor shall separately report the abatements that have occurred during the first six calendar months of that year to the commissioner of education and each school district located within the county.

Sec. 13. Minnesota Statutes 1992, section 124.914, subdivision 1, is amended to read:

Subdivision 1. [1977 STATUTORY OPERATING DEBT.] (1) In each year 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 30 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 be an amount which is equal to the amount raised by a levy of a net tax rate of 1.66 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 a net tax rate of 1.66 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. 14. Minnesota Statutes 1993 Supplement, section 124.914, subdivision 4, is amended to read:

Subd. 4. [1992 OPERATING DEBT.] (a) ~~Each year~~ *For taxes payable for calendar year 2003 and earlier*, a district that has filed a plan pursuant to section 121.917, subdivision 4, may levy, with the approval of the commissioner, to eliminate a deficit in the net unappropriated balance in the operating funds of the district, determined as of June 30, 1992, and certified and adjusted by the commissioner. Each year this levy may be an amount not to exceed the lesser of:

(1) an amount raised by a levy of a net tax rate of one percent times the adjusted net tax capacity; or

(2) \$100,000.

This amount shall be reduced by referendum revenue authorized under section 124A.03 pursuant to the plan filed under section 121.917. 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 operating funds of the district as of June 30, 1992. When the cumulative levies made pursuant to this subdivision equal the total amount permitted by this subdivision, the levy shall be discontinued.

(b) A district, if eligible, may levy under this subdivision or subdivision 2 or 3, or under section 122.531, subdivision 4a, or Laws 1992, chapter 499, article 7, sections 16 or 17, but not under more than one.

(c) 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.

(d) 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. 15. Minnesota Statutes 1993 Supplement, section 124A.225, subdivision 4, is amended to read:

Subd. 4. [REVENUE USE.] (a) *Revenue must be used according to either paragraph (b) or (c).*

(b) Revenue shall be used to reduce and maintain the district's instructor to learner ratios in kindergarten through grade 6 to a level of 1 to 17 on average. The district must prioritize the use of the revenue to attain this level initially in kindergarten and grade 1 and then through the subsequent grades as revenue is available.

(c) *Notwithstanding paragraph (b), a district with exceptional need as defined in subdivision 6, may use the revenue to reduce and maintain the district's instructor-to-learner ratios in kindergarten through grade 6 to a level that is at least 2.0 less than the district's adopted staffing ratio, if the remaining learning and development revenue is used to continue or initiate staffing patterns that meet the needs of a diverse student population. Programs to meet the needs of a diverse student population may include programs for at-risk pupils and learning enrichment programs.*

(d) The revenue may be used to prepare and use an individualized learning plan for each learner. A district must not increase the district wide instructor-learner ratios in other grades as a result of reducing instructor-learner ratios in kindergarten through grade 6. Revenue may not be used to provide instructor preparation time or to provide the district's share of revenue required under section 124.311. Revenue may be used to continue employment for nonlicensed staff employed in the district on the effective date of Laws 1993, chapter 224, under Minnesota Statutes 1992, section 124.331, subdivision 2.

Sec. 16. Minnesota Statutes 1993 Supplement, section 124A.225, is amended by adding a subdivision to read:

Subd. 6. [EXCEPTIONAL NEED DEFINED.] A school district is considered to have exceptional need if the district has the following characteristics:

(1) ten percent or more of the district's pupils are eligible for free and reduced lunch as of October 1 of the previous fiscal year;

(2) ten percent or more of the district's pupils are students of color;

(3) the district's adjusted net tax capacity divided by its pupil units for the current year is less than \$3,500; and

(4) the district's general education revenue per pupil unit is less than the average general education revenue per pupil unit for the economic development region in which the district is located.

Sec. 17. Minnesota Statutes 1993 Supplement, section 125.05, subdivision 1a, is amended to read:

Subd. 1a. [TEACHER AND SUPPORT PERSONNEL QUALIFICATIONS.] (a) The board of teaching shall issue licenses under its jurisdiction to persons the board finds to be qualified and competent for their respective positions.

(b) The board shall require a person to successfully complete an examination of skills in reading, writing, and mathematics before being admitted to a post-secondary teacher preparation program approved by the board if that person seeks to qualify for granted an initial teaching license to provide direct instruction to pupils in prekindergarten, elementary, secondary, or special education programs. The board shall require colleges and universities offering a board approved teacher preparation program to provide remedial assistance that includes a formal diagnostic component to persons enrolled in their institution who did not achieve a qualifying score on the skills examination,

including those for whom English is a second language. The colleges and universities must provide assistance in the specific academic areas of deficiency in which the person did not achieve a qualifying score. School districts must provide similar, appropriate, and timely remedial assistance *that includes a formal diagnostic component and mentoring* to those persons employed by the district who completed their teacher education program outside the state of Minnesota, received a one-year license to teach in Minnesota and did not achieve a qualifying score on the skills examination, including those persons for whom English is a second language.

(c) A person who has completed an approved teacher preparation program and obtained a one-year license to teach, but has not successfully completed the skills examination, may renew the one-year license for two additional one-year periods. Each renewal of the one-year license is contingent upon the licensee:

(1) providing evidence of participating in an approved remedial assistance program provided by a school district or post-secondary institution that includes a formal diagnostic component in the specific areas in which the licensee did not obtain qualifying scores; and

(2) attempting to successfully complete the skills examination during the period of each one-year license.

(d) The board of teaching shall grant continuing licenses only to those persons who have met board criteria for granting a continuing license, which includes successfully completing the skills examination in reading, writing, and mathematics.

Sec. 18. Minnesota Statutes 1992, section 125.135, subdivision 2, is amended to read:

Subd. 2. [PROGRAM REQUIREMENTS.] All staff exchanges made under this section are subject to the requirements in this subdivision.

(a) A school district employing a participating staff member must not adversely affect the staff member's salary, seniority, or other employment benefits, or otherwise penalize the staff member for participating in the program.

(b) Upon completion or termination of an exchange, a school district employing a participating staff member must permit the staff member to return to the same assignment the staff member performed in the district before the exchange, if available, or, if not, a similar assignment.

(c) A school district employing a participating staff member must continue to provide the staff member's salary and other employment benefits during the period of the exchange.

(d) A participant must be licensed and tenured.

(e) Participation in the program must be voluntary.

(f) The length of participation in the program must be no less than one-half of a school year and no more than one school year, and any premature termination of participation must be upon the mutual agreement of the participant and the participating school district. *Participation under section 126.43 may be for less than one-half of a school year.*

(g) A participant is responsible for transportation to and from the host school district. *Districts may use available funds to reimburse participants for costs.*

(h) This subdivision does not abrogate or change rights of staff members participating in the staff exchange program or the terms of an agreement between the exclusive representative of the school district employees and the school district.

(i) Participating school districts may enter into supplementary agreements with the exclusive representative of the school district employees to accomplish the purpose of this section.

Sec. 19. Minnesota Statutes 1993 Supplement, section 125.138, subdivision 9, is amended to read:

Subd. 9. [CRITERIA.] The department of education shall evaluate proposals using the following criteria:

(1) evidence of collaborative arrangements between post-secondary educators and early childhood through grade 12 educators;

(2) evidence that outstanding early childhood through grade 12 educators will be involved in post-secondary classes and programs, including presentations, discussions, teaming, and responsibility for teaching some post-secondary courses;

(3) evidence that post-secondary educators will have direct experience working in a classroom or school district, including presentations, discussions, teaming, and responsibility for teaching some early childhood through grade 12 classes; and

(4) evidence of adequate financial support from employing and receiving institutions; and

(5) *evidence that collaboration between post-secondary educators and early childhood through grade 12 educators will enable school districts to better provide equal educational opportunities for all students.*

Sec. 20. Minnesota Statutes 1993 Supplement, section 125.185, subdivision 4, is amended to read:

Subd. 4. [LICENSE AND RULES.] (a) The board shall adopt rules to license public school teachers and interns subject to chapter 14.

(b) The board shall adopt rules requiring ~~successful completion of an examination of a person to successfully complete a skills examination in reading, writing, and mathematics before being admitted to a teacher preparation program as a requirement for initial teacher licensure.~~ Such rules shall require college and universities offering a board approved teacher preparation program to provide remedial assistance to persons who did not achieve a qualifying score on the skills examination, including those for whom English is a second language.

(c) The board shall adopt rules to approve teacher preparation programs.

(d) The board shall provide the leadership and shall adopt rules for the redesign of teacher education programs to implement a research based, results-oriented curriculum that focuses on the skills teachers need in order to be effective. The board shall implement new systems of teacher preparation

program evaluation to assure program effectiveness based on proficiency of graduates in demonstrating attainment of program outcomes.

(e) The board shall adopt rules requiring successful completion of an examination of general pedagogical knowledge and examinations of licensure-specific teaching skills. The rules shall be effective on the dates determined by the board, but not later than July 1, 1999.

(f) The board shall adopt rules requiring teacher educators to work directly with elementary or secondary school teachers in elementary or secondary schools to obtain periodic exposure to the elementary or secondary teaching environment.

(g) The board shall grant licenses to interns and to candidates for initial licenses.

(h) The board shall design and implement an assessment system which requires a candidate for an initial license and first continuing license to demonstrate the abilities necessary to perform selected, representative teaching tasks at appropriate levels.

(i) The board shall receive recommendations from local committees as established by the board for the renewal of teaching licenses.

(j) The board shall grant life licenses to those who qualify according to requirements established by the board, and suspend or revoke licenses pursuant to sections 125.09 and 214.10. The board shall not establish any expiration date for application for life licenses.

(k) With regard to post-secondary vocational education teachers the board of teaching shall adopt and maintain as its rules the rules of the state board of technical colleges.

Sec. 21. Minnesota Statutes 1992, section 125.188, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENTS.] (a) A preparation program that is an alternative to the post-secondary teacher preparation program as a means to acquire an entrance license is established. The program may be offered in any instructional field.

(b) To participate in the alternative preparation program, the candidate must:

(1) have a bachelor's degree;

(2) pass an examination of skills in reading, writing, and mathematics as required by section 125.05;

(3) have been offered a job to teach in a school district, group of districts, or an education district approved by the board of teaching to offer an alternative preparation licensure program;

(4)(i) have a college major in the subject area to be taught; or

(ii) have five years of experience in a field related to the subject to be taught; and

(5) document successful experiences working with children.

(c) An alternative preparation license is of one year duration and is issued by the board of teaching to participants on admission to the alternative preparation program.

(d) *The board of teaching shall ensure that the purposes of this program enhance the school-desegregation/integration policies adopted by the state.*

Sec. 22. Minnesota Statutes 1993 Supplement, section 125.230, subdivision 3, is amended to read:

Subd. 3. [PROGRAM COMPONENTS.] In order to be approved by the board of teaching, a school district's residency program must at minimum include:

- (1) training to prepare teachers to serve as mentors to teaching residents;
- (2) a team mentorship approach to expose teaching residents to a variety of teaching methods, philosophies, and classroom environments;
- (3) ongoing peer coaching and assessment;
- (4) assistance to the teaching resident in preparing an individual professional development plan that includes goals, activities, and assessment methodologies; and
- (5) ~~involvement of resource persons from higher~~ *collaboration with one or more teacher education institutions, career teachers, and other community experts to provide local or regional professional development seminars or other structured learning experiences for teaching residents.*

A teaching resident shall not be given direct classroom supervision responsibilities that exceed 80 percent of the instructional time required of a full-time equivalent teacher in the district. During the ~~remaining~~ time, a ~~teaching~~ resident *does not supervise a class, the resident shall participate in professional development activities according to the individual plan developed by the resident in conjunction with the school's mentoring team. Examples of development activities include observing other teachers, sharing experiences with other teaching residents, and professional meetings and workshops.*

Sec. 23. Minnesota Statutes 1993 Supplement, section 125.230, subdivision 4, is amended to read:

Subd. 4. [EMPLOYMENT CONDITIONS.] A school district shall pay a teaching resident a salary equal to 75 percent of the ~~statewide average~~ salary of a first-year teacher with a bachelor's degree *in the district*. The resident shall be a member of the local bargaining unit and shall be covered under the terms of the contract, except for salary and benefits, unless otherwise provided in this subdivision. The school district shall provide health insurance coverage for the resident if the district provides it for teachers, and may provide other benefits upon negotiated agreement.

Sec. 24. Minnesota Statutes 1993 Supplement, section 125.230, subdivision 6, is amended to read:

Subd. 6. [LEARNING AND DEVELOPMENT REVENUE ELIGIBILITY.] A school district with an approved teaching residency program may use learning and development revenue for each teaching resident in kindergarten through grade six. A district also may use the revenue for a paraprofessional

who is a person of color enrolled in an approved teacher preparation program. A school district shall not use a teaching resident to replace an existing teaching position *unless*:

(1) *there is no teacher available who is properly licensed to fill the vacancy, who has been placed on unrequested leave of absence in the district, and who wishes to be reinstated; and*

(2) *the district's collective bargaining agreement includes a memorandum of understanding that permits teaching residents to fill an existing teaching position.*

Sec. 25. Minnesota Statutes 1993 Supplement, section 125.231, subdivision 1, is amended to read:

Subdivision 1. [TEACHER MENTORING PROGRAMS.] School districts are encouraged to develop teacher mentoring programs for teachers new to the profession or district, including teaching residents, *teachers of color*, teachers with special needs, or experienced teachers in need of peer coaching.

Sec. 26. Minnesota Statutes 1993 Supplement, section 125.231, subdivision 4, is amended to read:

Subd. 4. [CRITERIA FOR SELECTION.] At a minimum, applicants must express commitment to:

- (1) allow staff participation;
- (2) assess skills of both beginning and mentor teachers;
- (3) provide appropriate in-service to needs identified in the assessment;
- (4) provide leadership to the effort;
- (5) cooperate with higher education institutions;
- (6) provide facilities and other resources; *and*
- (7) share findings, materials, and techniques with other school districts; *and*
- (8) *retain teachers of color.*

Sec. 27. Minnesota Statutes 1993 Supplement, section 125.623, subdivision 3, is amended to read:

Subd. 3. [PROGRAM REQUIREMENTS.] (a) A grant recipient shall recruit persons of color to be teachers in elementary, secondary, early childhood or parent education, and provide support in linking program participants with jobs in the recipient's school district.

(b) A grant recipient shall establish an advisory council composed of representatives of communities of color.

(c) A grant recipient, with the assistance of the advisory council, shall recruit high school students and other persons, *including educational para-professionals*, support them through the higher education application and admission process, advise them while enrolled and link them with support resources in the college or university and the community.

(d) A grant recipient shall award stipends to students of color enrolled in an approved licensure program to help cover the costs of tuition, student fees, supplies, and books. Stipend awards must be based on a student's financial

need and students must apply for any additional financial aid they are eligible for to supplement this program. No more than ten percent of the grant may be used for costs of administering the program. Students must agree to teach in the grantee school district for at least two years after licensure. If the district has no licensed positions open, the student may teach in another district in Minnesota.

(e) The commissioner of education shall consider the following criteria in awarding grants:

(1) whether the program is likely to increase the recruitment and retention of students of color in teaching;

(2) whether grant recipients will recruit paraprofessionals from the district to work in its schools; and

(3) whether grant recipients will establish or have a mentoring program for students of color.

Sec. 28. [126.43] [CULTURAL EXCHANGE PROGRAM.]

Subdivision 1. [CULTURAL EXCHANGE PROGRAM GOALS.] A cultural exchange program is established to develop and create opportunities for children and staff of different ethnic, racial, and other cultural backgrounds to experience educational and social exchange. The goals of the program are set forth in paragraphs (a) to (d).

(a) The program shall develop curriculum reflective of particular ethnic, racial, and other cultural aspects of various demographic groups in the state. The curriculum must be structured to be implemented on a quarter or semester basis.

(b) The program shall develop immersion programs that are coordinated with the programs offered in paragraph (a).

(c) The program shall create opportunities for students from across the state to enroll on a part-time basis in school districts other than the one of residence, or in other schools within their district of residence.

(d) The program shall create opportunities for staff exchanges on a cultural basis.

Subd. 2. [CULTURAL EXCHANGE GRANTS.] A school district together with a group of school districts, a cooperative governmental unit, the center for arts and education, or a post-secondary institution may apply for cultural exchange grants. The commissioner of education shall determine grant recipients and may adopt application guidelines. The grants must be competitively determined and applicants must demonstrate:

(1) the capacity to develop a focused curriculum that reflects the particular ethnic, racial, and other cultural aspects of the community in which the school where the program is offered is located;

(2) the capacity to develop magnet immersion programs coordinated with the curriculum developed in clause (1);

(3) the capacity to extend the exchange experience beyond the period of time the student is enrolled through extended day or extended year programs;

(4) the capacity to coordinate a cultural exchange program with other curriculum programs to assure continuity in a pupils education;

(5) the capacity to maximize diversity of ethnic, racial, and other cultural backgrounds of participants;

(6) that the application is jointly developed by participants; and

(7) that the outcomes of the exchange program are clearly articulated.

Subd. 3. [GRANT USE.] The grants may be used for staff time including salary and benefit expenses and costs for substitute staff, travel expenses, curriculum materials, and any other expense needed to meet the goals of the program. Grant proceeds also may be used for transportation, board, and lodging expenses for students.

Sec. 29. [126.84] [MALE RESPONSIBILITY AND FATHERING GRANTS.]

Subdivision 1. [ESTABLISHMENT.] The commissioner of education, in consultation with the commissioner of human services, shall make male responsibility and fathering grants to youth or parenting programs that collaborate with school districts to educate young people, particularly males ages ten to 21, on the responsibilities of parenthood.

Subd. 2. [MATCHING MONEY.] Each dollar of state money must be matched with at least 50 cents of nonstate money including in-kind contributions. Those programs with a higher match will have a greater chance of receiving a grant.

Subd. 3. [EXPECTED OUTCOMES.] Grant recipients shall use the funds for programs designed to prevent teen pregnancy and to prevent crime in the long term. Recipient programs must assist youth to:

(1) understand the connection between sexual behavior, adolescent pregnancy, and the roles and responsibilities of marriage and parenting;

(2) understand the long-term responsibility of fatherhood;

(3) understand the importance of fathers in the lives of children;

(4) acquire parenting skills and knowledge of child development; and

(5) find community support for their roles as fathers and nurturers of children.

Subd. 4. [GRANT APPLICATIONS.] (a) An application for a grant may be submitted by a youth or parenting program whose purpose is to reduce teen pregnancy or teach child development and parenting skills in collaboration with a school district. Each grant application must include a description of the program's structure and components, including collaborative and outreach efforts; an implementation and evaluation plan to measure the program's success; a plan for using males as instructors and mentors; and a cultural diversity plan to ensure that staff or teachers will reflect the cultural backgrounds of the population served and that the program content is culturally sensitive.

(b) Grant recipients must, at a minimum, provide education in responsible parenting and child development, responsible decision-making related to marriage and relationships, and the legal implications of paternity. Grant

recipients also must provide public awareness efforts in the collaborator school district. Grant recipients may offer support groups, health nutrition education, and mentoring and peer teaching.

(c) A grant applicant must establish an advisory committee to assist the applicant in planning and implementation of a grant. The advisory committee must include student representatives, adult males from the community, representatives of community organizations, teachers, parent educators, and representatives of family social service agencies.

Subd. 5. [ADMINISTRATION.] The commissioner of education shall administer male responsibility and fathering grants. The commissioner shall establish a grant review committee composed of teachers and representatives of community organizations, student organizations, and education or family social service agencies that offer parent education programs.

Subd. 6. [REPORT.] The commissioner shall report to the legislature on the progress of the male responsibility and fathering programs by January 15, 1996.

Sec. 30. Minnesota Statutes 1992, section 136A.125, subdivision 3, is amended to read:

Subd. 3. [ELIGIBLE INSTITUTION.] A Minnesota public post-secondary institution ~~or~~, a Minnesota private, baccalaureate degree granting college or university located in Minnesota, or a Minnesota nonprofit two-year vocational technical school granting associate degrees is eligible to receive child care funds from the board and disburse them to eligible students.

Sec. 31. Minnesota Statutes 1993 Supplement, section 275.48, is amended to read:

275.48 [ADDITIONAL TAX LEVIES IN CERTAIN TAXING DISTRICTS.]

When by virtue of chapter 278, sections 270.07, 375.192, or otherwise, the net tax capacity of a city, or township or school district for a taxable year is reduced after the taxes for the year have been spread by the county auditor, and when the local tax rate determined by the county auditor based on the original net tax capacity is applied on the reduced net tax capacity and does not produce the full amount of taxes actually levied and certified for that taxable year on the original net tax capacity, the city, or township or school district may include an additional amount in its tax levy made following final determination and notice of the reduction in net tax capacity. The amount shall equal the difference between the total amount of taxes actually levied and certified for that taxable year upon the original net tax capacity, not exceeding the maximum amount which could be raised on the net tax capacity as reduced, within existing local tax rate limitations, if any, and the amount of taxes collected for that taxable year on the reduced net tax capacity. ~~The total tax levy authorized for a school district by this section may also include an amount equal to any interest paid on the abatement refunds. The levy for a school district shall be reduced by the total amount of any abatement adjustments received by the district pursuant to section 124.214, subdivision 2, in the same calendar year in which the levy is certified. As part of the certification required by section 124.918, subdivision 1, the commissioner of education shall certify the amount of the abatement levy limitation adjustment for each school district headquartered in that county.~~

~~Except for school districts,~~ The amount of taxes so included shall be levied separately and shall be levied in addition to all limitations imposed by law; and further shall not result in any penalty in the nature of a reduction in state aid of any kind.

Sec. 32. Laws 1993, chapter 224, article 8, section 22, subdivision 12, is amended to read:

Subd. 12. [TEACHERS OF COLOR PROGRAM.] For grants to school districts for the teachers of color program:

\$300,000 1994

\$300,000 1995

Of this appropriation, at least \$75,000 each fiscal year shall be for educating people of color to be early childhood and parent educators. *Any balance remaining in the first year does not cancel, but is available in the second year.*

Sec. 33. [LAKE SUPERIOR DEBT.]

Subdivision 1. [OPERATING DEBT ACCOUNT.] On July 1, 1994, independent school district No. 381, Lake Superior, shall establish a reserved account in the general fund. The balance in the account shall equal the unreserved undesignated fund balance in the operating funds of the district as of June 30, 1994.

Subd. 2. [LEVY.] For taxes payable in each of the years 1998 through 2000, the district may levy an amount up to 33-1/3 percent of the balance in the account on July 1, 1994. The balance in the account shall be adjusted each year by the amount of the proceeds of the levy. The proceeds of the 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.

Sec. 34. [ADJUSTMENTS.]

Notwithstanding Minnesota Statutes, section 124.14, appropriation excess for fiscal years 1993 and 1995 not otherwise allocated to programs under Minnesota Statutes, sections 124.32, 124.321, 124.322, 124.273, and 124.574, shall be allocated to a program under Minnesota Statutes, section 124.214. If the excess that is allocated for fiscal year 1993 to a program under Minnesota Statutes, section 124.214, exceeds the deficiency for that year, this difference shall remain in that account and shall be used to reduce deficiencies for fiscal year 1995.

Sec. 35. [PILOT PROGRAM IN CONTINUING MULTICULTURAL EDUCATION.]

Subdivision 1. [PROGRAM COMPONENTS.] Beginning with the 1994-1995 school year, independent school district No. 38, Red Lake, shall provide a 25-hour continuing education in-service program in multicultural education for licensed teachers in the district. The three-year pilot program shall be results-oriented and shall be designed to improve teachers' ability to effectively educate learners of all racial, cultural, and economic groups. The district's staff development committee under Minnesota Statutes, section 126.70, subdivision 1, shall develop appropriate outcomes for the program. The district shall contract with Bemidji State University to provide curriculum, instruction, and assessments for the program.

Subd. 2. [PROGRAM APPROVAL.] Prior to implementation, the program established in subdivision 1 must be approved by the department of education in consultation with the state American Indian education advisory committee.

Subd. 3. [APPLICABILITY.] A teacher employed by independent school district No. 38, Red Lake, at the start of the 1994-1995 school year shall complete the program established in subdivision 1 within three years of its implementation. In appropriate circumstances, the district's staff development committee under Minnesota Statutes, section 126.70, subdivision 1, may waive this provision for a teacher who is unable to complete the program. The program shall be counted as continuing education for licensure purposes under board of teaching rules.

Subd. 4. [REPORT.] Independent school district No. 38, Red Lake, and the staff development committee shall report to the commissioner of education on the status of the program by February 1, 1995.

Sec. 36. [REVENUE ADJUSTMENTS.]

After appropriate study and such public hearings as may be necessary, the commissioner of education shall recommend to the legislature by February 1, 1995, a policy for ensuring the school districts participating in a metropolitan-wide school desegregation/integration plan are not financially disadvantaged as a result of participating in the plan.

Sec. 37. [MAGNET SCHOOL AND PROGRAM GRANTS.]

(a) The commissioner of education shall award grants to school districts for planning and developing magnet schools and magnet programs.

(b) Grant recipients must use the grant money under paragraph (a) to establish or operate a magnet school or a magnet program and provide all students with equal educational opportunities. Grant recipients may expend grant money on:

(1) teachers who provide instruction or services to students in a magnet school or magnet program;

(2) educational paraprofessionals who assist teachers in providing instruction or services to students in a magnet school or magnet program;

(3) clerical support needed to operate a magnet school or magnet program;

(4) equipment, equipment maintenance contracts, materials, supplies, and other property needed to operate a magnet school or magnet program;

(5) minor remodeling needed to operate a magnet school or magnet program;

(6) transportation for field trips that are part of a magnet school or magnet program curriculum;

(7) program planning and staff and curriculum development for a magnet school or magnet program;

(8) disseminating information on magnet schools and magnet programs; and

(9) indirect costs calculated according to the state's statutory formula governing indirect costs.

Sec. 38. [SEXUALITY AND FAMILY LIFE EDUCATION SURVEY.]

The department of education, in consultation with the department of health and Minnesota planning, shall conduct a survey to assess the extent and status of sexuality and family life education in Minnesota's public elementary, middle, secondary, and alternative schools. The survey shall, at a minimum, compile information on the sexuality and family life related curriculum offered in each school, the goals of the curriculum, the age and developmental appropriateness of the curriculum, available research supporting the curriculum, the relevant training of those who teach sexuality and family life education, and the role that parents play in the programs. The department of education shall report the results of the evaluation to the legislature by February 15, 1995. The survey results shall be used to develop effective programs to prevent teen pregnancy.

Sec. 39. [TASK FORCE ON SCHOOL MEALS PROGRAMS.]

Subdivision 1. [ESTABLISHMENT; MEMBERSHIP.] The task force on school meals programs is established. The task force shall consist of 14 members. One member each shall be appointed by the Minnesota school food service association, the Minnesota school boards association, the Minnesota education association, the Minnesota federation of teachers, the Minnesota congress of parents and teachers, the food first coalition, the children's defense fund, the Minnesota chapter of the American Academy of Pediatrics, the Minnesota community action program association, Minnesota foodshare, congregations concerned for children, and the Minnesota business partnership. One member shall be jointly appointed by the Minnesota association of secondary school principals and the Minnesota elementary school principals association. The commissioner of education or the commissioner's designee shall serve as a member of the task force. The commissioner of education shall convene the first meeting no later than June 15, 1994. A chair shall be elected at the first meeting.

Subd. 2. [DUTIES.] The task force established under subdivision 1 shall review the nutrition needs of K-12 students and the extent to which poor nutrition interferes with effective learning, and shall review the current school breakfast and lunch programs and the role of these programs in improving educational achievement and contributing to the long-term health of Minnesota children. The task force shall identify barriers to participation in the school meals programs and shall make recommendations to:

(1) improve student nutrition to increase the educational achievement of all children and to improve the overall learning climate;

(2) more effectively integrate the school meals program into the school day;

(3) eliminate barriers to universal participation in school meals programs;

(4) reduce paperwork and other administrative burdens associated with the school meals programs so that resources can be redirected to pay for program expansion and improving the nutritional integrity of the program; and

(5) enable Minnesota to maximize federal funds for school meals programs.

Subd. 3. [STAFF SUPPORT.] The department of education and any other state agency shall provide information and technical assistance as requested by the task force. The department of education shall provide clerical support to the task force.

Subd. 4. [REPORT.] The task force established under subdivision 1 shall report to the education committees of the legislature and the legislative commission on children, youth, and their families by January 31, 1995.

Sec. 40. [FUND TRANSFERS.]

Subdivision 1. [HOLDINGFORD.] Notwithstanding Minnesota Statutes, sections 121.912; 121.9121; and 475.61, subdivision 4, on June 30, 1994, independent school district No. 738, Holdingford, may permanently transfer up to \$100,000 from its debt redemption fund to its general fund.

Subd. 2. [INVER GROVE HEIGHTS.] Notwithstanding Minnesota Statutes, sections 121.912 and 121.9121, on June 30, 1994, independent school district No. 199, Inver Grove Heights, may permanently transfer up to \$91,255 from its community service fund to its general fund.

Subd. 3. [MONTICELLO.] Notwithstanding Minnesota Statutes, sections 121.912 and 121.9121, independent school district No. 882, Monticello, may permanently transfer an amount not to exceed \$250,000 from its capital expenditure fund to its transportation fund before July 1, 1994.

Subd. 4. [RED LAKE.] Notwithstanding any law to the contrary, on June 30, 1994, independent school district No. 38, Red Lake, may permanently transfer \$160,900 from the general fund to the building construction fund.

Subd. 5. [REMER-LONGVILLE.] Notwithstanding Minnesota Statutes, section 121.912, subdivision 1, independent school district No. 118, Remer-Longville, may permanently transfer \$150,000 in fiscal year 1994 from the bus purchase account to the capital expenditure fund for facility repair and technology-related equipment without making a levy reduction.

Sec. 41. [LOW-INCOME CONCENTRATION GRANT PROGRAM.]

Subdivision 1. [GRANT PROGRAM.] A low-income concentration grant program is established. The purpose of the program is to provide additional resources to school buildings in which the concentration of children from low-income families is high compared to the district-wide concentration.

Subd. 2. [APPLICATION PROCESS.] The commissioner of education shall develop a grant application process. In order to qualify for a grant, the building must be located in a district that meets the following criteria:

(1) ten percent or more of the district's pupils are eligible for free and reduced lunch as of October 1 of the previous fiscal year;

(2) ten percent or more of the district's pupils are students of color; and

(3) the district's adjusted net tax capacity divided by its pupil units for the current year is less than \$6,500. An eligible building must have at least twice the district average percentage of students of color and students eligible for free or reduced lunch.

Subd. 3. [GRANT USE.] The grant must be used according to Minnesota Statutes, section 124A.28.

Sec. 42. [GRANTS TO PROVIDE FREE BREAKFASTS TO ELEMENTARY SCHOOL CHILDREN.]

Subdivision 1. [ESTABLISHMENT.] A grant program for fiscal year 1995 is established to explore the policy of providing nutritious breakfasts to all

children in elementary school, without regard to whether the children are eligible to receive free or reduced price breakfasts, so that they can learn effectively.

Subd. 2. [ELIGIBILITY.] *An applicant for a grant must be an elementary school that participates in the federal school breakfast and lunch programs. For a school to receive a grant, at least 15 percent of the school's enrolled children must have qualified to receive a free or reduced price lunch during the 1993-1994 school year.*

Subd. 3. [APPLICATION PROCESS.] *To obtain a grant to receive reimbursement for providing breakfasts to all children, whether or not the children are from low-income families and eligible to receive free or reduced price meals, an elementary school must submit an application to the education commissioner in the form and manner prescribed by the commissioner. The application must describe how the applicant will encourage all children in the school to participate in the breakfast program. The commissioner may require additional information from the applicant.*

Subd. 4. [GRANT AWARDS.] *The commissioner shall award four grants: for each of two grant recipients, between 15 and 40 percent of the enrolled children must have qualified to receive a free or reduced price lunch during the 1993-1994 school year; for each of the remaining two grant recipients, more than 40 percent of the enrolled children must have qualified to receive a free or reduced price lunch during the 1993-1994 school year. The four schools that the commissioner selects must have an elementary school population that in total does not exceed 2,400 pupils in average daily membership. Grant recipients must be located throughout the state. The amount of the grant shall equal the statewide average cost for the 1993-1994 school year for every breakfast the recipient serves under this program during the 1994-1995 school year minus any state and federal reimbursement the recipient receives for providing free and reduced price breakfasts during the 1994-1995 school year. Grant recipients must use the proceeds to provide breakfasts to school children.*

Subd. 5. [EVALUATION.] *The commissioner shall evaluate the four grant sites to determine the impact that the universal breakfast program has on children's school performance, including discipline in the school, students' test scores, attendance rates, and other measures of educational achievement. The commissioner shall report the results of the evaluation to the education committees of the legislature by January 31, 1996.*

Sec. 43. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] *The sums indicated in this section are appropriated from the general fund to the department of education in the fiscal year designated.*

Subd. 2. [MALE RESPONSIBILITY AND FATHERING GRANTS.] *For male responsibility and fathering grants:*

\$750,000 1995

The commissioner of education shall award a minimum of ten grants geographically distributed throughout the state.

The commissioner of education may enter into cooperative agreements with

the commissioner of human services to access federal money for child support and paternity education programs.

This appropriation is available until June 30, 1996.

Subd. 3. [MULTICULTURAL CONTINUING EDUCATION GRANT.] *For a grant to independent school district No. 38, Red Lake, for a multicultural continuing education pilot project for teachers:*

\$69,000 1995

The district must match this sum with staff development revenue under Minnesota Statutes, section 124A.29.

Subd. 4. [SEXUALITY AND FAMILY LIFE EDUCATION SURVEY.] *For a sexuality and family life education survey:*

\$25,000 1995

Subd. 5. [SCHOOL MEALS TASK FORCE.] *For the task force on school meals programs:*

\$25,000 1995

Subd. 6. [DESEGREGATION/INTEGRATION OFFICE.] *For the desegregation/integration office:*

\$150,000 1995

This sum shall be used for costs associated with assisting school districts in voluntary integration efforts and for annually evaluating and reporting the results of such efforts. A portion of this appropriation may be used for unclassified positions within the department.

Subd. 7. [MAGNET SCHOOL AND PROGRAM GRANTS.] *For magnet school and program grants:*

\$1,850,000 1995

This sum shall be used for planning and developing magnet schools and magnet programs. Prior to awarding the grants, the commissioner shall consult with the superintendent of districts that demonstrate an intent to participate in the magnet school and related programs.

Subd. 8. [LOW-INCOME CONCENTRATION GRANTS.] *For grants under section 41:*

\$600,000 1995

Each grant shall be no more than \$50,000.

Subd. 9. [NETT LAKE YOUTH PROGRAM GRANT.] *For a grant to independent school district No. 707, Nett Lake, for providing an evening and weekend youth activity program:*

\$25,000 1995

The school district, in collaboration with social services and law enforcement agencies, and with the advice of the community youth council, must use the grant to provide evening and weekend programs for youth that include educational, social, and cultural activities.

Subd. 10. [ABATEMENTS.] For abatement aid under Minnesota Statutes, section 124.214:

\$9,830,000 1995

Subd. 11. [FREE BREAKFAST GRANTS.] For grants for free breakfasts to elementary school children:

\$167,000 1995

Up to \$18,000 of this sum may be used to conduct an evaluation of the grant sites.

Subd. 12. [CULTURAL EXCHANGE PROGRAM.] For the cultural exchange program:

\$142,000 1995

Sec. 44. [REPEALER.]

Laws 1993, chapter 224, article 8, section 14, is repealed.

Sec. 45. [EFFECTIVE DATE.]

(a) Section 6 [123.3514, subd. 4] is effective the day following final enactment and applies to an American Indian-controlled tribal contract or grant school identified in section 6 that is established on or before the effective date of section 6.

(b) Sections 15 [124A.225, subdivision 4] and 16 [124A.225, subdivision 6] are effective July 1, 1994, and apply to revenue for 1994-1995 and later school years.

(c) Sections 39 [school meals] and 40 [fund transfers] are effective the day following final enactment.

ARTICLE 9

MISCELLANEOUS

Section 1. Minnesota Statutes 1993 Supplement, section 120.064, subdivision 3, is amended to read:

Subd. 3. [SPONSOR.] *(a) A school board, community college, state university, technical college, the University of Minnesota, a member of the Minnesota private college council, or a consortium of education organizations may sponsor one or more outcome-based schools:*

A school board may authorize, up to a maximum of five outcome-based schools per sponsor.

(b) No more than a total of 20 50 outcome-based schools may be authorized. The state board of education shall advise potential sponsors when the maximum number of outcome-based schools has been authorized.

Sec. 2. Minnesota Statutes 1993 Supplement, section 120.064, subdivision 8, is amended to read:

Subd. 8. [REQUIREMENTS.] *(a) An outcome-based school shall meet all applicable state and local health and safety requirements.*

(b) *If the sponsor is a school district, the school must be located in the sponsoring district, unless another school board agrees to locate an outcome-based school sponsored by another district in its boundaries. If a school board denies a request to locate within its boundaries an outcome-based school sponsored by another district, the sponsoring district may appeal to the state board of education. If the state board authorizes the school, the state board shall sponsor the school. If the sponsor is a higher education institution or a consortium of educational organizations under subdivision 3, paragraph (a), the sponsor must notify the school district in which the school is to be located prior to seeking state board approval for the school.*

(c) The school must be nonsectarian in its programs, admission policies, employment practices, and all other operations. A sponsor may not authorize an outcome-based school or program that is affiliated with a nonpublic sectarian school or a religious institution.

(d) The primary focus of the school must be to provide a comprehensive program of instruction for at least one grade or age group from five through 18 years of age. Instruction may be provided to people younger than five years and older than 18 years of age.

(e) The school may not charge tuition.

(f) The school is subject to and shall comply with chapter 363 and section 126.21.

(g) The school is subject to and shall comply with the pupil fair dismissal act, sections 127.26 to 127.39, and the Minnesota public school fee law, sections 120.71 to 120.76.

(h) The school is subject to the same financial audits, audit procedures, and audit requirements as a school district. The audit must be consistent with the requirements of sections 121.901 to 121.917, except to the extent deviations are necessary because of the program at the school. The department of education, state auditor, or legislative auditor may conduct financial, program, or compliance audits.

(i) The school is a school district for the purposes of tort liability under chapter 466.

Sec. 3. Minnesota Statutes 1993 Supplement, section 120.064, subdivision 9, is amended to read:

Subd. 9. [ADMISSION REQUIREMENTS.] The school may limit admission to:

(1) pupils within an age group or grade level;

(2) people who are eligible to participate in the high school graduation incentives program under section 126.22; or

(3) residents of a specific geographic area where the percentage of the population of non-Caucasian people of that area is greater than the percentage of the non-Caucasian population in the congressional district in which the geographic area is located, and as long as the school reflects the racial and ethnic diversity of the specific area; or

(4) students whose parents were among the initial organizers of the school

as determined by vote of the board to the extent the percentage of students admitted under this provision does not exceed 20 percent of total enrollment.

The school shall enroll an eligible pupil who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, pupils shall be accepted by lot.

The school may not limit admission to pupils on the basis of intellectual ability, measures of achievement or aptitude, or athletic ability.

Sec. 4. Minnesota Statutes 1993 Supplement, section 120.064, subdivision 16, is amended to read:

Subd. 16. [LEASED SPACE.] The school may lease space from a board eligible to be a sponsor or other public or private nonprofit nonsectarian organization. If a school is unable to lease appropriate space from an eligible board or other public or private nonprofit nonsectarian organization, the school may lease space from another nonsectarian organization if the department of education, in consultation with the department of administration, approves the lease is a school district for the purposes of leasing space. The school may lease space from a sectarian organization if the school has no association with the organization and the department of education approves the lease.

Sec. 5. Minnesota Statutes 1993 Supplement, section 120.101, subdivision 5, is amended to read:

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

Sec. 6. Minnesota Statutes 1993 Supplement, section 120.101, subdivision 5b, is amended to read:

Subd. 5b. [INSTRUCTIONAL DAYS.] Every child required to receive instruction according to subdivision 5 shall receive instruction for at least 170 days through the 1994-1995 1995-1996 school year, and for later years, at least the number of days per school year in the following schedule:

- (1) 1995-1996, 172;
- (2) 1996-1997, 174;
- (3) (2) 1997-1998, 176;
- (4) (3) 1998-1999, 178;
- (5) (4) 1999-2000, 180;
- (6) (5) 2000-2001, 182;

- (7) (6) 2001-2002, 184;
- (8) (7) 2002-2003, 186;
- (9) (8) 2003-2004, 188; and
- (10) (9) 2004-2005, and later school years, 190.

Sec. 7. Minnesota Statutes 1993 Supplement, section 124.19, subdivision 1, is amended to read:

Subdivision 1. [INSTRUCTIONAL TIME.] Every district shall maintain school in session or provide instruction in other districts for at least 175 days through the ~~1994-1995~~ 1995-1996 school year and the number of days required in subdivision 1b thereafter, not including summer school, or the equivalent in a district operating a flexible school year program. A district that holds school for the required minimum number of days and is otherwise qualified is entitled to state aid as provided by law. If school is not held for the required minimum number of days, state aid shall be reduced by the ratio that the difference between the required number of days and the number of days school is held bears to the required number of days, multiplied by 60 percent of the basic revenue, as defined in section 124A.22, subdivision 2, of the district for that year. However, districts maintaining school for fewer than the required minimum number of days do not lose state aid (1) if the circumstances causing loss of school days below the required minimum number of days are beyond the control of the board, (2) if proper evidence is submitted, and (3) if a good faith attempt is made to make up time lost due to these circumstances. The loss of school days resulting from a lawful employee strike shall not be considered a circumstance beyond the control of the board. Days devoted to meetings authorized or called by the commissioner may not be included as part of the required minimum number of days of school. For grades 1 to 12, days devoted to parent-teacher conferences, teachers' workshops, or other staff development opportunities as part of the required minimum number of days must not exceed five days through the ~~1994-1995~~ 1995-1996 school year and for subsequent school years the difference between the number of days required in subdivision 1b and the number of instructional days required in subdivision 5b. For kindergarten, days devoted to parent-teacher conferences, teachers' workshops, or other staff development opportunities as part of the required minimum number of days must not exceed twice the number of days for grades 1 to 12.

Sec. 8. Minnesota Statutes 1992, section 124.19, subdivision 1b, is amended to read:

Subd. 1b. [REQUIRED DAYS.] Each district shall maintain school in session or provide instruction in other districts for at least the number of days required for the school years listed below:

- (1) ~~1995-1996, 177;~~
- (2) 1996-1997, 179;
- (3) (2) 1997-1998, 181;
- (4) (3) 1998-1999, 183;
- (5) (4) 1999-2000, 185;
- (6) (5) 2000-2001, 187;

- (7) (6) 2001-2002, 189;
- (8) (7) 2002-2003, 191;
- (9) (8) 2003-2004, 193; and
- (10) (9) 2004-2005, and later school years, 195.

Sec. 9. Minnesota Statutes 1993 Supplement, section 124.248, subdivision 4, is amended to read:

Subd. 4. [OTHER AID, GRANTS, REVENUE.] (a) An outcome-based school is eligible to receive other aids, grants, and revenue according to chapters 120 to 129, as though it were a school district *except that, notwithstanding section 124.195, subdivision 3, the payments shall be of an equal amount on each of the 23 payment dates unless an outcome-based school is in its first year of operation in which case it shall receive on its first payment date 15 percent of its cumulative amount guaranteed for the year and 22 payments of an equal amount thereafter the sum of which shall be 85 percent of the cumulative amount guaranteed.* However, it may not receive aid, a grant, or revenue if a levy is required to obtain the money, except as otherwise provided in this section. Federal aid received by the state must be paid to the school, if it qualifies for the aid as though it were a school district.

(b) ~~Any revenue received from any source, other than revenue that is specifically allowed for operational, maintenance, capital facilities revenue under paragraph (c), and capital expenditure equipment costs under this section, may be used only for the planning and operational start-up costs of an outcome-based school. Any unexpended revenue from any source under this paragraph must be returned to that revenue source or conveyed to the sponsoring school district, at the discretion of the revenue source.~~

(c) An outcome-based school may receive money from any source for capital facilities needs. Any unexpended capital facilities revenue must be reserved and shall be expended only for future capital facilities purposes:

Sec. 10. Minnesota Statutes 1992, section 125.09, subdivision 1, is amended to read:

Subdivision 1. [GROUNDS FOR REVOCATION.] The board of teaching or the state board of education, whichever has jurisdiction over a teacher's licensure, may, on the written complaint of the board employing a teacher, or of a teacher organization, or of any other interested person, which complaint shall specify the nature and character of the charges, suspend or revoke such teacher's license to teach for any of the following causes:

- (1) Immoral character or conduct;
- (2) Failure, without justifiable cause, to teach for the term of the teacher's contract;
- (3) Gross inefficiency or willful neglect of duty; or
- (4) Failure to meet licensure requirements; or
- (5) Fraud or misrepresentation in obtaining a license.

For purposes of this subdivision, the board of teaching is delegated the authority to suspend or revoke coaching licenses under the jurisdiction of the state board of education.

Sec. 11. Minnesota Statutes 1992, section 127.03, subdivision 3, is amended to read:

Subd. 3. [IMMUNITY FROM CIVIL LIABILITY.] It is a defense to a civil action for damages against a ~~teacher~~ school official, as defined in section 609.2231, subdivision 5, to prove that the force used by the ~~teacher~~ official was reasonable, was in the exercise of lawful authority, and was necessary under the circumstances to restrain the pupil or to prevent bodily harm or death to another.

Sec. 12. Laws 1993, chapter 224, article 12, section 26, is amended to read:

Sec. 26. [125.706] [PREPARATION TIME.]

Beginning with agreements effective July 1, 1995, and thereafter, all collective bargaining agreements for teachers provided for under Minnesota Statutes, chapter 179A, must include provisions for preparation time or a provision indicating that the parties to the agreement chose not to include preparation time in the contract.

If the parties cannot agree on preparation time the following provision shall apply and be incorporated as part of the agreement: "Within the student day for every 25 minutes of classroom instructional time, a minimum of five additional minutes of preparation time shall be provided to each licensed teacher. Preparation time shall be provided in one or two uninterrupted blocks during the student day. Exceptions to this may be made by mutual agreement between the district and the exclusive representative of the teachers.

Sec. 13. Laws 1993, chapter 224, article 12, section 39, is amended to read:

Sec. 39. [REPEALER.]

(a) Minnesota Rules, parts 3500.0500; 3500.0600, subparts 1 and 2; 3500.0605; 3500.0800; 3500.1090; 3500.1800; 3500.2950; 3500.3100, subparts 1 to 3; 3500.3500; 3500.3600; 3500.4400; 3510.2200; 3510.2300; 3510.2400; 3510.2500; 3510.2600; 3510.6200; 3520.0200; 3520.0300; 3520.0600; 3520.1000; 3520.1200; 3520.1300; 3520.1800; 3520.2700; 3520.3802; 3520.3900; 3520.4500; 3520.4620; 3520.4630; 3520.4640; 3520.4680; 3520.4750; 3520.4761; 3520.4811; 3520.4831; 3520.4910; 3520.5330; 3520.5340; 3520.5370; 3520.5461; 3525.2850; 3530.0300; 3530.0600; 3530.0700; 3530.0800; 3530.1100; 3530.1300; 3530.1400; 3530.1600; 3530.1700; 3530.1800; 3530.1900; 3530.2000; 3530.2100; 3530.2800; 3530.2900; 3530.3100, subparts 2 to 4; 3530.3200, subparts 1 to 5; 3530.3400, subparts 1, 2, and 4 to 7; 3530.3500; 3530.3600; 3530.3900; 3530.4000; 3530.4100; 3530.5500; 3530.5700; 3530.6100; 3535.0800; 3535.1000; 3535.1400; 3535.1600; 3535.1800; 3535.1900; 3535.2100; 3535.2200; 3535.2600; 3535.2900; 3535.3100; 3535.3500; 3535.9930; 3535.9940; 3535.9950; 3540.0600; 3540.0700; 3540.0800; 3540.0900; 3540.1000; 3540.1100; 3540.1200; 3540.1300; 3540.1700; 3540.1800; 3540.1900; 3540.2000; 3540.2100; 3540.2200; 3540.2300; 3540.2400; 3540.2800; 3540.2900; 3540.3000; 3540.3100; 3540.3200; 3540.3300; 3540.3400; 3545.1000; 3545.1100; 3545.1200; 3545.2300; 3545.2700; 3545.3000; 3545.3002; 3545.3004; 3545.3005; 3545.3014; 3545.3022; 3545.3024; 8700.4200; ~~8700.6410~~; 8700.6800; and 8700.7100; ~~8700.9000~~; ~~8700.9010~~; ~~8700.9020~~; and ~~8700.9030~~, are repealed.

(b) Minnesota Rules, parts 3520.1600; 3520.2400; 3520.2500; 3520.2600; 3520.2800; 3520.2900; 3520.3000; 3520.3100; 3520.3200; 3520.3400;

3520.3500; 3520.3680; 3520.3701; 3520.3801; 3520.4001; 3520.4100;
 3520.4201; 3520.4301; 3520.4400; 3520.4510; 3520.4531; 3520.4540;
 3520.4550; 3520.4560; 3520.4570; 3520.4600; 3520.4610; 3520.4650;
 3520.4670; 3520.4701; 3520.4711; 3520.4720; 3520.4731; 3520.4741;
 3520.4801; 3520.4840; 3520.4850; 3520.4900; 3520.4930; 3520.4980;
 3520.5000; 3520.5010; 3520.5111; 3520.5120; 3520.5141; 3520.5151;
 3520.5160; 3520.5171; 3520.5180; 3520.5190; 3520.5200; 3520.5220;
 3520.5230; 3520.5300; 3520.5310; 3520.5361; 3520.5380; 3520.5401;
 3520.5450; 3520.5471; 3520.5481; 3520.5490; 3520.5500; 3520.5510;
 3520.5520; 3520.5531; 3520.5551; 3520.5560; 3520.5570; 3520.5580;
 3520.5600; 3520.5611; 3520.5700; 3520.5710; 3520.5900; 3520.5910; *and*
 3520.5920; ~~3530.6500; 3530.6600; 3530.6700; 3530.6800; 3530.6900;~~
~~3530.7000; 3530.7100; 3530.7200; 3530.7300; 3530.7400; 3530.7500;~~
~~3530.7600; 3530.7700; and 3530.7800,~~ are repealed.

(c) Minnesota Rules, parts 3500.1400; 3500.3700; 3510.0100; 3510.0200;
 3510.0300; 3510.0400; 3510.0500; 3510.0600; 3510.0800; 3510.1100;
 3510.1200; 3510.1300; 3510.1400; 3510.1500; 3510.1600; 3510.2800;
 3510.2900; 3510.3000; 3510.3200; 3510.3400; 3510.3500; 3510.3600;
 3510.3700; 3510.3800; 3510.7200; 3510.7300; 3510.7400; 3510.7500;
 3510.7600; 3510.7700; 3510.7900; 3510.8000; 3510.8100; 3510.8200;
 3510.8300; 3510.8400; 3510.8500; 3510.8600; 3510.8700; 3510.9000;
 3510.9100; chapters 3515, 3517.0100; 3517.0120; 3517.3150; 3517.3170;
 3517.3420; 3517.3450; 3517.3500; 3517.3650; 3517.4000; 3517.4100;
 3517.4200; 3517.8500; 3517.8600; *and* ~~3530.6500; 3530.6600; 3530.6700;~~
~~3530.6800; 3530.6900; 3530.7000; 3530.7100; 3530.7200; 3530.7300;~~
~~3530.7400; 3530.7500; 3530.7600; 3530.7700; 3530.7800; and chapter~~
 3560, are repealed.

(d) Minnesota Rules, parts 3500.0710; 3500.1060; 3500.1075; 3500.1100;
 3500.1150; 3500.1200; 3500.1500; 3500.1600; 3500.1900; 3500.2000;
 3500.2020; 3500.2100; 3500.2900; 3500.5010; 3500.5020; 3500.5030;
 3500.5040; 3500.5050; 3500.5060; 3500.5070; 3505.2700; 3505.2800;
 3505.2900; 3505.3000; 3505.3100; 3505.3200; 3505.3300; 3505.3400;
 3505.3500; 3505.3600; 3505.3700; 3505.3800; 3505.3900; 3505.4000;
 3505.4100; 3505.4200; 3505.4400; 3505.4500; 3505.4600; 3505.4700;
 3505.5100; 8700.2900; 8700.3000; 8700.3110; 8700.3120; 8700.3200;
 8700.3300; 8700.3400; 8700.3500; 8700.3510; 8700.3600; 8700.3700;
 8700.3810; 8700.3900; 8700.4000; 8700.4100; 8700.4300; 8700.4400;
 8700.4500; 8700.4600; 8700.4710; 8700.4800; 8700.4901; 8700.4902;
 8700.5100; 8700.5200; 8700.5300; 8700.5310; 8700.5311; 8700.5500;
 8700.5501; 8700.5502; 8700.5503; 8700.5504; 8700.5505; 8700.5506;
 8700.5507; 8700.5508; 8700.5509; 8700.5510; 8700.5511; 8700.5512;
 8700.5800; 8700.6310; ~~8700.6410;~~ 8700.6900; 8700.7010; 8700.7700;
 8700.7710; 8700.8000; 8700.8010; 8700.8020; 8700.8030; 8700.8040;
 8700.8050; 8700.8060; 8700.8070; 8700.8080; 8700.8090; 8700.8110;
 8700.8120; 8700.8130; 8700.8140; 8700.8150; 8700.8160; 8700.8170;
 8700.8180; 8700.8190; ~~8700.9000; 8700.9010; 8700.9020;~~ 8700.9030;
 8750.0200; 8750.0220; 8750.0240; 8750.0260; 8750.0300; 8750.0320;
 8750.0330; 8750.0350; 8750.0370; 8750.0390; 8750.0410; 8750.0430;
 8750.0460; 8750.0500; 8750.0520; 8750.0600; 8750.0620; 8750.0700;
 8750.0720; 8750.0740; 8750.0760; 8750.0780; 8750.0800; 8750.0820;
 8750.0840; 8750.0860; 8750.0880; 8750.0890; 8750.0900; 8750.0920;
 8750.1000; 8750.1100; 8750.1120; 8750.1200; 8750.1220; 8750.1240;
 8750.1260; 8750.1280; 8750.1300; 8750.1320; 8750.1340; 8750.1360;

8750.1380; 8750.1400; 8750.1420; 8750.1440; 8750.1500; 8750.1520; 8750.1540; 8750.1560; 8750.1580; 8750.1600; 8750.1700; 8750.1800; 8750.1820; 8750.1840; 8750.1860; 8750.1880; 8750.1900; 8750.1920; 8750.1930; 8750.1940; 8750.1960; 8750.1980; 8750.2000; 8750.2020; 8750.2040; 8750.2060; 8750.2080; 8750.2100; 8750.2120; 8750.2140; 8750.4000; 8750.4100; 8750.4200; 8750.9000; 8750.9100; 8750.9200; 8750.9300; 8750.9400; 8750.9500; 8750.9600; and 8750.9700, are repealed.

Sec. 14. [REVIVAL OF RULES.]

Notwithstanding Minnesota Statutes, section 645.36, Minnesota Rules, parts 8700.6410, 8700.9000, 8700.9010, 8700.9020, and 8700.9030, repealed in Laws 1993, chapter 224, article 12, section 39, paragraph (a), are revived on the effective date of section 13 [Laws 1993, chapter 224, article 12, section 39].

Sec. 15. [LAND TRANSFER.]

Subdivision 1. [PERMITTED.] (a) Notwithstanding Minnesota Statutes, chapters 94 and 103F, or any other law to the contrary, the state of Minnesota may convey the land described in paragraph (b) to independent school district No. 656, Faribault.

(b) The land which may be conveyed under paragraph (a) is legally described in general as follows:

All that part of the Southeast Quarter of the Southwest Quarter (SE 1/4 of SW 1/4) and all that part of the Southwest Quarter of the Southeast Quarter (SW 1/4 of SE 1/4), all in Section 29, Township 110 North, Range 20 West, in the City of Faribault, Rice County, Minnesota, owned by the state of Minnesota or any department or division thereof.

or

All that part of the Northwest Quarter of the Southwest Quarter (NW 1/4 of SW 1/4) of Section 28, and of the Northeast Quarter of the Southeast Quarter (NE 1/4 of SE 1/4) of Section 29, all in Township 110 North, Range 20 West, Rice County, Minnesota, owned by the state of Minnesota or any department or division thereof.

(c) A more precise legal description in substantial conformance with the description in paragraph (b) must be provided by the grantee in the instruments of conveyance. Both the precise legal descriptions and the instruments of conveyance must be approved as to form by the attorney general. The instruments of conveyance must provide that the land reverts to the state if it ceases to be used for a public purpose.

Subd. 2. [CONSIDERATION.] The consideration for the conveyance permitted by subdivision 1 is \$1.

Subd. 3. [PURPOSE.] The land permitted to be conveyed under subdivision 1 is to be used as part of a site for an elementary school.

Sec. 16. [EFFECTIVE DATE.]

Sections 13 and 14 [rules] are effective the day following final enactment.

ARTICLE 10

LIBRARIES

Section 1. [134.155] [LIBRARIANS OF COLOR PROGRAM.]

Subdivision 1. [DEFINITION.] For purposes of this section, "people of color" means permanent United States residents who are African-American, American Indian or Alaskan native, Asian or Pacific Islander, or Hispanic.

Subd. 2. [GRANTS.] The commissioner of education, in consultation with the multicultural advisory committee established in section 126.82, shall award grants for professional development programs to recruit and educate people of color in the field of library science or information management. Grant applicants must be a public library jurisdiction with a growing minority population working in collaboration with an accredited institution of higher education with a library program in the state of Minnesota.

Subd. 3. [PROGRAM REQUIREMENTS.] (a) A grant recipient shall recruit people of color to be librarians in public libraries and provide support in linking program participants with jobs in the recipient's library jurisdiction.

(b) A grant recipient shall establish an advisory council composed of representatives of communities of color.

(c) A grant recipient, with the assistance of the advisory council, shall recruit high school students, undergraduate students, or other persons; support them through the higher education application and admission process; advise them while enrolled; and link them with support resources in the college or university and the community.

(d) A grant recipient shall award stipends to people of color enrolled in an accredited library program to help cover the costs of tuition, student fees, supplies, and books. Stipend awards must be based upon a student's financial need and students must apply for any additional financial aid for which they are eligible to supplement this program. No more than ten percent of the grant may be used for costs of administering the program. Students must agree to work in the grantee library jurisdiction for at least two years after graduation if the student acquires a master's degree and at least three years after graduation if the student acquires both a bachelor's and a master's degree while participating in the program.

(e) The commissioner of education shall consider the following criteria in awarding grants:

(1) whether the program is likely to increase the recruitment and retention of persons of color in librarianship;

(2) whether grant recipients will establish or have a mentoring program for persons of color; and

(3) whether grant recipients will provide a library internship for persons of color while participating in this program.

Sec. 2. Minnesota Statutes 1992, section 134.195, subdivision 10, is amended to read:

Subd. 10. [CRITERIA.] Public library services established according to this section, including materials, programs, equipment, and other public library services, whether located in an elementary or secondary school building or elsewhere, shall be available for simultaneous use by students and residents of the area. If public library services are located in an elementary or secondary school building, a separate entrance, accessible from the outside of the school building, shall be provided for use by the residents. The library shall meet all requirements in statutes and rules applicable to public libraries and school

media centers. A media supervisor licensed by the board of teaching may be the director of the library. The library shall be centrally located in the community and available for use by residents during all hours the school is in session, at least 15 additional hours each week during evenings, and on Saturdays. ~~The library shall continue to maintain approximately the same hours of operation when the school is not in session. When school is not in session, the library may reduce its hours to maintain at least the average number of hours each week of other public libraries serving its population size.~~ The library shall have telephone service that is separate from the telephone service for the school. Public parking, restrooms, drinking water, and other necessities shall be easily accessible to residents.

Sec. 3. [APPROPRIATION.]

\$55,000 is appropriated in fiscal year 1995 from the general fund to the department of education for the librarians of color program established in section 1 [134.155].

ARTICLE 11

STATE AGENCIES

Section 1. Minnesota Statutes 1992, section 121.612, subdivision 7, is amended to read:

Subd. 7. [FOUNDATION STAFF.] (a) The state board shall appoint the executive director and other staff who shall perform duties and have responsibilities solely related to the foundation.

(b) *As part of the annual plan of work, the foundation, under the direction of the state board, may appoint up to three employees. The employees appointed under this paragraph are not state employees under chapter 43A, but are covered under section 3.736. At the foundation board's discretion, the employees may participate in the state retirement, state health, and state insurance plans for employees in unclassified service. The employees shall be supervised by the executive director.*

Sec. 2. Minnesota Statutes 1992, section 126A.04, subdivision 5, is amended to read:

Subd. 5. [GRANTS.] The director may apply for, receive, and allocate grants and other money for environmental education. *The director shall continue to make a grant to an environmental library located in the metropolitan area.*

Sec. 3. Minnesota Statutes 1992, section 129C.15, is amended by adding a subdivision to read:

Subd. 3. [CENTER RESPONSIBILITIES.] *The center shall:*

(1) *provide information and technical services to arts teachers, professional arts organizations, school districts, and the department of education;*

(2) *gather and conduct research in arts education;*

(3) *design and promote arts education opportunities for all Minnesota pupils in elementary and secondary schools; and*

(4) *serve as liaison for the department of education to national organizations for arts education.*

Sec. 4. [FEDERAL MONEY.]

The expenditures of federal grants and aids as shown in the supplemental budget document first change order are approved and appropriated and shall be spent as indicated.

Sec. 5. [FARIBAULT ACADEMIES; APPROPRIATION.]

Subdivision 1. [FARIBAULT STATE ACADEMIES; STAFF TRAINING.] \$100,000 is appropriated in fiscal year 1995 from the general fund to the department of education for the Faribault academies to pay for the costs of an intensive staff training program. The staff training shall address issues of staff awareness and understanding of blind and deaf cultures, staff skill improvement, mediation and conflict resolution, team building, and communications. A report concerning the staff training program shall be submitted to the education committees of the legislature by January 1, 1995.

Subd. 2. [UTILIZATION OF ACADEMY EMPLOYEES.] In order to utilize employees of the Faribault academies who would otherwise be laid off during June, July, and August 1994, work to be performed on the renovation of Noyes hall on the Minnesota state academy for the deaf campus and the demolition of Dow hall on the Minnesota academy for the blind campus may include state employees, provided that the work performed by state employees is necessary for the completion of the projects, results in real costs savings on the projects, and is in conformance with state employees collective bargaining agreements.

ARTICLE 12

SCHOOL BUS SAFETY

Section 1. Minnesota Statutes 1992, section 123.39, subdivision 1, is amended to read:

Subdivision 1. The board may provide for the transportation of pupils to and from school and for any other purpose for which aid is authorized under section 124.223 or for which levies are authorized under sections 124.226, 124.2716, 124.91, 124.912, 124.914, 124.916, 124.918, and 136C.411. The board may also provide for the transportation of pupils to schools in other districts for grades and departments not maintained in the district, including high school, at the expense of the district, when funds are available therefor and if agreeable to the district to which it is proposed to transport the pupils, for the whole or a part of the school year, as it may deem advisable, and subject to its rules. ~~Every driver shall possess all the qualifications required by the rules of the state board of education.~~ In any school district, the board shall arrange for the attendance of all pupils living two miles or more from the school through suitable provision for transportation or through the boarding and rooming of the pupils who may be more economically and conveniently provided for by that means. ~~A school board need not provide transportation for a pupil living two miles or more from school on any day that the pupil is ineligible to ride the school bus because the pupil's bus riding privileges have been revoked under the district's discipline policy.~~ The board shall provide transportation to and from the home of a child with a disability not yet enrolled in kindergarten when special instruction and services under section 120.17 are provided in a location other than in the child's home. When transportation is provided, scheduling of routes, establishment of the location of bus stops, manner and method of transportation, control and discipline of

school children and any other matter relating thereto shall be within the sole discretion, control, and management of the school board. The district may provide for the transportation of pupils or expend a reasonable amount for room and board of pupils whose attendance at school can more economically and conveniently be provided for by that means or who attend school in a building rented or leased by a district within the confines of an adjacent district.

Sec. 2. Minnesota Statutes 1992, section 123.78, is amended by adding a subdivision to read:

Subd. 3. [RULES.] The state board of education may amend rules relating to equal transportation.

Sec. 3. [123.799] [STUDENT TRANSPORTATION SAFETY.]

Subdivision 1. [RESERVED REVENUE USE.] A district shall use the student transportation safety reserved revenue under section 124.225, subdivision 7f, for providing student transportation safety programs to enhance student conduct and safety on the bus or when boarding and exiting the bus. A district's student transportation policy must specify the student transportation safety activities to be carried out under this section. A district's student transportation safety reserved revenue may only be used for the following purposes:

- (1) to provide paid adult bus monitors, including training and salary costs;*
- (2) to provide a volunteer bus monitor program, including training costs and the cost of a program coordinator;*
- (3) to purchase or lease optional external public address systems or video recording cameras for use on buses; and*
- (4) other activities or equipment that have been reviewed by the state school bus safety advisory committee and approved by the commissioner of public safety.*

Subd. 2. [REPORTING.] Districts shall annually report expenditures from the student transportation safety reserved revenue to the commissioner of education, who shall provide the information to the school bus safety advisory committee.

Sec. 4. [123.7991] [SCHOOL BUS SAFETY TRAINING.]

Subdivision 1. [SCHOOL BUS SAFETY WEEK.] The first week of school is designated as school bus safety week.

A school board may designate one day of school bus safety week as school bus driver day.

Subd. 2. [STUDENT TRAINING.] (a) Each school district shall provide pupils enrolled in grades kindergarten through 12 with school bus safety training. The training shall be results-oriented and shall consist of both classroom instruction and practical training using a school bus. Upon completing the training, a student shall be able to demonstrate knowledge and understanding of at least the following competencies and concepts:

- (1) transportation by school bus is a privilege not a right;*
- (2) district policies for student conduct and school bus safety;*

- (3) appropriate conduct while on the bus;
- (4) the danger zones surrounding a school bus;
- (5) procedures for safely boarding and leaving a school bus;
- (6) procedures for safe vehicle lane crossing; and
- (7) school bus evacuation and other emergency procedures.

(b) Student school bus safety training shall commence during school bus safety week. All students who are transported by school bus and are enrolled during the first week of school must demonstrate achievement of the school bus safety training competencies by the end of the third week of school. Students who enroll in a school after the first week of school and are transported by school bus shall undergo school bus safety training and demonstrate achievement of the school bus safety competencies within three weeks of the first day of attendance. The pupil transportation safety director in each district must certify to the commissioner of education annually by October 15 that all students transported by bus have satisfactorily demonstrated knowledge and understanding of the school bus safety competencies according to this section or provide an explanation for a student's failure to demonstrate the competencies.

Subd. 3. [MODEL TRAINING PROGRAM.] The commissioner of education shall develop a comprehensive model school bus safety training program for pupils who ride the bus that includes bus safety curriculum for both classroom and practical instruction, methods for assessing attainment of school bus safety competencies, and age-appropriate instructional materials.

Sec. 5. [123.801] [BUS TRANSPORTATION A PRIVILEGE, NOT A RIGHT.]

Transportation by school bus is a privilege not a right for an eligible student. A student's eligibility to ride a school bus may be revoked for a violation of school bus safety or conduct policies, or for violation of any other law governing student conduct on a school bus, pursuant to a written school district discipline policy. Revocation of a student's bus riding privilege is not an exclusion, expulsion, or suspension under the pupil fair dismissal act of 1974. Revocation procedures for a student who is an individual with a disability under the Individuals with Disabilities Education Act, United States Code, title 20, section 1400 et seq., section 504 of the Rehabilitation Act of 1973, United States Code, title 29, section 794, and the Americans with Disabilities Act, Public Law Number 101-336, are governed by these provisions.

Sec. 6. Minnesota Statutes 1992, section 124.223, is amended by adding a subdivision to read:

Subd. 11. [RULES.] The state board of education may amend rules relating to transportation aid and data.

Sec. 7. Minnesota Statutes 1992, section 124.225, is amended by adding a subdivision to read:

Subd. 7f. [RESERVED REVENUE FOR TRANSPORTATION SAFETY.] A district shall reserve an amount equal to one percent of the sum of the district's regular transportation revenue according to subdivision 7d, paragraph (a), and nonregular transportation revenue according to subdivision

7d. paragraph (b), for that school year to provide student transportation safety programs under section 3.

Sec. 8. Minnesota Statutes 1992, section 124.225, is amended by adding a subdivision to read:

Subd. 8m. [TRANSPORTATION SAFETY AID.] A district's transportation safety aid equals the district's reserved revenue for transportation safety under subdivision 7f for that school year.

Sec. 9. Minnesota Statutes 1992, section 169.01, subdivision 6, is amended to read:

Subd. 6. [SCHOOL BUS.] "School bus" means a motor vehicle used to transport pupils to or from a school defined in section 120.101, or to or from school-related activities, by the school or a school district, or by someone under an agreement with the school or a school district. A school bus does not include a motor vehicle transporting children to or from school for which parents or guardians receive direct compensation from a school district, a motor coach operating under charter carrier authority, or a transit bus providing services as defined in section 174.22, subdivision 7. A school bus may be type I A, type B, type C, or type D, type II, or type III as follows:

(a) A "type I school bus" means a school bus of more than 10,000 pounds gross vehicle weight rating, designed for carrying more than ten persons.

(b) A "type II school bus" is a bus with a gross vehicle weight rating of 10,000 pounds or less, designed for carrying more than ten persons. It must be outwardly equipped and identified as a school bus.

(1) a "type A school bus" is a conversion or body constructed upon a van-type compact truck or a front-section vehicle, with a gross vehicle weight rating of 10,000 pounds or less, designed for carrying more than ten persons;

(2) a "type B school bus" is a conversion or body constructed and installed upon a van or front-section vehicle chassis, or stripped chassis, with a gross vehicle weight rating of more than 10,000 pounds, designed for carrying more than ten persons. Part of the engine is beneath or behind the windshield and beside the driver's seat. The entrance door is behind the front wheels;

(3) a "type C school bus" is a body installed upon a flat back cowl chassis with a gross vehicle weight rating of more than 10,000 pounds, designated for carrying more than ten persons. All of the engine is in front of the windshield and the entrance door is behind the front wheels;

(4) a "type D school bus" is a body installed upon a chassis, with the engine mounted in the front, midship or rear, with a gross vehicle weight rating of more than 10,000 pounds, designed for carrying more than ten persons. The engine may be behind the windshield and beside the driver's seat; it may be at the rear of the bus, behind the rear wheels, or midship between the front and rear axles. The entrance door is ahead of the front wheels; and

(e) (5) type III school buses are restricted to passenger cars, station wagons, vans, and buses having a maximum manufacturer's rated seating capacity of ten people, including the driver, and a gross vehicle weight rating of 10,000 pounds or less. In this subdivision, "gross vehicle weight rating" means the value specified by the manufacturer as the loaded weight of a single vehicle. A "type III school bus" must not be outwardly equipped and identified as a school bus.

Sec. 10. [169.435] [STATE SCHOOL BUS SAFETY ADMINISTRATION.]

Subdivision 1. [RESPONSIBILITY; DEPARTMENT OF PUBLIC SAFETY.] The department of public safety has the primary responsibility for school transportation safety. To oversee school transportation safety, the commissioner of public safety shall establish a school bus safety advisory committee according to subdivision 2. The commissioner or the commissioner's designee shall serve as state director of pupil transportation according to subdivision 3.

Subd. 2. [SCHOOL BUS SAFETY ADVISORY COMMITTEE.] The commissioner of public safety shall establish the school bus safety advisory committee. The commissioner shall provide the committee with meeting space and clerical support. The commissioner of public safety or the commissioner's designee shall chair the committee. The members of the committee also shall include:

- (1) the commissioner of education or the commissioner's designee;*
- (2) the commissioner of human rights or the commissioner's designee;*
- (3) a county or city attorney;*
- (4) a representative of the state patrol;*
- (5) a school board member;*
- (6) a school superintendent;*
- (7) two school bus drivers, one representing the metropolitan area and one representing greater Minnesota;*
- (8) two school transportation contractors, one representing the metropolitan areas and one representing greater Minnesota;*
- (9) two school transportation safety directors, one representing the metropolitan area and one representing greater Minnesota; and*
- (10) five public members, including at least four parents of children who ride a school bus, among them a parent of a child with a disability. The public members shall be geographically representative.*

The commissioner of public safety, in consultation with the commissioner of education, shall appoint the members listed in clauses (3) to (9). The governor shall appoint the public members in clause (10). Terms, compensation, and removal of committee members shall be according to section 15.059. The committee shall meet quarterly or as required by the chair.

The duties of the committee shall include:

(1) an annual report by January 15 to the governor and the education committees of the legislature, including recommendations for legislative action when needed, on student bus safety education, school bus equipment requirements and inspection, bus driver licensing, training, and qualifications, bus operation procedures, student behavior and discipline, rules of the road, school bus safety education for the public, or any other aspects of school transportation safety the committee considers appropriate;

(2) a quarterly review of all school transportation accidents, crimes,

incidents of serious misconduct, incidents that result in serious personal injury or death, and bus driver dismissals for cause; and

(3) periodic review of school district comprehensive transportation safety policies.

Subd. 3. [PUPIL TRANSPORTATION SAFETY DIRECTOR.] The commissioner of public safety or the commissioner's designee shall serve as pupil transportation safety director.

The duties of the pupil transportation safety director shall include:

- (1) overseeing all department activities related to school bus safety;*
- (2) assisting in the development, interpretation, and implementation of laws and policies relating to school bus safety;*
- (3) supervising preparation of the school bus inspection manual;*
- (4) in conjunction with the department of education, assisting school districts in developing and implementing comprehensive transportation policies; and*
- (5) providing information requested by the school bus safety advisory committee.*

Sec. 11. [169.436] [SCHOOL DISTRICT BUS SAFETY RESPONSIBILITIES.]

Subdivision 1. [COMPREHENSIVE POLICY.] Each school district shall develop and implement a comprehensive, written policy governing pupil transportation safety. The policy shall, at minimum, contain:

- (1) provisions for appropriate student bus safety training under section 4 [123.7991];*
- (2) rules governing student conduct on school buses and in school bus loading and unloading areas;*
- (3) a statement of parent or guardian responsibilities relating to school bus safety;*
- (4) provisions for notifying students and parents or guardians of their responsibilities and the rules;*
- (5) an intradistrict system for reporting school bus accidents or misconduct, a system for dealing with local law enforcement officials in cases of criminal conduct on a school bus, and a system for reporting accidents, crimes, incidents of misconduct, and bus driver dismissals to the department of public safety under section 20 [169.452];*
- (6) a discipline policy to address violations of school bus safety rules, including procedures for revoking a student's bus riding privileges in cases of serious or repeated misconduct;*
- (7) a system for integrating school bus misconduct records with other discipline records;*
- (8) a statement of bus driver duties;*
- (9) planned expenditures for safety activities under section 3 [123.799]*

and, where applicable, provisions governing bus monitor qualifications, training, and duties;

(10) rules governing the use and maintenance of type III vehicles, drivers of type III vehicles, and the circumstances under which a student may be transported in a type III vehicle;

(11) operating rules and procedures;

(12) provisions for annual bus driver in-service training and evaluation;

(13) emergency procedures; and

(14) a system for maintaining and inspecting equipment.

School districts are encouraged to use the current edition of the "National Standards for School Buses and Operations" published by the National Safety Council in developing safety policies. Each district shall submit a copy of its policy under this subdivision to the school bus safety advisory committee no later than August 1, 1994, and review and make appropriate amendments annually by August 1.

Subd. 2. [SCHOOL TRANSPORTATION SAFETY DIRECTOR.] Each school board shall designate a school transportation safety director to oversee and implement pupil transportation safety policies. The director shall have day-to-day responsibility for pupil transportation safety.

Sec. 12. Minnesota Statutes 1992, section 169.442, subdivision 1, is amended to read:

Subdivision 1. [SIGNALS REQUIRED.] A type I A, B, C, or type II D school bus must be equipped with a stop signal arm, prewarning flashing amber signals, and flashing red signals.

Sec. 13. Minnesota Statutes 1992, section 169.443, subdivision 8, is amended to read:

Subd. 8. [USE FOR RECREATIONAL OR EDUCATIONAL ACTIVITY.] A school bus that transports over regular routes and on regular schedules persons age 18 or under to and from a regularly scheduled recreational or educational activity must comply with subdivisions 1 and 7. ~~Notwithstanding section 169.441, subdivision 3,~~ A school bus may provide such transportation only if (1) the "school bus" sign ~~required by section 169.443, subdivision 3,~~ is plainly visible; (2) the school bus has a valid certificate of inspection under section 169.451; (3) the driver of the school bus possesses a driver's license with a valid school bus endorsement under section 171.10; and (4) the entity that organizes the recreational or educational activity, or the contractor who provides the school buses to the entity, consults with the superintendent of the school district in which the activity is located or the superintendent's designee on the safety of the regular routes used.

Sec. 14. Minnesota Statutes 1992, section 169.445, subdivision 1, is amended to read:

Subdivision 1. [COOPERATION OF SCHOOL AUTHORITIES.] ~~The state board of education~~ commissioner of public safety shall ensure that local authorities having jurisdiction over school buses shall cooperate with law enforcement and judicial authorities in reporting and prosecuting violators of sections 169.443 and 169.444.

Sec. 15. Minnesota Statutes 1992, section 169.445, subdivision 2, is amended to read:

Subd. 2. [INFORMATION; RULES.] The ~~board~~ department shall compile information regarding violations, prosecutions, convictions or other disposition, and penalties imposed under sections 169.443 and 169.444. At the request of the ~~board~~ department, local school authorities shall provide this information. The ~~board~~ department may adopt rules governing the content and providing procedures for the school authorities to provide this information.

Sec. 16. Minnesota Statutes 1992, section 169.446, subdivision 3, is amended to read:

Subd. 3. [DRIVER EDUCATION PROGRAMS.] The ~~state board of education~~ commissioner of public safety shall adopt rules requiring thorough instruction concerning section 169.444 for persons enrolled in driver education programs offered at public schools. The instruction must encompass at least the responsibilities of drivers, the content and requirements of section 169.444, and the penalties for violating that section.

Sec. 17. Minnesota Statutes 1992, section 169.447, subdivision 6, is amended to read:

Subd. 6. [OVERHEAD BOOK RACKS.] Types I A, B, C, and II D school buses may be equipped with padded, permanent overhead book racks that do not hang over the center aisle of the bus.

Sec. 18. [169.449] [SCHOOL BUS OPERATIONS.]

Subdivision 1. [RULES.] The commissioner of public safety, in consultation with the school bus safety advisory committee, shall adopt rules governing the operation of school buses used for transportation of school children, when owned or operated by a school or privately owned and operated under a contract with a school, and these rules must be made a part of that contract by reference. Each school, its officers and employees, and each person employed under the contract is subject to these rules.

Subd. 2. [ENFORCEMENT.] The operation of a school bus on the public streets or highways in violation of rules concerning the operation of school buses adopted by the commissioner under subdivision 1 is a misdemeanor. The state patrol shall enforce rules adopted under subdivision 1 when a school bus is operated on a public street or highway.

Sec. 19. [169.4501] [SCHOOL BUS EQUIPMENT STANDARDS.]

Subdivision 1. [NATIONAL STANDARDS ADOPTED.] Except as provided in sections 30 [Additional Chassis Standards] and 31 [Additional Body Standards], the construction, design, equipment, and color of types A, B, C, and D school buses used for the transportation of school children shall meet the requirements of the "bus chassis standards" and "bus body standards" in the 1990 revised edition of the "National Standards for School Buses and Operations" adopted by the Eleventh National Conference on School Transportation and published by the National Safety Council. Except as provided in section 32 [Additional Special Standards], the construction, design, and equipment of types A, B, C, and D school buses used for the transportation of students with disabilities also shall meet the requirements of the "specially equipped school bus standards" in the 1990 National Standards for School Buses and Operations. The "bus chassis standards," "bus body standards,"

and "specially equipped school bus standards" sections of the 1990 revised edition of the "National Standards for School Buses and Operations" are incorporated by reference in this chapter.

Subd. 2. [APPLICABILITY.] (a) The standards adopted in this section and sections 30 and 31, govern the construction, design, equipment, and color of school buses used for the transportation of school children, when owned and operated by a school or privately owned and operated under a contract with a school, and these standards must be made a part of that contract by reference. Each school, its officers and employees, and each person employed under the contract is subject to these standards.

(b) The standards apply to school buses manufactured after July 1, 1994. Buses complying with these standards when manufactured need not comply with standards established later except as specifically provided for by law.

(c) A school bus manufactured on or before July 1, 1994, must conform to the Minnesota standards in effect on the date the vehicle was manufactured except as specifically provided for in law.

(d) A new bus body may be remounted on a used chassis provided that the remounted vehicle meets state and federal standards for new buses which are current at the time of the remounting. Permission must be obtained from the commissioner of public safety before the remounting is done. A used bus body may not be remounted on a new or used chassis.

Subd. 3. [INSPECTION MANUAL.] The department of public safety shall develop a school bus inspection manual based on the national standards adopted in subdivision 1 and Minnesota standards adopted in sections 30, 31, and 32. The Minnesota state patrol shall use the manual as the basis for inspecting buses as provided in section 169.451. When appropriate, the school bus safety advisory committee shall recommend to the education committees of the legislature modifications to the standards upon which the school bus inspection manual is based. The department of public safety has no rulemaking authority to alter the standards upon which school buses are inspected.

Subd. 4. [VARIANCES.] The commissioner of public safety, after consulting with the school bus safety advisory committee, may grant a variance to any of the standards to accommodate testing of new equipment related to school buses. The variance must not conflict with Minnesota Statutes, federal laws, or federal motor vehicle safety standards. A variance from the standards must be for the sole purpose of testing and evaluating for increased safety, efficiency, and economy of pupil transportation. The variance expires 12 months from the date of its granting by the commissioner unless the commissioner specifies an earlier expiration date. The commissioner upon granting a variance must furnish the advisory committee and the requesting operator with a written copy of the variance specifying the conditions imposed on the testing. The commissioner shall also provide a copy of the variance in writing to all contract operators and school districts. The commissioner may grant up to one 12-month extension on a variance. Annually by June 30, the advisory committee shall review all variances to see if modifications to the minimum standards should be recommended.

Sec. 20. [169.452] [ACCIDENT AND SERIOUS INCIDENT REPORTING.]

The department of public safety shall develop uniform definitions of a school bus accident, an incident of serious misconduct, and an incident that results in personal injury or death. The department shall determine what type of information on school bus accidents and incidents, including criminal conduct, and bus driver dismissals for cause should be collected and develop a uniform accident and incident reporting form to collect those data, including data relating to type III vehicles, statewide. Data collected with this reporting form shall be analyzed to help develop accident, crime, and misconduct prevention programs.

Sec. 21. [169.454] [TYPE III VEHICLE STANDARDS.]

Subdivision 1. [STANDARDS.] This section applies to type III vehicles used for the transportation of school children when owned and operated by a school district or privately owned and operated. All related equipment provided on the vehicle must comply with federal motor vehicle safety standards where applicable. If no federal standard applies, equipment must be manufacture's standard.

Subd. 2. [AGE OF VEHICLE.] Vehicles ten years or older must not be used as type III vehicles to transport school children, except those vehicles that are manufactured to meet the structural requirements of federal motor vehicle safety standard 222, Code of Federal Regulations, title 49, part 571.

Subd. 3. [COLOR.] Vehicles must be painted a color other than national school bus yellow.

Subd. 4. [FIRE EXTINGUISHER.] A minimum of one 10BC rated dry chemical type fire extinguisher is required. The extinguisher must be mounted in a bracket, and must be located in the driver's compartment and be readily accessible to the driver and passengers. A pressure indicator is required and must be easily read without removing the extinguisher from its mounted position.

Subd. 5. [FIRST AID KIT.] A minimum of a ten unit first aid kit is required. The bus must have a removable, moisture- and dust-proof first aid kit mounted in an accessible place within the driver's compartment and must be marked to indicate its location.

Subd. 6. [IDENTIFICATION.] The vehicle must not have the words "school bus" in any location on the exterior of the vehicle, or in any interior location visible to a motorist.

The vehicle must display to the rear of the vehicle this sign: "VEHICLE STOPS AT RR CROSSINGS."

The lettering (except for "AT," which may be one inch smaller) must be a minimum two-inch "Series D" as specified in standard alphabets for highway signs as specified by the Federal Highway Administration. The printing must be in a color giving a marked contrast with that of the part of the vehicle on which it is placed.

The sign must have provisions for being covered, or be of a removable or fold-down type.

Subd. 7. [LAMPS AND SIGNALS.] Installation and use of the eight-lamp warning system is prohibited.

All lamps on the exterior of the vehicle must conform with and be installed as required by federal motor vehicle safety standard 108, Code of Federal Regulations, title 49, part 571.

Subd. 8. [STOP SIGNAL ARM.] Installation and use of a stop signal arm is prohibited.

Subd. 9. [MIRRORS.] The interior clear rearview mirror must afford a good view of pupils and roadway to the rear. Two exterior clear rearview mirrors must be provided, one to the left and one to the right of the driver. Each mirror must be firmly supported and adjustable to give the driver clear view past the left rear and the right rear of the bus.

Subd. 10. [WARNING DEVICE.] A type III bus must contain at least three red reflectorized triangle road warning devices. Liquid burning "pot type" flares are not allowed.

Subd. 11. [EMERGENCY DOORS.] The doors on type III buses must remain unlocked when carrying passengers.

Subd. 12. [OPTION.] Passenger cars and station wagons may carry fire extinguisher, first aid kit, and warning triangles in the trunk or trunk area of the vehicle, if a label in the driver and front passenger area clearly indicates the location of these items.

Sec. 22. Minnesota Statutes 1992, section 169.64, subdivision 8, is amended to read:

Subd. 8. [WHITE STROBE LAMPS.] Notwithstanding sections 169.55, subdivision 1, 169.57, subdivision 3, clause (b), or any other law to the contrary, a vehicle may be equipped with a 360-degree flashing strobe lamp that emits a white light with a flash rate of 60 to 120 flashes a minute, and the lamp may be used as provided in this subdivision, if the vehicle is:

(1) a school bus that is subject to and complies with the color and equipment requirements of sections 169.441, ~~subdivisions subdivision 1 and 2,~~ and 169.442, subdivision 1. The lamp shall be permanently mounted on the longitudinal center line of the bus roof not less than five feet nor more than seven feet forward of the rear roof edge. It shall operate from a separate switch containing an indicator lamp to show when the strobe lamp is in use. The strobe lamp may be lighted only when atmospheric conditions or terrain restrict the visibility of school bus lamps and signals so as to require use of the bright strobe lamp to alert motorists to the presence of the school bus. A strobe lamp may not be lighted unless the school bus is actually being used as a school bus; or

(2) a road maintenance vehicle owned or under contract to the department of transportation or a road authority of a county, home rule or statutory city, or town, but the strobe lamp may only be operated while the vehicle is actually engaged in snow removal during daylight hours.

The strobe lamp shall be of a double flash type certified to the commissioner of public safety by the manufacturer as being weatherproof and having a minimum effective light output of 200 candelas as measured by the Blondel-Rey formula.

Sec. 23. Minnesota Statutes 1993 Supplement, section 171.321, subdivision 2, is amended to read:

Subd. 2. [RULES; QUALIFICATIONS AND TRAINING.] (a) The commissioner of public safety shall prescribe rules governing the ~~qualifications of individuals to drive school buses~~ *physical qualifications of school bus drivers and tests required to obtain a school bus endorsement*. The rules must provide that an applicant for a school bus endorsement or renewal is exempt from the physical qualifications and medical examination required to operate a school bus upon providing evidence of being medically examined and certified within the preceding 24 months as physically qualified to operate a commercial motor vehicle, pursuant to Code of Federal Regulations, title 49, part 391, subpart E, or rules of the commissioner of transportation incorporating those federal regulations.

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

Sec. 24. Minnesota Statutes 1992, section 171.321, subdivision 3, is amended to read:

Subd. 3. [STUDY OF APPLICANT.] Before issuing or renewing a school bus endorsement, the commissioner shall conduct a criminal *and driver's license* records check of the applicant. The commissioner may also conduct the check at any time while a person is so licensed. The check shall consist of a criminal records check of the state criminal records repository *and a check of the driver's license records system*. If the applicant has resided in Minnesota for less than five years, the check shall also include a criminal records check of information from the state law enforcement agencies in the states where the person resided during the five years before moving to Minnesota, and of the national criminal records repository including the criminal justice data communications network. The applicant's failure to cooperate with the commissioner in conducting the records check is reasonable cause to deny an application or cancel a school bus endorsement. The commissioner may not release the results of the records check to any person except the applicant.

Sec. 25. Minnesota Statutes 1992, section 171.321, is amended by adding a subdivision to read:

Subd. 4. [TRAINING.] *No person shall drive a class A, B, C, or D school bus when transporting school children to or from school or upon a school-related trip or activity without having demonstrated sufficient skills and knowledge to transport students in a safe and legal manner. A bus driver must have training or experience that allows the driver to meet at least the following competencies:*

(1) *safely operate the type of school bus the driver will be driving;*

(2) *understand student behavior, including issues relating to students with disabilities;*

(3) ensure orderly conduct of students on the bus and handle incidents of misconduct appropriately;

(4) know and understand relevant laws, rules of the road, and local school bus safety policies;

(5) handle emergency situations;

(6) safely load and unload students; and

(7) demonstrate proficiency in first aid and cardiopulmonary resuscitation procedures.

The commissioner of public safety, in conjunction with the commissioner of education, shall develop a comprehensive model school bus driver training program and model assessments for school bus driver training competencies, which are not subject to chapter 14. A school district may use alternative assessments for bus driver training competencies with the approval of the commissioner of public safety.

Sec. 26. Minnesota Statutes 1992, section 171.321, is amended by adding a subdivision to read:

Subd. 5. [ANNUAL EVALUATION.] A school district, nonpublic school, or private contractor shall evaluate each bus driver annually and provide in-service training necessary to assure that, at minimum, each driver continues to meet school bus driver training competencies under subdivision 4. As part of the annual evaluation, a district, nonpublic school, or private contractor shall check the license of each person who transports students for the district with the National Drivers Register or the department of public safety.

Sec. 27. Minnesota Statutes 1992, section 171.3215, is amended to read:

171.3215 [CANCELING BUS DRIVER'S ENDORSEMENT FOR CRIME AGAINST MINOR CERTAIN OFFENSES.]

Subdivision 1. [DEFINITIONS.] (a) As used in this section, the following terms have the meanings given them.

(1) (b) "School bus driver" means a person possessing a school bus driver's endorsement on a valid Minnesota driver's license or a person possessing a valid Minnesota driver's license who drives a vehicle with a seating capacity of ten or less persons used as a school bus.

(2) "Crime against a minor" means an act committed against a minor victim that constitutes a violation of section 609.185, 609.19, 609.195, 609.20, 609.205, 609.21, subdivision 1, 609.221, 609.222, 609.223, 609.342, 609.343, 609.344, 609.345, 609.352, or a felony violation of section 609.322, 609.323, 609.324, or 609.377.

(c) "Disqualifying offense" includes any felony offense, any misdemeanor, gross misdemeanor, or felony violation of chapter 152, any violation under section 609.3451, 609.746, subdivision 1, or 617.23, or a fourth moving violation within a three-year period.

Subd. 2. [CANCELLATION.] The commissioner Within 10 days of receiving notice under section 631.40, subdivision 1a, that a school bus driver has committed been convicted of a crime against a minor disqualifying offense, the commissioner shall permanently cancel the school bus driver's

endorsement on the offender's driver's license. *Within ten days of receiving notice under section 631.40, subdivision 1a, that a school bus driver has been convicted of a gross misdemeanor or a violation of section 169.121 or 169.129, and within ten days of revoking a school bus driver's license under section 169.123, the commissioner shall cancel the school bus driver's endorsement on the offender's driver's license for five years. After five years, cancellation of a school bus driver's endorsement for a conviction under section 169.121 or 169.129 shall remain in effect until the driver provides proof of successful completion of an alcohol or controlled substance treatment program. Upon canceling the offender's school bus driver's endorsement, the ~~department~~ commissioner shall immediately notify the licensed offender of the cancellation in writing, by depositing in the United States post office a notice addressed to the licensed offender at the licensed offender's last known address, with postage prepaid thereon.*

Subd. 3. [BACKGROUND CHECK.] Before issuing or renewing a driver's license with a school bus driver's endorsement, the ~~department~~ commissioner shall conduct an investigation to determine ~~whether if~~ the applicant has been convicted of committing a ~~crime against a minor~~ disqualifying offense, a violation of section 169.121 or 169.129, a gross misdemeanor, or if the applicant's driver's license has been revoked under section 169.123. The ~~department~~ commissioner shall not issue a new bus driver's endorsement and shall not renew an existing bus driver's endorsement if the applicant has been convicted of committing a ~~crime against a minor~~ disqualifying offense. The commissioner shall not issue a new bus driver's endorsement and shall not renew an existing bus driver's endorsement if, within the previous five years, the applicant has been convicted of committing a violation of section 169.121 or 169.129, or a gross misdemeanor, or if the applicant's driver's license has been revoked under section 169.123. An applicant who has been convicted of violating section 169.121 or 169.129 within the previous ten years must show proof of successful completion of an alcohol or controlled substance treatment program in order to receive a bus driver's endorsement.

Subd. 4. [WAIVER OF PERMANENT CANCELLATION.] The commissioner of public safety, in consultation with the school bus safety advisory committee, may waive the permanent cancellation requirement of section 171.3215 for a person convicted of a nonfelony violation of chapter 152 or a felony that is not a violent crime under section 609.152.

Sec. 28. Minnesota Statutes 1992, section 631.40, subdivision 1a, is amended to read:

Subd. 1a. When a person is convicted of committing a ~~crime against a minor~~ disqualifying offense, as defined in section 171.3215, subdivision 1, a gross misdemeanor, or a violation of section 169.121 or 169.129, the court shall ~~order that the presentence investigation include information about determine~~ whether the offender is a school bus driver as defined in section 171.3215, subdivision 1, whether the offender possesses a school bus driver's endorsement on the offender's driver's license and in what school districts the offender drives a school bus. If the offender is a school bus driver or possesses a school bus driver's endorsement, the court administrator shall send a certified copy of the conviction to the department of public safety and to the school districts in which the offender drives a school bus *within ten days after the conviction.*

Sec. 29. Laws 1993, chapter 224, article 12, section 39, is amended to read:

Sec. 39. [REPEALER.]

(a) Minnesota Rules, parts 3500.0500; 3500.0600, subparts 1 and 2; 3500.0605; 3500.0800; 3500.1090; 3500.1800; 3500.2950; 3500.3100, subparts 1 to 3; 3500.3500; 3500.3600; 3500.4400; 3510.2200; 3510.2300; 3510.2400; 3510.2500; 3510.2600; 3510.6200; 3520.0200; 3520.0300; 3520.0600; 3520.1000; 3520.1200; 3520.1300; 3520.1800; 3520.2700; 3520.3802; 3520.3900; 3520.4500; 3520.4620; 3520.4630; 3520.4640; 3520.4680; 3520.4750; 3520.4761; 3520.4811; 3520.4831; 3520.4910; 3520.5330; 3520.5340; 3520.5370; 3520.5461; 3525.2850; 3530.0300; 3530.0600; 3530.0700; 3530.0800; 3530.1100; 3530.1300; 3530.1400; 3530.1600; 3530.1700; 3530.1800; 3530.1900; 3530.2000; 3530.2100; 3530.2800; 3530.2900; 3530.3100, subparts 2 to 4; 3530.3200, subparts 1 to 5; 3530.3400, subparts 1, 2, and 4 to 7; 3530.3500; 3530.3600; 3530.3900; 3530.4000; 3530.4100; 3530.5500; 3530.5700; 3530.6100; 3535.0800; 3535.1000; 3535.1400; 3535.1600; 3535.1800; 3535.1900; 3535.2100; 3535.2200; 3535.2600; 3535.2900; 3535.3100; 3535.3500; 3535.9930; 3535.9940; 3535.9950; 3540.0600; 3540.0700; 3540.0800; 3540.0900; 3540.1000; 3540.1100; 3540.1200; 3540.1300; 3540.1700; 3540.1800; 3540.1900; 3540.2000; 3540.2100; 3540.2200; 3540.2300; 3540.2400; 3540.2800; 3540.2900; 3540.3000; 3540.3100; 3540.3200; 3540.3300; 3540.3400; 3545.1000; 3545.1100; 3545.1200; 3545.2300; 3545.2700; 3545.3000; 3545.3002; 3545.3004; 3545.3005; 3545.3014; 3545.3022; 3545.3024; 8700.4200; 8700.6410; 8700.6800; 8700.7100; 8700.9000; 8700.9010; 8700.9020; and 8700.9030, are repealed.

(b) Minnesota Rules, parts 3520.1600; ~~3520.2400; 3520.2500; 3520.2600; 3520.2800;~~ 3520.2900; 3520.3000; ~~3520.3100;~~ 3520.3200; ~~3520.3400;~~ 3520.3500; 3520.3680; 3520.3701; 3520.3801; 3520.4001; 3520.4100; 3520.4201; 3520.4301; 3520.4400; 3520.4510; 3520.4531; 3520.4540; 3520.4550; 3520.4560; 3520.4570; 3520.4600; 3520.4610; 3520.4650; 3520.4670; 3520.4701; 3520.4711; 3520.4720; 3520.4731; 3520.4741; 3520.4801; 3520.4840; 3520.4850; 3520.4900; 3520.4930; 3520.4980; 3520.5000; 3520.5010; 3520.5111; 3520.5120; 3520.5141; 3520.5151; 3520.5160; 3520.5171; 3520.5180; 3520.5190; 3520.5200; 3520.5220; 3520.5230; 3520.5300; 3520.5310; 3520.5361; 3520.5380; 3520.5401; 3520.5450; 3520.5471; 3520.5481; 3520.5490; 3520.5500; 3520.5510; 3520.5520; 3520.5531; 3520.5551; 3520.5560; 3520.5570; 3520.5580; 3520.5600; 3520.5611; 3520.5700; 3520.5710; 3520.5900; 3520.5910; 3520.5920; 3530.6500; 3530.6600; 3530.6700; 3530.6800; 3530.6900; 3530.7000; 3530.7100; 3530.7200; 3530.7300; 3530.7400; 3530.7500; 3530.7600; 3530.7700; and 3530.7800, are repealed.

(c) Minnesota Rules, parts 3500.1400; 3500.3700; 3510.0100; 3510.0200; 3510.0300; 3510.0400; 3510.0500; 3510.0600; 3510.0800; 3510.1100; 3510.1200; 3510.1300; 3510.1400; 3510.1500; 3510.1600; 3510.2800; 3510.2900; 3510.3000; 3510.3200; 3510.3400; 3510.3500; 3510.3600; 3510.3700; 3510.3800; 3510.7200; 3510.7300; 3510.7400; 3510.7500; 3510.7600; 3510.7700; 3510.7900; 3510.8000; 3510.8100; 3510.8200; 3510.8300; 3510.8400; 3510.8500; 3510.8600; 3510.8700; 3510.9000; 3510.9100; chapters 3515, 3517.0100; 3517.0120; 3517.3150; 3517.3170; 3517.3420; 3517.3450; 3517.3500; 3517.3650; 3517.4000; 3517.4100; 3517.4200; 3517.8500; 3517.8600; and ~~3520.2400; 3520.2500; 3520.2600; 3520.2800; 3520.3100; 3520.3400; and chapter 3560,~~ are repealed.

(d) Minnesota Rules, parts 3500.0710; 3500.1060; 3500.1075; 3500.1100; 3500.1150; 3500.1200; 3500.1500; 3500.1600; 3500.1900; 3500.2020; 3500.2100; 3500.2900; 3500.5010; 3500.5020; 3500.5030; 3500.5040; 3500.5050; 3500.5060; 3500.5070; 3505.2700; 3505.2800; 3505.2900; 3505.3000; 3505.3100; 3505.3200; 3505.3300; 3505.3400; 3505.3500; 3505.3600; 3505.3700; 3505.3800; 3505.3900; 3505.4000; 3505.4100; 3505.4200; 3505.4400; 3505.4500; 3505.4600; 3505.4700; 3505.5100; 8700.2900; 8700.3000; 8700.3110; 8700.3120; 8700.3200; 8700.3300; 8700.3400; 8700.3500; 8700.3510; 8700.3600; 8700.3700; 8700.3810; 8700.3900; 8700.4000; 8700.4100; 8700.4300; 8700.4400; 8700.4500; 8700.4600; 8700.4710; 8700.4800; 8700.4901; 8700.4902; 8700.5100; 8700.5200; 8700.5300; 8700.5310; 8700.5311; 8700.5500; 8700.5501; 8700.5502; 8700.5503; 8700.5504; 8700.5505; 8700.5506; 8700.5507; 8700.5508; 8700.5509; 8700.5510; 8700.5511; 8700.5512; 8700.5800; 8700.6310; 8700.6900; 8700.7010; 8700.7700; 8700.7710; 8700.8000; 8700.8010; 8700.8020; 8700.8030; 8700.8040; 8700.8050; 8700.8060; 8700.8070; 8700.8080; 8700.8090; 8700.8110; 8700.8120; 8700.8130; 8700.8140; 8700.8150; 8700.8160; 8700.8170; 8700.8180; 8700.8190; 8750.0200; 8750.0220; 8750.0240; 8750.0260; 8750.0300; 8750.0320; 8750.0330; 8750.0350; 8750.0370; 8750.0390; 8750.0410; 8750.0430; 8750.0460; 8750.0500; 8750.0520; 8750.0600; 8750.0620; 8750.0700; 8750.0720; 8750.0740; 8750.0760; 8750.0780; 8750.0800; 8750.0820; 8750.0840; 8750.0860; 8750.0880; 8750.0890; 8750.0900; 8750.0920; 8750.1000; 8750.1100; 8750.1120; 8750.1200; 8750.1220; 8750.1240; 8750.1260; 8750.1280; 8750.1300; 8750.1320; 8750.1340; 8750.1360; 8750.1380; 8750.1400; 8750.1420; 8750.1440; 8750.1500; 8750.1520; 8750.1540; 8750.1560; 8750.1580; 8750.1600; 8750.1700; 8750.1800; 8750.1820; 8750.1840; 8750.1860; 8750.1880; 8750.1900; 8750.1920; 8750.1930; 8750.1940; 8750.1960; 8750.1980; 8750.2000; 8750.2020; 8750.2040; 8750.2060; 8750.2080; 8750.2100; 8750.2120; 8750.2140; 8750.4000; 8750.4100; 8750.4200; 8750.9000; 8750.9100; 8750.9200; 8750.9300; 8750.9400; 8750.9500; 8750.9600; and 8750.9700, are repealed.

Sec. 30. [ADDITIONAL MINNESOTA SCHOOL BUS CHASSIS STANDARDS.]

Subdivision 1. [RELATION TO NATIONAL STANDARDS.] The bus chassis standards contained in this section are required in addition to those required by Minnesota Statutes, section 169.4501. When a Minnesota standard contained in this section conflicts with a national standard adopted in Minnesota Statutes, section 169.4501, the Minnesota standard contained in this section is controlling.

Subd. 2. [BRAKES.] The braking system must include an emergency brake. The braking system must meet federal motor vehicle safety standards in effect at the time of manufacture. All buses manufactured with air brakes after January 1, 1995, shall have automatic slack adjusters.

Subd. 3. [CERTIFICATION.] A chassis manufacturer shall certify that the product meets Minnesota standards. All buses with a certified manufacturing date prior to April 1, 1977, shall not be recertified as a school bus after January 1, 1996.

Subd. 4. [COLOR.] Fenders may be painted black. The hood may be

painted nonreflective black or nonreflective yellow. The grill may be manufacturer's standard color.

Subd. 5. [ELECTRICAL SYSTEM; BATTERY.] (a) The storage battery, as established by the manufacturer's rating, must be of sufficient capacity to care for starting, lighting, signal devices, heating, and other electrical equipment. In a bus with a gas-powered chassis, the battery or batteries must provide a minimum of 800 cold cranking amperes. In a bus with a diesel-powered chassis, the battery or batteries must provide a minimum of 1050 cold cranking amperes.

(b) In a type B bus with a gross vehicle weight rating of 15,000 pounds or more, and type C and D buses, the battery shall be temporarily mounted on the chassis frame. The final location of the battery and the appropriate cable lengths in these buses must comply with the SBMI design objectives booklet.

(c) All batteries shall be mounted according to chassis manufacturers' recommendations.

(d) In a type C bus, other than are powered by diesel fuel, a battery providing at least 550 cold cranking amperes may be installed in the engine compartment only if used in combination with a generator or alternator of at least 120 amperes.

(e) A bus with a gross vehicle weight rating of 15,000 pounds or less may be equipped with a battery to provide a minimum of 550 cold cranking amperes only if used in combination with an alternator of at least 80 amperes. This paragraph does not apply to those buses with wheel chair lifts or diesel engines.

Subd. 6. [ELECTRICAL SYSTEM; ALTERNATOR.] A bus must be capable of providing enough current at 1400 rpms to provide a positive charge to the battery with 80 percent of maximum load with all lights and accessories on. A type B bus with a gross vehicle weight rating of up to 15,000 pounds equipped with an electrical power lift must have a minimum 100 ampere per hour alternator. If not protected by a grommet, wiring passing through holes must be encased in an abrasive-resistant protective covering.

Subd. 7. [ENGINES.] All new type B buses with a gross vehicle weight rating that exceeds 15,000 pounds and type C and type D buses purchased after January 1, 1995, shall be equipped with diesel or other alternate fuel engines.

Subd. 8. [EXHAUST SYSTEM.] The tailpipe must:

(1) extend to but not more than one inch beyond the bumper and be mounted outside of the chassis frame rail; or

(2) extend to but not more than one inch beyond the left side of the bus, behind the driver's compartment. A type A bus and a type B bus with a gross vehicle weight rating under 15,000 pounds, shall comply with the manufacturer's standard. No exhaust pipe may exit beneath an emergency exit, or, on a type C or type D bus, under the fuel fill location. No exhaust pipe shall be reduced in size beyond the muffler.

Subd. 9. [FRAME.] Installation of a trailer hitch is permitted. A hitch shall be flush mounted.

Subd. 10. [FUEL TANK.] If mounted behind the rear wheels, the fuel tank on a vehicle constructed with a power lift unit shall be between the frame rails. Fuel tanks for a type A bus and for a type B bus with a gross vehicle weight rating under 15,000 pounds may be manufacturer standard and must conform with federal motor vehicle safety standard number 301, Code of Federal Regulations, title 49, part 571.

Subd. 11. [HORN.] A bus shall be equipped with a horn in good working order and capable of emitting sound audible under normal conditions from a distance of not less than 200 feet.

Subd. 12. [TIRES AND RIMS.] Radial and bias ply tires shall not be used on the same axle. Front tire tread depth shall not be less than 4/32 inch in any major tire tread groove. Rear tire tread shall not be less than 2/32 inch. Tires must be measured in three locations around the tire, in two adjoining grooves. No recapped tires shall be used on the front wheels. Recapped tires are permitted on the rear wheels.

Subd. 13. [TRANSMISSION.] The transmission shifting pattern must be permanently displayed in the driver's full view.

Sec. 31. [ADDITIONAL MINNESOTA SCHOOL BUS BODY STANDARDS.]

Subdivision 1. [RELATION TO NATIONAL STANDARDS.] The bus body standards contained in this section are required in addition to those required by Minnesota Statutes, section 169.450, and section 30. When a Minnesota standard contained in this section conflicts with a national standard adopted in Minnesota Statutes, section 169.450, the Minnesota standard contained in this section is controlling.

Subd. 2. [BACKUP WARNING ALARM.] A spring-loaded button in the driver's compartment that will temporarily disable the backup alarm is allowed for usage in school bus overnight parking lots and repair facilities.

Subd. 3. [BUMPER; FRONT.] On a type D school bus, the bumper shall conform to federal motor vehicle safety standards.

Subd. 4. [CERTIFICATION.] A body manufacturer shall certify that the product meets Minnesota standards.

Subd. 5. [COLOR.] Fenderettes may be black. The beltline may be painted yellow over black or black over yellow. The rub rails shall be black. The reflective material on the sides of the bus body shall be at least one inch but not more than two inches in width. This reflective material requirement and the requirement that "SCHOOL BUS" signs have reflective material as background are effective for buses manufactured after January 1, 1996.

Subd. 6. [COMMUNICATIONS.] All buses manufactured after January 1, 1995, shall have a two-way voice communications system.

Subd. 7. [CONSTRUCTION.] The metal floor shall be covered with plywood. The plywood shall be at least 19/32 inches thick, and must equal or exceed properties of exterior-type softwood plywood, grade C-D, as specified in product standard PSI-183 issued by the United States Department of Commerce. The floor shall be level from front to back, and side to side, except in wheel housing, toe board, and driver's seat platform areas.

Subd. 8. [DEFROSTERS.] *Except as provided in this subdivision, defrosters and two auxiliary fans must direct a sufficient flow of heated air and shall be of sufficient capacity to keep the windshield, window to the left of the driver, and glass in the entrance door clear of fog, frost, and snow. A type A or type B bus with a gross vehicle weight rating under 15,000 pounds may be equipped with one auxiliary fan.*

Subd. 9. [DOORS; SERVICE DOOR.] *A type B bus with a gross vehicle weight rating of 15,000 pounds or over may not have a door to the left of the driver. A type B bus with a gross vehicle weight rating under 15,000 pounds may be equipped with chassis manufacturer's standard door.*

Subd. 10. [EMERGENCY EQUIPMENT; FIRE EXTINGUISHERS.] *The fire extinguisher must have at least a 10BC rating.*

Subd. 11. [EMERGENCY EQUIPMENT; WARNING DEVICES.] *A flashlight with a minimum of two "C" batteries shall be included as part of the emergency equipment. Each bus equipped with seat belts for pupil passengers shall contain a seat belt cutter for use in emergencies. The belt cutter must be designed to eliminate the possibility of injury during use, and must be secured in a safe location.*

Subd. 12. [HEATERS.] *The heating system shall be capable of maintaining the temperature throughout the bus of not less than 50 degrees Fahrenheit during average minimum January temperature as established by the United States Department of Commerce. In a bus with a combustion heater, the heater must be installed by the body manufacturer, by an authorized dealer or authorized garage, or by a mechanic trained in the procedure.*

Subd. 13. [IDENTIFICATION.] (a) *Each bus shall, in the beltline, identify the school district serviced, or company name, or owner of the bus. Numbers necessary for identification must appear on the sides and rear of the bus. Symbols or letters may be used on the outside of the bus near the entrance door for student identification. A manufacturer's nameplate may be placed on the side of the bus near the entrance door and on the rear.*

(b) *Effective July 1, 1994, all buses sold must display lettering "Unlawful to pass when red lights are flashing" on the rear of the bus. The lettering shall be in two-inch black letters on school bus yellow background. This message shall be displayed directly below the upper window of the rear door. On rear engine buses, it shall be centered at approximately the same location. Only signs and lettering approved or required by state law may be displayed.*

Subd. 14. [INSULATION.] (a) *Ceilings and wall shall be insulated to a minimum of one and one-half inch fiberglass and installed so the insulation does not compact or sag. Floor insulation must be nominal 19/32 inches thick plywood, or a material of equal or greater strength and insulation R value that equals or exceeds properties of exterior-type softwood plywood, C-D grade as specified in standard issued by the United States Department of Commerce. Type A and B buses with a gross vehicle weight rating under 15,000 pounds must have a minimum of one-half inch plywood. All exposed edges on plywood shall be sealed. Every school bus shall be constructed so that the noise level taken at the ear of the occupant nearest to the primary vehicle noise source shall not exceed 85 dba when tested according to procedures in the 1990 national standards for school buses and operations.*

(b) The underside of metal floor may be undercoated with polyurethane floor insulation, foamed in place. The floor insulation must be combustion resistant. The authorization in this paragraph does not replace the plywood requirement.

Subd. 15. [INTERIOR.] Interior speakers, except in the driver's compartment, must not protrude more than one-half inch from the mounting surface.

Subd. 16. [LAMPS AND SIGNALS.] (a) Each school bus shall be equipped with a system consisting of four red signal lamps designed to conform to SAE Standard J887, and four amber signal lamps designed to that standard, except for color, and except that their candlepower must be at least 2-1/2 times that specified for red turn signal lamps. Both red and amber signal lamps must be installed in accordance with SAE Standard J887, except that each amber signal lamp must be located near each red signal lamp, at the same level, but closer to the centerline of the bus. The system must be wired so that the amber signal lamps are activated only by hand operation, and if activated, are automatically deactivated and the red signal lamps are automatically activated when the bus entrance door is opened. Signal lamps must flash alternately. Each signal lamp must flash not less than 60 nor more than 120 flashes per minute. The "on" period must be long enough to permit filament to come up to full brightness. There must be a pilot lamp which goes on when the respective amber or red system is activated. The pilot lamp must either go out or flash at an alternate rate in the event the system is not functioning normally. The signal lamp system must include a closed control box. The box must be as small as practical, and must be easily dismounted or partially disassembled to provide access for maintenance purposes. The control panel box shall be arranged such that the momentary activating switch for the eight-lamp warning system shall be located on the left, the red (or red and amber) pilot light shall be located in the middle, and the eight-way master switch shall be located on the right. The control box must be securely mounted to the right of the steering wheel, within easy unobstructed reach of the driver. Switches and pilot lamp must be readily visible to the driver. The activating switch may be self-illuminated. Other warning devices or lamp controls must not be placed near the lamp control. The stop arm shall extend automatically whenever the service entrance door is opened and the eight-way lights are activated.

(b) If installed, a white flashing strobe shall be of a double flash type and have minimum effective light output of 200 candelas. No roof hatch can be mounted behind the strobe light.

(c) Type B, C, and D buses shall have an amber clearance lamp with a minimum of four candlepower mounted on the right side of the body at approximately seat level rub rail height just to the rear of the service door and another one at approximately opposite the driver's seat on the left side. These lamps are to be connected to operate only with the regular turn signal lamps.

(d) All lamps on the exterior of the vehicle must conform with and be installed as required by federal motor vehicle safety standard number 108, Code of Federal Regulations, title 49, part 571.

(e) A type A, B, C, or D school bus manufactured for use in Minnesota after December 31, 1994, may not be equipped with red turn signal lenses on the rear of the bus.

Subd. 17. [MIRRORS.] A type B bus with a gross vehicle weight rating less than 15,000 pounds shall have a minimum of six-inch by 16-inch mirror. A type B bus with a gross vehicle weight rating over 15,000 pounds shall have a minimum of a six-inch by 30-inch mirror. After January 1, 1995, all school buses must be equipped with a minimum of two crossover mirrors, mounted to the left and right sides of the bus.

Subd. 18. [OVERALL WIDTH.] The overall width limit excludes mirrors, mirror brackets, and the stop arm.

Subd. 19. [RUB RAILS.] There shall be one rub rail at the base of the skirt of the bus on all type B, C, and D buses.

Subd. 20. [SEAT AND CRASH BARRIERS.] All restraining barriers and passenger seats shall be covered with a material that has fire retardant or fire block characteristics. All seats must face forward. All seat and crash barriers must be installed according to and conform to federal motor vehicle safety standard number 222, Code of Federal Regulations, title 49, part 571.

Subd. 21. [STOP SIGNAL ARM.] The stop signal arm shall be installed near the front of the bus.

Subd. 22. [SUN SHIELD.] A type A bus and a type B bus with a gross vehicle weight rating less than 15,000 pounds must be equipped with the standard manufacturer's solid visor is acceptable or a six-inch by 16-inch sun shield.

Subd. 23. [WINDOWS.] Windshield, entrance, and rear emergency exit doors must be of approved safety glass. Laminated or tempered glass (AS-2 or AS-3) is permitted in all other windows. All glass shall be federally approved and marked as provided in Minnesota Statutes, section 169.74. The windshield may be of uniform tint throughout or may have a horizontal gradient band starting slightly above the line of vision and gradually decreasing in light transmission to 20 percent or less at the top of the windshield. The use of tinted glass, as approved by Minnesota Statutes, section 169.71, is permitted on side windows and rear windows except for the entrance door, the first window behind the service door, and the window to the left of the driver. The window to the left of the driver, the upper service door windows, and the window immediately behind the entrance door must be thermal glass. The window to the left of the driver for type A and B buses with a gross vehicle weight rating under 15,000 pounds need not be thermal glass.

Subd. 24. [WIRING.] If not protected by a grommet, wire that passes through holes shall be encased in an abrasive-resistant protective covering. If a master cutoff switch is used, it shall not be wired as to kill power to the electric brake system.

Sec. 32. [ADDITIONAL MINNESOTA STANDARDS FOR SPECIALLY EQUIPPED SCHOOL BUSES.]

Subdivision 1. [RELATION TO NATIONAL STANDARDS.] The specially equipped school bus standards contained in this section are required in addition to those required by Minnesota Statutes, section 169.450. When a Minnesota standard contained in this section conflicts with a national standard adopted in Minnesota Statutes, section 169.450, the Minnesota standard contained in this section is controlling.

Subd. 2. [COMMUNICATIONS.] All vehicles used to transport disabled students shall be equipped with a two-way communication system.

Subd. 3. [RESTRAINING DEVICES.] Special restraining devices such as shoulder harnesses, lap belts, and chest restraint systems may be installed to the seats if the devices do not require the alteration in any form of the seat, seat cushion, framework, or related seat components. The restraints must be for the sole purpose of restraining students with disabilities.

Subd. 4. [SECUREMENT SYSTEM FOR MOBILE SEATING.] Wheelchair securement devices must comply with all requirements for wheelchair securement systems contained in federal regulation in effect on the later of the date the bus was manufactured or the date that a wheelchair securement system was added to the bus.

Sec. 33. [OPERATIONS RULES; CONTINUED EFFECT.]

Notwithstanding Minnesota Statutes 1992, section 14.05, subdivision 1, Minnesota Rules 1991, parts 3520.2400, 3520.2500, 3520.2600, 3520.2800, 3520.3100, and 3520.3400, remain in effect prior to June 30, 1995, until the commissioner of public safety adopts rules relating to school bus operations.

Sec. 34. [CURRENT BUS DRIVER TRAINING TIMELINE.]

A school bus driver hired before the effective date of section 25 must meet the training competencies during the driver's first annual evaluation under section 26.

Sec. 35. [APPROPRIATION; DEPARTMENT OF EDUCATION.]

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 year designated.

Subd. 2. [STUDENT TRANSPORTATION SAFETY.] For student transportation safety revenue according to Minnesota Statutes, section 123.799:

\$2,994,000 1995

Sec. 36. [APPROPRIATION; DEPARTMENT OF PUBLIC SAFETY.]

Subdivision 1. [DEPARTMENT OF PUBLIC SAFETY.] The sums indicated in this section are appropriated from the general fund to the commissioner of public safety for the fiscal year designated.

Subd. 2. [SAFETY ADVISORY COMMITTEE.] For the school bus safety advisory committee according to Minnesota Statutes, section 169.44:

\$6,500 1995

Sec. 37. [REPEALER.]

Minnesota Statutes 1992, sections 169.441, subdivisions 2 and 3; 169.442, subdivisions 2 and 3; 169.445, subdivision 3; 169.45; and 169.447, subdivision 3, are repealed. Minnesota Statutes 1993 Supplement, section 123.80, is repealed.

Minnesota Rules 1991, parts 3520.3600 and 3520.3700, are repealed.

ARTICLE 13

CONFORMING AMENDMENTS

Section 1. Minnesota Statutes 1992, 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 districts;
- (2) at least four districts with a total of at least 5,000 pupils in average daily membership; or
- (3) at least four districts with a total of at least 2,000 square miles.

Members of an education district must be contiguous. Districts with a cooperation agreement according to section 122.541 may belong to an education district only as a unit.

A noncontiguous district may be a member of an education district if the state board of education determines that:

- (1) a district between the education district and the noncontiguous district has considered and is unwilling to become a member; or
- (2) a noncontiguous configuration of member districts has sufficient technological or other resources to offer effective levels of programs and services ~~required under sections 122.94, subdivision 2, and 122.945.~~

Sec. 2. Minnesota Statutes 1992, section 122.937, subdivision 4, is amended to read:

Subd. 4. [JOINDER AND WITHDRAWAL.] (a) ~~Notwithstanding section 122.91, subdivision 5,~~ A member district of an education district that has entered into a collective bargaining agreement negotiated by the education district under this section may withdraw from the education district only at the end of a two-year period for which the collective bargaining agreement is in effect. A member district withdrawing under this subdivision must notify the education district board at least 365 days before withdrawing. The teachers in a withdrawing member district are governed by the collective bargaining agreement in effect for the education district until a successor agreement is negotiated by the withdrawing district.

(b) ~~Notwithstanding section 122.91, subdivision 5,~~ A school district may join an education district that has entered into a collective bargaining agreement negotiated by the education district under this section only at the end of the two-year period for which the collective bargaining agreement is in effect.

Sec. 3. Minnesota Statutes 1993 Supplement, 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 paragraph (c), clause (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 15 percent per year for districts operating a program under section 121.585 for grades 1 to 12 for all students in the district and 12-1/2 percent per year for other districts 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 169.01, subdivision 6, ~~paragraph (e)~~ clause (5), 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) "Transportation category" means a category of transportation service provided to pupils as follows:

(1) Regular transportation is transportation services provided during the regular school year under section 124.223, subdivisions 1 and 2, excluding the following transportation services provided under section 124.223, subdivision 1: transportation between schools; noon transportation to and from school for kindergarten pupils attending half-day sessions; 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.

(2) Nonregular transportation is transportation services provided under section 124.223, subdivision 1, that are excluded from the regular category and transportation services provided under section 124.223, subdivisions 3, 4, 5, 6, 7, 8, 9, and 10.

(3) Excess transportation is transportation to and from school during the regular school year 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, drug, or crime hazards.

(4) Desegregation transportation is transportation during the regular school year of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the state board or under court order.

(5) Handicapped transportation is transportation provided under section 124.223, subdivision 4, for pupils with a disability between home or a respite care facility and school or other buildings where special instruction required by section 120.17 is provided.

(d) "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.

(e) "Current year" means the school year for which aid will be paid.

(f) "Base year" means the second school year preceding the school year for which aid will be paid.

(g) "Base cost" means the ratio of:

(1) the sum of the authorized cost in the base year for regular transportation as defined in paragraph (b) plus the actual cost in the base year for excess transportation as defined in paragraph (c);

(2) to the sum of the number of weighted FTE's in the regular and excess categories in the base year.

(h) "Pupil weighting factor" for the excess transportation category for a school district means the lesser of one, or the result of the following computation:

(1) Divide the square mile area of the school district by the number of FTE's in the regular and excess categories in the base year.

(2) Raise the result in clause (1) to the one-fifth power.

(3) Divide four-tenths by the result in clause (2).

The pupil weighting factor for the regular transportation category is one.

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

(j) "Sparsity index" for a school district means the greater of .005 or the ratio of the square mile area of the school district to the sum of the number of weighted FTE's transported by the district in the regular and excess categories in the base year.

(k) "Density index" for a school district means the greater of one or the result obtained by subtracting the product of the district's sparsity index times 20 from two.

(l) "Contract transportation index" for a school district means the greater of one or the result of the following computation:

(1) Multiply the district's sparsity index by 20.

(2) Select the lesser of one or the result in clause (1).

(3) Multiply the district's percentage of regular FTE's in the current year using vehicles that are not owned by the school district by the result in clause (2).

(m) "Adjusted predicted base cost" means the predicted base cost as computed in subdivision 3a as adjusted under subdivision 7a.

(n) "Regular transportation allowance" means the adjusted predicted base cost, inflated and adjusted under subdivision 7b.

Sec. 4. Minnesota Statutes 1992, section 124.2721, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] An education district is eligible for education district revenue if the department certifies that it meets the requirements of ~~sections~~ section 122.91, subdivisions 3 and 4, ~~and 122.945~~. The pupil units of a school district that is a member of intermediate district No. 287, 916, or 917 may not be used to obtain revenue under this section. The pupil units of a school district may not be used to obtain revenue under this section and section 124.575.

Sec. 5. Minnesota Statutes 1992, section 124.2721, subdivision 5, is amended to read:

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

The education district board may pay to member school districts a part of the education district revenue received by the education district under this section only for programs that are (1) available to all member districts, ~~and (2) included in the five-year plan under section 122.945.~~

Sec. 6. Minnesota Statutes 1992, section 136D.23, subdivision 2, is amended to read:

Subd. 2. [LIABILITY.] Except as to certificates of indebtedness or bonds issued under ~~sections 136D.27 and~~ section 136D.28 hereof, no participating school district shall have individual liability for the debts and obligations of the board nor shall any individual serving as a member of the board have such liability.

Sec. 7. Minnesota Statutes 1992, section 136D.26, is amended to read:

136D.26 [DISTRICT CONTRIBUTIONS, DISBURSEMENTS, CONTRACTS.]

~~In addition to or in lieu of the certification of tax levies by the joint school board under section 136D.27,~~ The participating school districts may contribute funds to the board. Disbursements shall be made by the board in accordance with section 123.34. This board shall be subject to section 123.37.

Sec. 8. Minnesota Statutes 1992, section 136D.74, subdivision 2a, is amended to read:

Subd. 2a. [PROHIBITED LEVIES.] Notwithstanding subdivision 4, ~~section 136D.73, subdivision 3,~~ or any other law to the contrary, the intermediate school board may not certify, either itself, to any participating district, or to any cooperating school district, any levies for any purpose, except the levies authorized by sections 124.2727, 124.83, subdivision 4, 127.05, 136C.411, 275.48, and 475.61, and for the intermediate school board's obligations under section 268.06, subdivision 25, for which a levy is authorized by section 124.912, subdivision 1.

Sec. 9. Minnesota Statutes 1992, section 136D.83, subdivision 2, is amended to read:

Subd. 2. [LIABILITY.] Except as to certificates of indebtedness or bonds issued under section ~~136D.87~~ or 136D.89 hereof, no participating school district shall have individual liability for the debts and obligations of the board nor shall any individual serving as a member of the board have such liability.

Sec. 10. Minnesota Statutes 1992, section 136D.86, is amended to read:

136D.86 [DISTRICT CONTRIBUTIONS, DISBURSEMENTS, CONTRACTS.]

~~In addition to or in lieu of the certification of tax levies by the joint school board under section 136D.87,~~ The participating school districts may contribute funds to the board. Disbursements shall be made by the board in accordance with section 123.34. This board shall be subject to section 123.37.

Sec. 11. Minnesota Statutes 1992, section 169.443, subdivision 8, is amended to read:

Subd. 8. [USE FOR RECREATIONAL OR EDUCATIONAL ACTIVITY.] A school bus that transports over regular routes and on regular schedules persons age 18 or under to and from a regularly scheduled recreational or educational activity must comply with subdivisions 1 and 7. ~~Notwithstanding section 169.441, subdivision 3,~~ A school bus may provide such transportation only if (1) the "school bus" sign required by section 169.443, subdivision 3, is plainly visible; (2) the school bus has a valid certificate of inspection under section 169.451; (3) the driver of the school bus possesses a driver's license with a valid school bus endorsement under section 171.10; and (4) the entity that organizes the recreational or educational activity, or the contractor who provides the school buses to the entity, consults with the superintendent of the school district in which the activity is located or the superintendent's designee on the safety of the regular routes used.

Sec. 12. Minnesota Statutes 1992, section 169.64, subdivision 8, is amended to read:

Subd. 8. [WHITE STROBE LAMPS.] Notwithstanding sections 169.55, subdivision 1, 169.57, subdivision 3, clause (b), or any other law to the contrary, a vehicle may be equipped with a 360-degree flashing strobe lamp that emits a white light with a flash rate of 60 to 120 flashes a minute, and the lamp may be used as provided in this subdivision, if the vehicle is:

(1) a school bus that is subject to and complies with the ~~color and~~ equipment requirements of sections 169.441, ~~subdivisions~~ *subdivision 1* and 2, and 169.442, subdivision 1. The lamp shall be permanently mounted on the longitudinal center line of the bus roof not less than five feet nor more than seven feet forward of the rear roof edge. It shall operate from a separate switch containing an indicator lamp to show when the strobe lamp is in use. The strobe lamp may be lighted only when atmospheric conditions or terrain restrict the visibility of school bus lamps and signals so as to require use of the bright strobe lamp to alert motorists to the presence of the school bus. A strobe lamp may not be lighted unless the school bus is actually being used as a school bus; or

(2) a road maintenance vehicle owned or under contract to the department of transportation or a road authority of a county, home rule or statutory city,

or town, but the strobe lamp may only be operated while the vehicle is actually engaged in snow removal during daylight hours.

The strobe lamp shall be of a double flash type certified to the commissioner of public safety by the manufacturer as being weatherproof and having a minimum effective light output of 200 candelas as measured by the Blondel-Rey formula.

Sec. 13. Minnesota Statutes 1992, section 171.01, subdivision 22, is amended to read:

Subd. 22. [COMMERCIAL MOTOR VEHICLE.] "Commercial motor vehicle" means a motor vehicle or combination of motor vehicles used to transport passengers or property if the motor vehicle:

- (1) has a gross vehicle weight of more than 26,000 pounds;
- (2) has a towed unit with a gross vehicle weight of more than 10,000 pounds and the combination of vehicles has a combined gross vehicle weight of more than 26,000 pounds;
- (3) is a bus;
- (4) is of any size and is used in the transportation of hazardous materials, except for those vehicles having a gross vehicle weight of 26,000 pounds or less and carrying in bulk tanks a total of not more than 200 gallons of liquid fertilizer and petroleum products; or
- (5) is outwardly equipped and identified as a school bus, except for school buses defined in section 169.01, subdivision 6, ~~paragraph (e)~~ clause (5).

Sec. 14. [REVISOR INSTRUCTION.]

In the next edition of Minnesota Statutes, the revisor shall make corrections necessary to ensure that Part H legislation under Minnesota Statutes, section 120.1701, is correctly referenced in the statutes to comply with federal and state law."

Delete the title and insert:

"A bill for an act relating to education; prekindergarten through grade 12; providing for general education revenue; transportation; special programs; community programs; facilities; organization and cooperation; commitment to excellence; other education programs; miscellaneous provisions; libraries; state agencies; conforming references to repealed law; appropriating money; amending Minnesota Statutes 1992, sections 13.04, by adding a subdivision; 120.062, subdivision 12, and by adding a subdivision; 120.101, subdivision 5, and by adding a subdivision; 120.17, subdivision 1; 121.612, subdivision 7; 121.904, subdivision 4e; 121.935, subdivision 6; 122.23, subdivisions 6, 8, 10, 13, and by adding a subdivision; 122.531, subdivision 9; 122.533; 122.91, subdivision 3; 122.937, subdivision 4; 123.35, subdivision 19a, and by adding subdivisions; 123.3514, subdivisions 3 and 4; 123.39, subdivision 1; 123.58, subdivisions 2 and 4; 123.78, by adding a subdivision; 124.17, subdivision 1d; 124.19, subdivision 1b; 124.195, subdivision 3a; 124.214, subdivision 2; 124.223, subdivision 1, and by adding subdivisions; 124.225, by adding subdivisions; 124.244, subdivision 4; 124.248, subdivision 3; 124.26, subdivision 1b; 124.2601, subdivisions 3, 5, and 7; 124.2711, by adding a subdivision; 124.2713, by adding a subdivision; 124.2721, subdivisions 1 and 5; 124.2725, subdivision 16; 124.46, subdivision 3; 124.573, by adding a

subdivision; 124.90, by adding a subdivision; 124.912, subdivision 6, and by adding a subdivision; 124.914, subdivision 1; 124.95, subdivision 4; 124A.02, by adding a subdivision; 124A.26, by adding a subdivision; 124A.28, by adding a subdivision; 125.09, subdivision 1; 125.135, subdivision 2; 125.188, subdivision 1; 126.02, subdivision 1; 126.23; 126.51, subdivision 1; 126.69, subdivisions 1 and 3; 126A.04, subdivision 5; 127.03, subdivision 3; 127.27, subdivision 5; 129C.15, by adding a subdivision; 134.195, subdivision 10; 136A.125, subdivision 3; 136D.23, subdivision 2; 136D.26; 136D.281, by adding a subdivision; 136D.74, subdivision 2a; 136D.741, by adding a subdivision; 136D.83, subdivision 2; 136D.86; 136D.88, by adding a subdivision; 169.01, subdivision 6; 169.442, subdivision 1; 169.443, subdivision 8; 169.445, subdivisions 1 and 2; 169.446, subdivision 3; 169.447, subdivision 6; 169.64, subdivision 8; 171.01, subdivision 22; 171.321, subdivision 3, and by adding subdivisions; 171.3215; 272.02, subdivision 8; 475.61, subdivision 4; 631.40, subdivision 1a; Minnesota Statutes 1993 Supplement, sections 16A.152, subdivision 2; 120.064, subdivisions 3, 8, 9, and 16; 120.101, subdivision 5b; 120.17, subdivisions 3, 11b, 12, and 17; 121.11, subdivision 7d; 121.702, subdivisions 2 and 9; 121.703; 121.705; 121.706; 121.707; 121.708; 121.709; 121.710; 121.8355, subdivision 1; 121.885, subdivisions 1, 2, and 4; 121.904, subdivisions 4a and 4c; 123.351, subdivision 8; 123.58, subdivisions 6, 7, 8, and 9; 124.155, subdivisions 1 and 2; 124.17, subdivision 1; 124.19, subdivision 1; 124.225, subdivision 1; 124.226, subdivisions 3a and 9; 124.243, subdivision 8; 124.244, subdivision 1; 124.248, subdivision 4; 124.26, subdivisions 1c and 2; 124.2711, subdivision 1; 124.2714; 124.2727, subdivisions 6a, 6d, and 8; 124.573, subdivisions 2b, 2e, and 3; 124.83, subdivision 1; 124.91, subdivisions 3 and 5; 124.914, subdivision 4; 124.95, subdivision 1; 124A.03, subdivisions 1c and 3b; 124A.22, subdivisions 5 and 9; 124A.225, subdivisions 1, 4, and by adding a subdivision; 124A.23, subdivision 1; 124A.29, subdivision 1; 124A.292, subdivision 3; 124C.60; 125.05, subdivision 1a; 125.138, subdivision 9; 125.185, subdivision 4; 125.230, subdivisions 3, 4, and 6; 125.231, subdivisions 1 and 4; 125.623, subdivision 3; 126.239, subdivision 3; 126.70, subdivisions 1 and 2a; 171.321, subdivision 2; 275.48; Laws 1993, chapter 224, articles 1, section 38; 4, section 44, subdivision 6; 5, sections 43 and 46, subdivisions 2, 3, and 4; 7, section 28, subdivisions 3, 4, and 11; 8, section 22, subdivision 12; 12, sections 26 and 39; and 15, section 2; proposing coding for new law in Minnesota Statutes, chapters 120; 121; 122; 123; 124; 126; 134; 169; repealing Minnesota Statutes 1992, sections 121.935, subdivision 7; 122.91, subdivisions 5 and 7; 122.93, subdivision 7; 122.937; 122.94, subdivisions 2, 3, and 6; 122.945; 136D.22, subdivision 3; 136D.27; 136D.71, subdivision 2; 136D.73, subdivision 3; 136D.74, subdivisions 2a, 2b, and 4; 136D.82, subdivision 3; 136D.87; 169.441, subdivisions 2 and 3; 169.442, subdivisions 2 and 3; 169.445, subdivision 3; 169.447, subdivision 3; 169.45; Minnesota Statutes 1993 Supplement, sections 121.935, subdivision 5; 123.80; 124.2727, subdivisions 6, 7, and 8; Laws 1992, chapter 499, article 6, section 39, subdivision 3; Laws 1993, chapter 224, article 8, section 14; Minnesota Rules 1991, parts 3520.3600; and 3520.3700."

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

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

SUSPENSION OF RULES

Mr. Moe, R.D. moved that Joint Rule 2.03 be suspended as to the Committee Report on S.F. No. 2206. The motion prevailed. Amendments adopted. Report adopted:

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

S.F. No. 1775: A bill for an act relating to taxation; sales and use; exempting sales of certain ship stores and supplies from the sales tax; amending Minnesota Statutes 1992, section 297A.25, subdivision 45.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1**INCOME TAX AND BUSINESS TAXES**

Section 1. Minnesota Statutes 1992, section 60A.15, is amended by adding a subdivision to read:

Subd. 15. [GUARANTY ASSOCIATION ASSESSMENT OFFSET.] An insurance company may offset against its premium tax liability to this state any amount paid pursuant to assessments made for insolvencies which occur on or after August 1, 1994, under sections 60C.01 to 60C.22, and any amount paid pursuant to assessments made on or after August 1, 1994, under sections 61B.01 to 61B.16, or sections 61B.18 to 61B.32. The amount of the offset may not exceed 20 percent of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid. If the offset exceeds both the insurance company's premium tax liability under this section and tax liability under chapter 290, then the insurance company may carry forward the excess credit to subsequent taxable years. In the event an insurer ceases doing business, all uncredited assessments may be credited against premium tax liability for the year it ceases doing business. Any refund paid by the Minnesota life and health insurance guaranty association to member insurers pursuant to section 61B.07, subdivision 6, or section 61B.24, subdivision 6, in respect of an assessment payment which has been offset against taxes shall be repaid by the insurers to the extent of the offset to the state in the manner the commissioner of revenue requires.

Sec. 2. Minnesota Statutes 1993 Supplement, section 270.78, is amended to read:

270.78 [PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER.]

(a) In addition to other applicable penalties imposed by law, after notification from the commissioner of revenue to the taxpayer that payments for a tax administered by the commissioner are required to be made by means of electronic funds transfer, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

(b) *The penalty under paragraph (a) does not apply if the taxpayer pays by other means the amount due at least three business days before the date the payment is due. This paragraph does not apply after December 31, 1997.*

Sec. 3. Minnesota Statutes 1992, section 289A.02, is amended by adding a subdivision to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1993.

Sec. 4. Minnesota Statutes 1992, section 289A.25, subdivision 5, is amended to read:

Subd. 5. [AMOUNT OF REQUIRED INSTALLMENT.] The amount of any installment required to be paid shall be 25 percent of the required annual payment except as provided in clause (3). The term "required annual payment" means the lesser of

(1) 90 percent of the tax shown on the return for the taxable year or 90 percent of the tax for the year if no return is filed, or

(2) the total tax liability shown on the return of the individual taxpayer for the preceding taxable year, if a return showing a liability for the taxes was filed by the individual taxpayer for the preceding taxable year of 12 months. If the adjusted gross income shown on the return of the taxpayer for the preceding taxable year exceeds \$150,000, this clause shall be applied by substituting "110 percent of the total tax liability" for "the total tax liability"

(i) for an individual who is not a Minnesota resident for the entire year, the term "adjusted gross income" means the Minnesota share of that income apportioned to Minnesota under section 290.06, subdivision 2c, paragraph (e), or

(ii) for a trust the term "adjusted gross income" means the income assigned to Minnesota under section 290.17; or

(3) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the taxable income and alternative minimum taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. The applicable percentage of the tax is 22.5 percent in the case of the first installment, 45 percent for the second installment, 67.5 percent for the third installment, and 90 percent for the fourth installment. For purposes of this clause, the taxable income and alternative minimum taxable income shall be placed on an annualized basis by

(i) multiplying by 12 (or in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income and alternative minimum taxable income computed for the months in the taxable year ending before the month in which the installment is required to be paid; and

(ii) dividing the resulting amount by the number of months in the taxable year ending before the month in which the installment date falls.

A reduction in an installment under clause (3) must be recaptured by increasing the amount of the next required installment by the amount of the reduction.

Sec. 5. Minnesota Statutes 1993 Supplement, section 289A.26, subdivision 7, is amended to read:

Subd. 7. [REQUIRED INSTALLMENTS.] (a) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

(b) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(1) ~~97~~ 100 percent of the tax shown on the return for the taxable year, or, if no return is filed, ~~97~~ 100 percent of the tax for that year; or

(2) 100 percent of the tax shown on the return of the entity for the preceding taxable year provided the return was for a full 12-month period, showed a liability, and was filed by the entity.

(c) Except for determining the first required installment for any taxable year, paragraph (b), clause (2), 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 (b), clause (2), must be recaptured by increasing the next required installment by the amount of the reduction.

(d) In the case of a required installment, if the corporation establishes that the annualized income installment is less than the amount determined in paragraph (a), 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 later required installments to the extent the reductions have not previously been recovered.

(e) The "annualized income installment" is the excess, if any, of:

(1) 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

(2) the aggregate amount of any prior required installments for the taxable year.

(3) 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 (1).

(4) The "applicable percentage" used in clause (1) is:

For the following
required installments:

1st
2nd
3rd
4th

The applicable
percentage is:

24.25 25
48.5 50
72.75 75
97 100

(f)(1) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

(i) take the taxable income for the months during the taxable year preceding the filing month;

(ii) divide that amount by the base period percentage for the 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 the months during the taxable year preceding the filing month.

(2) For purposes of this paragraph:

(i) the "base period percentage" for a period of months is the average percent that 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 only applies 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.

(3) In the case of a required installment determined under this paragraph, if the entity determines that the installment is less than the amount determined in paragraph (a), 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 later required installments to the extent the reductions have not previously been recovered.

Sec. 6. Minnesota Statutes 1993 Supplement, section 289A.60, subdivision 21, is amended to read:

Subd. 21. [PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER.] (a) In addition to other applicable penalties imposed by this section, after notification from the commissioner to the taxpayer that payments are required to be made by means of electronic funds transfer under section 289A.20, subdivision 2, paragraph (e), or 4, paragraph (d), or 289A.26, subdivision 2a, and the payments are remitted by some other

means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

(b) The penalty under paragraph (a) does not apply if the taxpayer pays by other means the amount due at least three business days before the date the payment is due. The provisions of this paragraph do not apply after December 31, 1997.

Sec. 7. Minnesota Statutes 1993 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(h) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply; and

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, and the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number

101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, and the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, and the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992. *The provisions of section 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.*

The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

Sec. 8. Minnesota Statutes 1992, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others not to exceed \$650 for each dependent in grades kindergarten to 6 and \$1,000 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. In order to qualify for the subtraction under this clause the taxpayer must elect to itemize deductions under section 63(e) of the Internal Revenue Code;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491; and

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent

limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a); and

(9) *the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code of 1986, as amended through December 31, 1993.*

Sec. 9. Minnesota Statutes 1992, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section 273.1314, subdivision 9, or Minnesota Statutes, section 469.171, subdivision 6;

(10) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(11) the following percentage of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation:

Taxable Year

Beginning After Percentage

December 31, 1988 50 percent

December 31, 1990 80 percent;

(12) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(13) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code of 1986; and

(14) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068; and

(15) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code of 1986, as amended through December 31, 1993.

Sec. 10. Minnesota Statutes 1992, section 290.01, is amended by adding a subdivision to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1993.

Sec. 11. Minnesota Statutes 1992, 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);
- (ii) section 528 (dealing with certain homeowners associations);
- (iii) sections 511 to 515 (dealing with unrelated business income); and
- (iv) section 521 (dealing with farmers' cooperatives); and
- (v) section 6033(e)(2) (dealing with lobbying expense); 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, provided that the tax is not imposed on:

(1) advertising revenues from a newspaper published by an organization described in section 501(c)(4) of the Internal Revenue Code; or

(2) revenues from lawful gambling authorized under chapter 349 that are expended for purposes that qualify for the deduction for charitable contributions under section 170 of the Internal Revenue Code of 1986, as amended through December 31, 1994 1993, disregarding the limitation under section 170(b)(2), but only to the extent the contributions are not deductible in computing federal taxable income.

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 section 290.21 shall not be allowed in computing Minnesota taxable net income.

(c) The tax shall be imposed on organizations subject to federal tax under section 6033(e)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1993, in an amount equal to the corporate tax rate multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are attributable to lobbying the Minnesota state government.

Sec. 12. Minnesota Statutes 1992, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code of 1986 as amended through December 31, 1991, must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$19,910, 6 percent;
- (2) On all over \$19,910, but not over \$79,120, 8 percent;
- (3) On all over \$79,120, 8.5 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$13,620, 6 percent;
- (2) On all over \$13,620, but not over \$44,750, 8 percent;
- (3) On all over \$44,750, 8.5 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code of 1986, as amended through December 31, 1991, must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$16,770, 6 percent;
- (2) On all over \$16,770, but not over \$67,390, 8 percent;
- (3) On all over \$67,390, 8.5 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of

a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1991, ~~less the deduction allowed by section 217 of the Internal Revenue Code of 1986, as amended through December 31, 1991,~~ after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1994 1993, increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1).

Sec. 13. Minnesota Statutes 1992, section 290.06, is amended by adding a subdivision to read:

Subd. 25. [CREDIT FOR HOME MORTGAGE INTEREST.] An individual may take a credit against the tax due under this chapter in an amount equal to 25 percent of the credit for which the individual is eligible under section 25 of the Internal Revenue Code of 1986, as amended through December 31, 1993, in connection with mortgage credit certificate issued before January 1, 1995, for a qualified mortgage loan secured by property located in this state.

Sec. 14. Minnesota Statutes 1992, section 290.068, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in clauses (a) and (b) shall apply.

(d) ~~“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended through December 31, 1991.~~

Sec. 15. Minnesota Statutes 1992, section 290.0802, subdivision 1, is amended to read:

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

(a) “Adjusted gross income” means federal adjusted gross income as used in section 22(d) of the Internal Revenue Code for the taxable year, plus a lump sum distribution as defined in section 402(e)(3) of the Internal Revenue Code, and less any pension, annuity, or disability benefits included in federal gross income but not subject to state taxation other than the subtraction allowed under section 290.01, subdivision 19b, clause (4).

(b) “Disability income” means disability income as defined in section 22(c)(2)(B)(iii) of the Internal Revenue Code.

(c) ~~“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended through December 31, 1991.~~

(d) ~~“Nontaxable retirement and disability benefits” means the amount of pension, annuity, or disability benefits that would be included in the reduction under section 22(c)(3) of the Internal Revenue Code and pension, annuity, or disability benefits included in federal gross income but not subject to state taxation other than the subtraction allowed under section 290.01, subdivision 19b, clause (4).~~

(e) (d) “Qualified individual” means a qualified individual as defined in section 22(b) of the Internal Revenue Code.

Sec. 16. Minnesota Statutes 1993 Supplement, 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 Minnesota charitable contribution deduction and ~~non-Minnesota charitable deductions to the extent they are included in federal alternative minimum taxable income under section 57(a)(6) of the Internal Revenue Code, and excluding~~ the medical expense deduction;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) 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), *to the extent included in federal alternative minimum tax income*; 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, 1992.~~

(e) “Investment interest” means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

~~(d)~~ (c) “Tentative minimum tax” equals seven percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(e) (d) “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) (e) “Net minimum tax” means the minimum tax imposed by this section.

~~(g)~~ (f) “Minnesota charitable contribution deduction” means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e).

Sec. 17. Minnesota Statutes 1992, section 290.0921, subdivision 2, is amended to read:

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, 1991.~~

(e) "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. This limitation does not apply to a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.35 or 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code.

Sec. 18. Minnesota Statutes 1992, section 290.35, is amended by adding a subdivision to read:

Subd. 6. [GUARANTY ASSOCIATION ASSESSMENT OFFSET.] An insurance company may offset against its tax liability to this state any amount paid pursuant to assessments made for insolvencies which occur on or after August 1, 1994, under sections 60C.01 to 60C.22, and any amount paid pursuant to assessments made on or after August 1, 1994, under sections 61B.01 to 61B.16 or sections 61B.18 to 61B.32. The amount of the offset may not exceed 20 percent of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid. If the offset exceeds both the insurance company's tax liability under this chapter and premium tax liability under section 60A.15, then the insurance company may carryforward the excess credit to subsequent taxable years. In the event an insurer ceases doing business, all uncredited assessments may be credited against tax liability for the year it ceases doing business. Any refund paid by the Minnesota life and health insurance guaranty association to member insurers pursuant to section 61B.07, subdivision 6, or section 61B.24, subdivision 6, in respect of an assessment payment which has been offset against taxes shall be repaid by the insurers to the extent of the offset to the state in the manner the commissioner of revenue requires.

Sec. 19. Minnesota Statutes 1992, section 297.01, is amended by adding a subdivision to read:

Subd. 17. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1993.

Sec. 20. Minnesota Statutes 1992, section 298.017, subdivision 2, is amended to read:

Subd. 2. [DEDUCTIONS ALLOWED.] (a) In calculating the net proceeds for the purpose of determining the tax provided in section 298.015, only those expenses specifically allowed in this subdivision may be deducted from gross proceeds. The carryback or carryforward of deductions shall not be allowed.

(b) Ordinary and necessary expenses actually paid for the mining, production, processing, beneficiation, smelting, or refining of metal or mineral products for:

(1) labor, including wages, salaries, fringe benefits, unemployment and workers' compensation insurance;

(2) machinery, equipment, and supplies, including any sales and use tax paid on it, except that machinery and equipment subject to depreciation shall only be deductible under clause (b)(3);

(3) depreciation as defined and allowed by section 167 of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1993;

(4) administrative expenses inside Minnesota; and

(5) reclamation costs actually incurred in Minnesota and paid in a year of production, including the payment of bonds required by the provisions of an environmental permit issued by the state of Minnesota

are deductible.

(c) Ordinary and necessary expenses of transporting metal or mineral products are allowed as a deduction if the costs are included in the sale price of the products.

(d) Expenses of exploration, research, or development in this state for the mining and processing of minerals within Minnesota paid in a production year are deductible in the production year.

(e) Expenses of exploration and development in Minnesota incurred prior to production must be amortized and deducted on a straight-line basis over the first five years of production.

Sec. 21. [469.301] [DEFINITIONS.]

Subdivision 1. [GENERALLY.] In sections 469.301 to 469.309, the terms defined in this section have the meanings given them, unless the context indicates a different meaning.

Subd. 2. [COMMISSIONER.] "Commissioner" means the commissioner of jobs and training.

Subd. 3. [ENTERPRISE ZONE.] "Enterprise zone" means an area in the state designated as such by the commissioner.

Subd. 4. [CITY.] "City" means any city that contains an area that has been designated as a federal empowerment zone or enterprise community.

Subd. 5. [GOVERNING BODY.] "Governing body" means the city council or other body designated by its charter.

Subd. 6. [RESIDENT.] "Resident" means an individual residing within the enterprise zone.

Subd. 7. [BUSINESS.] "Business" means any business entity not restricted under section 469.306, subdivision 2.

Subd. 8. [ENTERPRISE ZONE PROPERTY.] "Enterprise zone property" means taxable property, excluding land but including buildings, structures, fixtures, and improvements, that is located within an enterprise zone designated according to section 469.303.

Sec. 22. [469.302] [PROGRAM OBJECTIVES.]

Subdivision 1. [JOB CREATION AND RETENTION.] An objective of the enterprise zone program is to stimulate job creation and retention in designated geographical areas for residents of the areas.

Subd. 2. [INVESTMENT STIMULATION.] An objective of the enterprise zone program is to stimulate public and private investment in designated geographical areas.

Sec. 23. [469.303] [DESIGNATIONS OF ENTERPRISE ZONES.]

Subdivision 1. [PROCESS.] The commissioner shall designate an area as an enterprise zone if:

(1) the application is made by the governing body of the city as prescribed by section 469.305;

(2) the application is made according to statutory criteria; and

(3) the area is determined by the commissioner to be eligible for designation under section 469.304.

Subd. 2. [DURATION.] The designation of an area as an enterprise zone is effective for ten years after the date of designation.

Subd. 3. [DATE OF DESIGNATION.] Designation is effective immediately following approval of the enterprise zone application by the commissioner.

Sec. 24. [469.304] [ELIGIBILITY REQUIREMENTS.]

An area within the city is eligible for designation as an enterprise zone if the area is designated as a federal empowerment zone or enterprise community by the United States Department of Housing and Urban Development.

Sec. 25. [469.305] [APPLICATION FOR ENTERPRISE ZONE DESIGNATION.]

Subdivision 1. [SUBMISSION OF APPLICATIONS.] An applicant eligible under the criteria in section 469.304 may seek enterprise zone designation by submitting an application to the commissioner. The commissioner shall establish procedures and forms for the submission of applications for enterprise zone designation.

Subd. 2. [APPLICATIONS; CONTENTS.] The application for designation as an enterprise zone must contain, at a minimum:

(1) verification that the area is eligible for designation pursuant to section 469.304;

(2) designation of the agency or unit of government that will implement the program;

(3) any additional information required by the commissioner; and

(4) any additional information that the municipality considers relevant to the designation of the area as an enterprise zone.

Subd. 3. [CERTIFICATION.] The commissioner shall receive certification from the governing body stating that activity within the municipality's enterprise zone:

(1) will meet the objectives of the enterprise zone in section 469.302; and

(2) will not transfer existing employment from other municipalities within the state.

Sec. 26. [469.306] [ENTERPRISE ZONE CREDITS.]

Subdivision 1. [INCOME OR FRANCHISE TAX CREDIT.] An income or corporate franchise tax credit is available to businesses located in an enterprise zone that meet the conditions of this section. Each city designated as an enterprise zone is allocated \$3,000,000 to be used to provide credits under this section for the duration of the program. The credit is in an amount equal to 20 percent of the wages paid to an employee, not to exceed \$5,000 per employee per taxable year. The credit is available to an employer for a zone resident employed in the zone at full-time wage levels of not less than 160 percent of minimum wage, excluding workers employed in construction. The employee must be employed at that rate at the time the business applies for a tax credit, and must have been employed for at least one year at the business. The credit applies to new jobs created as well as to existing jobs for which zone residents have been hired as a result of job vacancies in the business. The credit is applicable to the five taxable years after the application has been approved to the extent the allocation to the city remains available to fund the credit.

Subd. 2. [RESTRICTIONS.] The credit is not available for employees at:

- (1) sports, fitness, and health facilities that are not accessible to the public;*
- (2) a racetrack;*
- (3) property of a public utility;*
- (4) property used in the operation of a financial institution;*
- (5) property owned by a fraternal, veterans', or nonpublicly accessible organization; or*
- (6) a gambling facility.*

Subd. 3. [REFUNDABLE CREDITS.] If the credit exceeds the taxpayer's liability under chapter 290 for the taxable year, the excess is refundable.

Subd. 4. [REVIEW AND ANALYSIS.] The city must submit the proposed tax credit proposal to the commissioner for approval. The tax credit proposal shall be approved unless the commissioner finds that the proposal is not in conformity with the provisions of sections 469.301 to 469.309.

If the city submits the tax credit proposal to the commissioner before the expiration of the zone designation pursuant to section 469.303, subdivision 2, the authority of the commissioner to approve the tax credit proposal continues until the commissioner acts on the proposal.

Sec. 27. [469.307] [REVOCATION.]

The commissioner may revoke a business' tax credit if the applicant has not proceeded in good faith with its operations in a manner which is consistent with the purpose of sections 469.301 to 469.309 and is possible under circumstances reasonably within the control of the applicant.

The commissioner may reconsider the revocation of the tax credit if the business provides evidence that circumstances of its failure to proceed were beyond its control or that it did not act in bad faith.

Sec. 28. [469.308] [RECAPTURE.]

Subdivision 1. [TERMINATION OF OPERATIONS.] Any business that receives a tax credit authorized by section 469.306 and ceases to operate its facility within the enterprise zone within seven years after the business has received the tax credit shall repay the amount of the tax credit pursuant to the following schedule:

<i>Termination of Operations</i>	<i>Repayment of Portion</i>
<i>Less than two years</i>	<i>100 percent</i>
<i>Between two years and four years</i>	<i>75 percent</i>
<i>Between four years and seven years</i>	<i>50 percent</i>
<i>More than seven years</i>	<i>0 percent</i>

Subd. 2. [REPAYMENT.] The repayment must be paid to the state to the extent it represents a tax credit under section 469.306. Any amount repaid to the state must be credited to the amount certified as available for tax credits in the zone under section 469.306.

Sec. 29. [469.309] [ADMINISTRATION.]

Subdivision 1. [TECHNICAL ASSISTANCE.] The commissioner shall provide technical assistance to the city seeking an enterprise zone designation.

Subd. 2. [ADMINISTRATIVE PROCEDURE ACT.] Chapter 14 does not apply to the designation of enterprise zones.

Subd. 3. [REPORTING.] The commissioner shall require cities receiving enterprise zone designations to report to the commissioner regarding the economic activity that has occurred in the zone following the designation.

Subd. 4. [REPORT TO THE LEGISLATURE.] The commissioner, in consultation with the commissioner of revenue and the cities, shall prepare a plan for expanding the enterprise zone program to businesses throughout the area that hire zone residents. The commissioner of jobs and training shall submit the plan in a report to the 1995 session of the state legislature.

Sec. 30. [FEDERAL CHANGES.]

The changes made by sections 13115, 13131, 13144, 13145, 13146, 13148, 13149, and 13171 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, which affect the computation of corporate alternative minimum taxable income as defined in Minnesota Statutes, section 290.0921, subdivision 3; alternative minimum taxable income of individuals, trusts, and estates as defined in Minnesota Statutes, section 290.091, subdivision 2; unrelated business taxable income, as defined in Minnesota Statutes, section 290.05, subdivision 3; and the Minnesota working family credit in Minnesota Statutes, section 290.0671, shall be in effect at the same time they become effective for federal income tax purposes. The change made by section 13203 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, which affects the exemption amount from Minnesota individual alternative minimum income in Minnesota Statutes, section 290.091, subdivision 3, is effective for tax years beginning after December 31, 1993.

Sec. 31. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code" for the words "Internal Revenue Code of 1986, as amended through December 31, 1992" where the phrase occurs in chapters 289A, 290, 290A, 291, and 297, except for sections 290.01, subdivision 19; 290A.03, subdivision 15; and 291.005, subdivision 1.

In the next edition of Minnesota Statutes, the revisor shall substitute the phrase "Internal Revenue Code of 1986, as amended through December 31, 1993" for the words "Internal Revenue Code of 1986, as amended through December 31, 1992" wherever the phrase occurs in section 290A.03, subdivision 15; section 291.005, subdivision 1; and in chapter 298.

Sec. 32. [REPEALER.]

(a) Minnesota Statutes 1992, section 290.067, subdivision 6, is repealed.

(b) Minnesota Statutes 1993 Supplement, section 289A.25, subdivision 5a, is repealed.

Sec. 33. [EFFECTIVE DATE.]

Section 1 is effective to be used as an offset against premium tax liabilities payable after November 30, 1995.

Sections 2 and 6 are effective for payments due after the day of final enactment.

Sections 4 and 23, paragraph (b), are effective for installments of estimated taxes due after the day following enactment.

Section 5 is effective for taxable years beginning after December 31, 1994.

Sections 8 and 9 are effective for wages paid or incurred after December 31, 1993.

Section 13 is effective for taxable years beginning after December 31, 1993.

Section 18 is effective to be used as an offset against tax liabilities payable after June 30, 1995.

Sections 21 to 29 are effective the day following final enactment.

ARTICLE 2

SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 1993 Supplement, section 296.02, subdivision 1a, is amended to read:

Subd. 1a. [TRANSIT SYSTEMS EXEMPT.] The provisions of subdivision 1 do not apply to gasoline purchased by a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384.

Sec. 2. Minnesota Statutes 1993 Supplement, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a

license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals, or drinks. "Sale" does not include:

(1) meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities;

(2) 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; or

(3) meals and lunches served at public and private schools, universities, or colleges. 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, except a world championship football game sponsored by the national football league, and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, 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. Telephone service includes paging services and private communication service, as defined in United States Code, title 26, section 4252(d), except for private communication service purchased by an agent acting on behalf of the state lottery. 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. The sale of natural gas to be used as a fuel in vehicles propelled by natural gas shall not be considered a sale for the purposes of this section;

(g) The furnishing for a consideration of cable television services, including charges for basic service, charges for premium service, and any other charges for any other pay-per-view, monthly, or similar television services;

(h) Notwithstanding section 297A.25, subdivisions 9 and 12, the sales of racehorses including claiming sales and fees paid for breeding racehorses or horses previously used for racing shall be considered a "sale" and a "purchase." "Racehorse" means a horse that is or is intended to be used for racing and whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association. "Sale" does not include fees paid for breeding horses that are not racehorses;

(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;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub pruning, bracing, spraying, and surgery; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) solid waste collection and disposal services as described in section 297A.45;

(viii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(ix) the furnishing for consideration of lodging, board and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

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 1993 Supplement, section 297A.01, subdivision 16, is amended to read:

Subd. 16. [CAPITAL EQUIPMENT.] (a) Capital equipment means machinery and equipment and the materials and supplies necessary to construct or install the machinery or equipment. To qualify under this definition the capital equipment must be purchased or leased for use in this state and used by the purchaser or lessee primarily for manufacturing, fabricating, mining, quarrying, or refining tangible personal property; to be sold ultimately at retail and for electronically transmitting results retrieved by a customer of an on-line computerized data retrieval system; or for the generation of electricity or steam; to be sold at retail and must be used for the establishment of a new or the physical expansion of an existing manufacturing, fabricating, mining, quarrying, or refining facility in the state. For purposes of this subdivision, "mining" includes peat mining, and "on-line computerized data retrieval system" refers to a system whose cumulation of information is equally available and accessible to all its customers.

(b) Capital equipment includes all machinery and equipment that is essential to the integrated production process. Capital equipment includes; but is not limited to:

(1) machinery and equipment used or required to operate, control, or regulate the production equipment;

(2) machinery and equipment used for research and development, design, quality control, and testing activities;

(3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process; or

(4) materials and supplies necessary to construct and install machinery or equipment.

(c) Capital equipment does not include the following:

(1) machinery or equipment purchased or leased to replace machinery or equipment performing substantially the same function in an existing facility;

(2) repair or replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications, and whether purchased before or after the machinery or equipment is placed into service. Parts or accessories are treated as capital equipment only to the extent that they are a part of and are essential to the operation of the machinery or equipment as initially purchased;

(2) motor vehicles taxed under chapter 297B;

(3) machinery or equipment used to receive or store raw materials;

(4) building materials, including materials used for foundations that support machinery or equipment;

(5) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: machinery and equipment used for plant security, fire prevention, first aid, and hospital stations; machinery and equipment used in support operations or for administrative purposes; machinery and equipment used solely for pollution control, prevention, or abatement; machinery and equipment used for environmental control, except that when a controlled environment is essential for the manufacture of a particular product, the machinery or equipment that controls the environment can

qualify as capital equipment; and machinery and equipment used in plant cleaning, disposal of scrap and waste, plant communications, space heating, lighting, or safety;

(6) "farm machinery" as defined by subdivision 15, ~~"special tooling"~~ as defined by subdivision 17, and "aquaculture production equipment" as defined by subdivision 19, and "replacement capital equipment" as defined by subdivision 20; or

(7) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, ~~quarrying~~, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and software, used in operating exempt machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Machinery" means mechanical, electronic, or electrical devices, including computers and software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through the completion of the product, including packaging of the product.

(4) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(5) "Mining" means the extraction of minerals, ores, stone, and peat.

(6) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(7) "Pollution control equipment" means machinery and equipment used to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(8) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(9) "Refining" means the process of converting a natural resource to a product, including the treatment of water to be sold at retail.

(e) For purposes of this subdivision:

(1) the requirement that the machinery or equipment "must be used by the purchaser or lessee" means that the person who purchases or leases the machinery or equipment must be the one who uses it for the qualifying purpose. When a contractor buys and installs machinery or equipment as part of an improvement to real property, only the contractor is considered the purchaser;

(2) the requirement that the machinery and equipment must be used "for manufacturing, fabricating, mining, quarrying, or refining" means that the machinery or equipment must be essential to the integrated process of manufacturing, fabricating, mining, quarrying, or refining. Neither legal requirements nor practical necessity determines whether or not the equipment is essential to the integrated process;

(3) "facility" means a coordinated group of fixed assets, which may include land, buildings, machinery, and equipment that are essential to and used in an integrated manufacturing, fabricating, refining, mining, or quarrying process;

(4) "establishment of a new facility" means the construction of a facility, or the purchase by a new owner of a facility that was previously closed and not operational for a period of at least 12 consecutive months. Relocating operations from an existing facility within Minnesota to another facility within Minnesota does not constitute establishing a new facility;

(5) "physical expansion of an existing facility" means adding a new production line, adding new machinery or equipment to an existing production line, new construction which will become part of the existing facility and which is used for a qualifying activity, or conversion of an area in an existing facility from a nonqualifying activity to a qualifying activity; and

(6) performing "substantially the same function" means that the new machinery or equipment serves fundamentally or essentially the same purpose as did the old equipment or that it produces the same or similar end product, even though it may increase speed, efficiency, or production capacity.

(4) (f) Notwithstanding prior provisions of this subdivision, machinery and equipment purchased or leased to replace machinery and equipment used in the mining or production of taconite shall qualify as capital equipment regardless of whether the facility has been expanded.

Sec. 4. Minnesota Statutes 1992, section 297A.01, is amended by adding a subdivision to read:

Subd. 20. [REPLACEMENT CAPITAL EQUIPMENT.] (a) Replacement capital equipment means machinery and equipment, as defined in subdivision 16, that serves fundamentally or essentially the same purpose or function or that produces the same or similar end product as did the old equipment, even though it may increase speed, efficiency, or production capacity.

(b) Replacement capital equipment includes:

(1) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery and equipment;

(2) replacement or enhanced software used or required to operate, control, or regulate machinery and equipment;

(3) materials used for foundations that support machinery or equipment or special purpose buildings used in the production process; or

(4) all machinery and equipment that is replacing an existing piece of machinery or equipment that is essential to the integrated production process.

Sec. 5. Minnesota Statutes 1992, 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 is four percent and upon sales of farm machinery and aquaculture production equipment is two percent.~~

Sec. 6. Minnesota Statutes 1992, section 297A.02, is amended by adding a subdivision to read:

Subd. 5. [REPLACEMENT CAPITAL EQUIPMENT.] Notwithstanding the provisions of subdivision 1, the rate of excise tax imposed upon retail sales of replacement capital equipment is:

*for purchases after June 30, 1995, and prior to July 1, 1996, 4.9 percent,
for purchases after June 30, 1996, and prior to July 1, 1997, 3.3 percent,
and*

for purchases after June 30, 1997, 2.5 percent.

This subdivision shall cease to be operative on July 1, 2001, or on July 1 of the earliest year thereafter, if the total employment in the manufacturing sector in this state, as determined by the commissioner of jobs and training on the preceding January 1, does not exceed by 4,500 the total employment in the manufacturing sector in the state on January 1, 1994.

Sec. 7. Minnesota Statutes 1992, section 297A.135, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] A tax of ~~\$7.50~~ is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.011, subdivision 7, a van as defined in section 168.011, subdivision 28, or a pickup truck as defined in section 168.011, subdivision 29. *The tax is imposed at the rate of 6.4 percent of the sales price as defined for the purpose of imposing the sales and use tax in this chapter.* The tax does not apply to the lease or rental of a hearse or limousine used in connection with a burial or funeral service. It applies whether or not the vehicle is licensed in the state.

Sec. 8. Minnesota Statutes 1992, section 297A.15, subdivision 5, is amended to read:

Subd. 5. [REFUND; APPROPRIATION.] Notwithstanding the provisions of ~~section~~ sections 297A.02, subdivision 5, and 297A.25, subdivisions 42 and 50, the tax on sales of capital equipment, *replacement capital equipment*, and construction materials and supplies under section 297A.25, subdivision 50, shall be imposed and collected as if the rates under sections 297A.02, subdivision 1, and 297A.021, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the exemption under section 297A.25, subdivision 42 or 50, *and the rate under section 297A.02, subdivision 5*, shall be paid to the purchaser. In the case of building materials qualifying under section 297A.25, subdivision 50, where the tax was paid by a contractor, application must be made by the owner for the sales tax paid by all the contractors, subcontractors, and builders for the project. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.25, subdivision 42, *replacement capital*

equipment under section 297A.01, subdivision 20, or capital equipment or construction materials and supplies under section 297A.25, subdivision 50. No more than two applications for refunds may be filed under this subdivision in a calendar year. No owner may apply for a refund based on the exemption under section 297A.25, subdivision 50, before July 1, 1993. Unless otherwise specifically provided by this subdivision, the provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 9. Minnesota Statutes 1992, section 297A.25, is amended by adding a subdivision to read:

Subd. 53. [FIREFIGHTERS PERSONAL PROTECTIVE EQUIPMENT.] The gross receipts from the sale of firefighters personal protective equipment are exempt. For purposes of this subdivision, "personal protective equipment" includes: helmets (including face shields, chin straps, and neck liners), bunker coats and pants (including pant suspenders), boots, gloves, head covers or hoods, wildfire jackets, protective coveralls, goggles, self-contained breathing apparatuses, canister filter masks, personal alert safety systems, spanner belts, and all safety equipment required by the Occupational Safety and Health Administration.

Sec. 10. Minnesota Statutes 1992, section 297A.25, is amended by adding a subdivision to read:

Subd. 54. [SPECIAL TOOLING.] The gross receipts from the sale of special tooling are exempt.

Sec. 11. Minnesota Statutes 1992, section 297A.25, is amended by adding a subdivision to read:

Subd. 55. [HORSES.] The gross receipts from the sale of horses other than racehorses taxable under section 297A.01, subdivision 3, paragraph (h), are exempt.

Sec. 12. Minnesota Statutes 1992, section 297A.25, is amended by adding a subdivision to read:

Subd. 56. [PERSONAL COMPUTERS PRESCRIBED FOR USE BY SCHOOL.] The gross receipts from the sale, or the storage, use or consumption, of personal computers and related software sold by a public or private school, college, university, or business or trade school to students who are enrolled at the institutions are exempt if:

(1) the use of the personal computer, or of a substantially similar model of computer, and the related software is prescribed by the institution in conjunction with a course of study; and

(2) each student of the institution, or of a unit of the institution in which the student is enrolled, is required by the institution to purchase or otherwise to acquire and possess such a personal computer and related software as a condition of enrollment. For the purposes of this subdivision, "public school," "private school," and "business and trade schools" have the meanings given in subdivision 21.

Sec. 13. [297A.2572] [AGRICULTURE PROCESSING FACILITY MATERIALS; EXEMPTION.]

Purchases of capital equipment, construction materials, and supplies are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if the capital equipment is purchased for installation in and the materials and supplies are used or consumed in constructing an agriculture processing facility as defined in section 469.1811 in which the total capital investment in the processing facility is expected to exceed \$100,000,000. The tax shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied, and then refunded in the manner provided in section 297A.15, subdivision 5.

Sec. 14. Minnesota Statutes 1993 Supplement, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18.

(2) Purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota.

(3) Purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211.

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota by any corporation or partnership when such transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code of 1986, as amended through December 31, 1988.

(5) Purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales or motor vehicle excise tax on motor vehicles used in interstate commerce.

(6) Purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs.

(7) Purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144.802.

(8) *Purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle.*

Sec. 15. Minnesota Statutes 1992, section 297C.03, is amended by adding a subdivision to read:

Subd. 7. Minnesota excise tax must be paid on all alcohol products imported into the state with the exception of products returned to a manufacturer for credit or products which have been distilled, refined, or rectified within the state.

Sec. 16. [SALES TAX SCHEDULE; LOCAL SALES TAXES.]

In preparing and distributing sales tax schedules for political subdivisions that have local sales taxes collected and administered by the state, the department of revenue shall coordinate the state and local sales taxes so that the schedules show a combined sales tax rate on sale amounts and reflect the coordinated, rather than the separate, effect of the two tax rates. If either the local sales tax rate or the state sales tax rate is changed, the schedule must be adjusted to reflect the change.

Sec. 17. [INSTRUCTION TO THE REVISOR.]

In the 1994 and subsequent editions of the Minnesota Statutes, the revisor shall substitute the term "sales tax on motor vehicles" for "motor vehicle excise tax" wherever it appears.

Sec. 18. [EFFECTIVE DATE.]

Except as otherwise provided in that section, section 3 is effective for sales and purchases made after June 30, 1995.

Sections 2, 4 to 6, 8, 10, and 11 are effective for sales made after June 30, 1995.

Section 7 is effective for leases or rentals of motor vehicles after June 30, 1994.

Sections 9 and 12 to 14 are effective for purchases made after June 30, 1994, provided that no refunds will be paid under section 13 until after June 30, 1995.

Section 16 is effective the day after final enactment.

ARTICLE 3

MINERALS TAXATION

Section 1. [297A.2573] [MINERAL PRODUCTION FACILITIES; EXEMPTION.]

Materials, equipment, and supplies used or consumed in constructing, or incorporated into the construction of exempted facilities as defined in this section are exempt from the taxes imposed under this chapter and from any sales and use tax imposed by a local unit of government, notwithstanding any ordinance or city charter provision.

As used in this section, "exempted facilities" means:

(1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent;

(2) a facility used for the manufacture of fluxed taconite pellets as defined in section 298.24;

(3) a new capital project that has a total cost of over \$40,000,000 that is directly related to production, cost, or quality at an existing taconite facility that does not qualify under clause (1) or (2); and

(4) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015.

The tax shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied, and then refunded in the manner provided in section 297A.15, subdivision 5.

Sec. 2. Minnesota Statutes 1993 Supplement, section 298.227, is amended to read:

298.227 [TACONITE ECONOMIC DEVELOPMENT FUND.]

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the iron range resources and rehabilitation board in a separate taconite economic development fund for each taconite producer. Money from the fund for each producer shall be released only on the written authorization of a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The district 33 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. Each producer's joint committee may authorize release of the funds held pursuant to this section only for acquisition of equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology. Funds may be released only upon a majority vote of the representatives of the committee. *If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section.* Any portion of the fund which is not released by a joint committee within two years of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. This section is effective for taxes payable in 1993 and 1994.

Sec. 3. Minnesota Statutes 1992, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1992 ~~and~~, 1993, ~~and~~ 1994 there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.054 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in ~~1994~~ 1995 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the

preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" for the gross national product means the implicit price deflator prepared by the bureau of economic analysis of the United States Department of Commerce.

(c) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(d) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.054 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(e) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(f) Notwithstanding any other provision of this subdivision, for concentrates produced in 1994 through 1999, the rate of the tax on direct reduced ore is determined under this paragraph. As used in this paragraph, "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. The rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision for the first 500,000 of taxable tons for the production year, and 50 percent of the rate otherwise determined for any remainder. If the taxpayer had no production in the two years prior to the current production year, the tonnage eligible to be taxed at 25 percent of the rate otherwise determined under this subdivision is the first 166,667 tons. If the taxpayer had some production in the year prior to the current production year but no production in the second prior year, the tonnage eligible to be taxed at 25 percent of the rate otherwise determined under this subdivision is the first 333,333 tons.

Sec. 4. Minnesota Statutes 1993 Supplement, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. [TACONITE ECONOMIC DEVELOPMENT FUND.] (a) 10.4 cents per ton for distributions in 1993 and 15.4 cents per ton for distributions in 1994, 1995, and 1996 shall be paid to the taconite economic development fund. No distribution shall be made under this paragraph in any year in which total industry production falls below 30 million tons.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 1/4 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount,

each company's payment shall be prorated so the total does not exceed \$700,000.

Sec. 5. Minnesota Statutes 1992, section 298.28, is amended by adding a subdivision to read:

Subd. 11a. [PRORATED DISTRIBUTIONS.] For production years 1994 through 1999, distributions under this section that are based on a number of cents per ton explicitly provided in this section shall be reduced on a pro rata basis to reflect the reduction in tax proceeds as a result of the tax rate reduction applied to direct reduced ore under section 298.24, subdivision 1, paragraph (f).

Sec. 6. Minnesota Statutes 1992, section 298.296, subdivision 2, is amended to read:

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

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

Sec. 7. Minnesota Statutes 1992, section 298.296, is amended by adding a subdivision to read:

Subd. 4. [TEMPORARY LOAN AUTHORITY.] The board may recommend that up to \$10,000,000 from the corpus of the trust may be used for loans as provided in this subdivision. The money would be available for loans for construction and equipping of facilities constituting (1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent; or (2) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015. A loan under this subdivision may not exceed \$5,000,000 for any facility. The authority to make loans under this subdivision terminates December 31, 1995.

Sec. 8. [EFFECTIVE DATE.]

Section 1 is effective for sales after June 30, 1994, provided that no refunds will be paid under section 1 until after June 30, 1995.

ARTICLE 4

BOARD OF GOVERNMENT INNOVATION AND COOPERATION

Section 1. Minnesota Statutes 1993 Supplement, section 465.795, subdivision 7, is amended to read:

Subd. 7. [SCOPE.] As used in sections 465.795 to 465.799 and sections ~~465.80~~ 465.801 to 465.87, the terms defined in this section have the meanings given them.

Sec. 2. Minnesota Statutes 1993 Supplement, section 465.796, subdivision 2, is amended to read:

Subd. 2. [DUTIES OF BOARD.] The board shall:

(1) accept applications from local government units for waivers of administrative rules and temporary, limited exemptions from enforcement of procedural requirements in state law as provided in section 465.797, and determine whether to approve, modify, or reject the application;

(2) accept applications for grants to local government units and related organizations proposing to design models or plans for innovative service delivery and management as provided in section 465.798 and determine whether to approve, modify, or reject the application;

(3) accept applications from local government units for financial assistance to enable them to plan for cooperative efforts as provided in section 465.799, and determine whether to approve, modify, or reject the application;

(4) accept applications from eligible local government units for service-sharing grants as provided in section ~~465.80~~ 465.801, and determine whether to approve, modify, or reject the application;

(5) accept applications from counties, cities, and towns proposing to combine under sections 465.81 to 465.87, and determine whether to approve or disapprove the application; and

(6) make recommendations to the legislature regarding the elimination of state mandates that inhibit local government efficiency, innovation, and cooperation.

The board may purchase services from the metropolitan council in reviewing requests for waivers and grant applications.

Sec. 3. Minnesota Statutes 1993 Supplement, section 465.797, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] (a) Except as provided in paragraph (b), a local government unit may request the board of government innovation and cooperation to grant a waiver from one or more administrative rules or a temporary, limited exemption from enforcement of state procedural laws governing delivery of services by the local government unit. Two or more local government units may submit a joint application for a waiver or exemption under this section if they propose to cooperate in providing a service or program that is subject to the rule or law. ~~Before submitting an application to the board, the governing body of the local government unit must approve the waiver or exemption request by resolution at a meeting required to be public under section 471.705. A local government unit or two or more~~

units acting jointly may apply for a waiver or exemption on behalf of a nonprofit organization providing services to clients whose costs are paid by the unit or units. A waiver or exemption granted to a nonprofit organization under this section applies to services provided to all the organization's clients.

(b) A school district that is granted a variance from rules of the state board of education under section 121.11, subdivision 12, need not apply to the board for a waiver of those rules under this section. A school district may not seek a waiver of rules under this section if the state board of education has authority to grant a variance to the rules under section 121.11, subdivision 12. This paragraph does not preclude a school district from being included in a cooperative effort with another local government unit under this section.

Sec. 4. Minnesota Statutes 1993 Supplement, section 465.797, subdivision 2, is amended to read:

Subd. 2. [APPLICATION.] A local government unit requesting a waiver of a rule or exemption from enforcement of a law under this section shall present a written application to the board. The application must include:

- (1) identification of the service or program at issue;
- (2) identification of the administrative rule or the law imposing a procedural requirement with respect to which the waiver or exemption is sought; and
- (3) a description of the improved service outcome sought, including an explanation of the effect of the waiver or exemption in accomplishing that outcome;
- (4) a description of the means by which the attainment of the outcome will be measured; and
- (5) if the waiver or exemption is proposed by a single local government unit, a description of the consideration given to intergovernmental cooperation in providing this service, and an explanation of why the local government unit has elected to proceed independently.

A copy of the application must be provided by the requesting local government unit to the exclusive representative of its employees as certified under section 179A.12 to represent employees who provide the service or program affected by the requested waiver or exemption.

Sec. 5. Minnesota Statutes 1993 Supplement, section 465.797, subdivision 3, is amended to read:

Subd. 3. [REVIEW PROCESS.] (a) Upon receipt of an application from a local government unit, the board shall review the application. The board shall dismiss or request modification of an application within 60 days of its receipt if it finds that (1) the application does not meet the requirements of subdivision 2, or (2) the application should not be granted because it clearly proposes a waiver of rules or exemption from enforcement of laws that would result in due process violations, violations of federal law or the state or federal constitution, or the loss of services to people who are entitled to them.

(b) The board shall determine whether a law from which an exemption for enforcement is sought is a procedural law, specifying how a local government unit is to achieve an outcome, rather than a substantive law prescribing the outcome or otherwise establishing policy. In making its determination, the board shall consider whether the law specifies such requirements as:

- (1) *who must deliver a service;*
- (2) *where the service must be delivered;*
- (3) *to whom and in what form reports regarding the service must be made;*
and
- (4) *how long or how often the service must be made available to a given recipient.*

(c) If the commissioner of finance, the commissioner of administration, or the state auditor has jurisdiction over a rule or law affected by an application, the chief administrative law judge, as soon as practicable after receipt of the application, shall designate a third administrative law judge to serve as a member of the board in place of that official while the board is deciding whether to grant the waiver or exemption.

(d) If the application is submitted by a local government unit in the metropolitan area or the unit requests a waiver of a rule or temporary, limited exemptions from enforcement of a procedural law over which the metropolitan council or a metropolitan agency has jurisdiction, the board shall also transmit a copy of the application to the council for review and comment. The council shall report its comments to the board within 60 days of the date the application was transmitted to the council. The council may point out any resources or technical assistance it may be able to provide a local government submitting a request under this section. If it does not dismiss

(e) Within 15 days after receipt of the application, the board shall transmit a copy of it to the commissioner of each agency having jurisdiction over a rule or law from which a waiver or exemption is sought. The agency may mail a notice that it has received an application for a waiver or exemption to all persons who have registered with the agency under section 14.14, subdivision 1a, identifying the rule or law from which a waiver or exemption is requested. If no agency has jurisdiction over the rule or law, the board shall transmit a copy of the application to the attorney general. If the commissioner of finance, the commissioner of administration, or the state auditor has jurisdiction over the rule or law, the chief administrative law judge shall appoint a second administrative law judge to serve as a member of the board in the place of that official for purposes of determining whether to grant the waiver or exemption. The agency shall inform the board of its agreement with or objection to and grounds for objection to the waiver or exemption request within 60 days of the date when the application was transmitted to it. An agency's failure to do so is considered agreement to the waiver or exemption. The board shall decide whether to grant a waiver or exemption at its next regularly scheduled meeting following its receipt of an agency's response or the end of the 60-day response period. If consideration of an application is not concluded at that meeting, the matter may be carried over to the next meeting of the board. Interested persons may submit written comments to the board on the waiver or exemption request within 60 days of the board's receipt of up to the time of its vote on the application. If the agency fails to inform the board of its conclusion with respect to the application within 60 days of its receipt, the agency is deemed to have agreed to the waiver or exemption.

(f) If the exclusive representative of the affected employees of the requesting local government unit objects to the waiver or exemption request it may inform the board of the objection to and the grounds for the objection

to the waiver or exemption request within 60 days of the receipt of the application.

Sec. 6. Minnesota Statutes 1993 Supplement, section 465.797, subdivision 4, is amended to read:

Subd. 4. [HEARING.] If the agency or the exclusive representative does not agree with the waiver or exemption request, the board shall set a date for a hearing on the application, ~~which may be no earlier than 90 days after the date when the application was transmitted to the agency.~~ The hearing must be conducted informally at a meeting of the board. Persons representing the local government unit shall present their case for the waiver or exemption, and persons representing the agency shall explain the agency's objection to it. Members of the board may request additional information from either party. The board may also request, either before or at the hearing, information or comments from representatives of business, labor, local governments, state agencies, consultants, and members of the public. If necessary, the hearing may be continued at a subsequent board meeting. A waiver or exemption must be granted by a vote of a majority of the board members. The board may modify the terms of the waiver or exemption request in arriving at the agreement required under subdivision 5.

Sec. 7. Minnesota Statutes 1993 Supplement, section 465.797, subdivision 5, is amended to read:

Subd. 5. [CONDITIONS OF AGREEMENTS.] If the board grants a request for a waiver or exemption, the board and the local government unit shall enter into an agreement providing for the delivery of the service or program that is the subject of the application. The agreement must specify desired outcomes and the means of measurement by which the board will determine whether the outcomes specified in the agreement have been met. The agreement must specify the duration of the waiver or exemption, which may be for no less than two years and no more than four years, subject to renewal if both parties agree. *The board may reconsider or renegotiate the agreement if the rule or law affected by the waiver or exemption is amended or repealed during the term of the original agreement.* A waiver of a rule under this section has the effect of a variance granted by an agency under section 14.05, subdivision 4. A local unit of government that is granted an exemption from enforcement of a procedural requirement in state law under this section is exempt from that law for the duration of the exemption. The board may require periodic reports from the local government unit, or conduct investigations of the service or program.

Sec. 8. Minnesota Statutes 1993 Supplement, section 465.798, is amended to read:

465.798 [SERVICE BUDGET MANAGEMENT MODEL GRANTS.]

One or more local units of governments, an association of local governments, the metropolitan council, ~~or an organization~~ *a local unit of government acting in conjunction with a local unit of government* ~~an organization or a state agency, or an organization established by two or more local units of government under a joint powers agreement~~ may apply to the board of government innovation and management for a grant to be used to develop models for innovative service budget management. *A copy of the application must be provided by the units to the exclusive representatives certified under*

section 179A.12 to represent employees who provide the service or program affected by the application.

Proposed models may provide options to local governments, neighborhood or community organizations, or individuals for managing budgets for service delivery. A copy of the work product for which the grant was provided must be furnished to the board upon completion, and the board may disseminate it to other local units of government or interested groups. If the board finds that the model was not completed or implemented according to the terms of the grant agreement, it may require the grantee to repay all or a portion of the grant. *The board shall award grants on the basis of each qualified applicant's score under a scoring system devised by the board.* The amount of a grant under this section ~~shall~~ may not exceed \$50,000.

Sec. 9. Minnesota Statutes 1993 Supplement, section 465.799, is amended to read:

465.799 [COOPERATION PLANNING GRANTS.]

Two or more local government units; *an association of local governments; a local unit of government acting in conjunction with the metropolitan council, an organization, or a state agency; or an organization formed by two or more local units of government under a joint powers agreement* may apply to the board of government innovation and cooperation for a grant to be used to develop a plan for intergovernmental cooperation in providing services. *The grant application must include the following information:*

(1) *the identity of the local government units proposing to enter into the planning process;*

(2) *a description of the services to be studied and the outcomes sought from the cooperative venture; and*

(3) *a description of the proposed planning process, including an estimate of its costs, identification of the individuals or entities who will participate in the planning process, and an explanation of the need for a grant to the extent that the cost cannot be paid out of the existing resources of the local government unit. A copy of the application must be submitted by the applicants to the exclusive representatives certified under section 179A.12 to represent employees who provide the service or program affected by the application.*

The plan may include model contracts or agreements to be used to implement the plan. A copy of the work product for which the grant was provided must be furnished to the board upon completion, *and the board may disseminate it to other local units of government or interested groups.* If the board finds that the grantee has failed to implement the plan *according to the terms of the agreement*, it may require the grantee to repay all or a portion of the grant. *The board shall award grants on the basis of each qualified applicant's score under a scoring system devised by the board.* The amount of a grant under this section ~~shall~~ may not exceed \$50,000.

Sec. 10. [465.801] [SERVICE SHARING GRANTS.]

Two or more local units of government; an association of local governments; a local unit of government acting in conjunction with the metropolitan council, an organization, or a state agency; or an organization established by two or more local units of government under a joint powers agreement may apply to the board of government innovation and cooperation for a grant to

be used to meet the start-up costs of providing shared services or functions. Agreements solely to make joint purchases are not sufficient to qualify under this section. A copy of the application must be provided by the applicants to the exclusive representatives certified under section 179A.12 to represent employees who provide the service or program affected by the application.

The proposal must include plans fully to integrate a service or function provided by two or more local government units. A copy of the work product for which the grant was provided must be furnished to the board upon completion, and the board may disseminate it to other local units of government or interested groups. If the board finds that the grantee has failed to implement the plan according to the terms of the agreement, it may require the grantee to repay all or a portion of the grant. The board shall award grants on the basis of each qualified applicant's score under a scoring system devised by the board. The amount of a grant under this section may not exceed \$50,000.

Sec. 11. [465.802] [GRANT CRITERIA.]

In deciding whether to award a grant under section 465.798, 465.799, or 465.801, the board shall consider such criteria as:

- (1) the uniqueness of the proposal;*
- (2) the number of local units of government or other organizations directly participating in the proposal and the potential of the proposal to benefit other local units of government interested in replicating the proposed project;*
- (3) the amount of resources dedicated to the proposal by the applicant, including in-kind contributions of resources, with due consideration for the relative ability of each applicant to use its own resources;*
- (4) the demonstrated level of commitment of the applicant to ensuring the success of the proposal;*
- (5) the degree of risk the applicant is willing to assume in implementing the proposal;*
- (6) a cost-benefit analysis of the proposal; and*
- (7) the involvement of the clients of the affected services in the planning process.*

Sec. 12. [APPROPRIATION.]

\$2,300,000 is appropriated to the board of government innovation and cooperation to implement and administer the programs of the board in fiscal year 1995.

Sec. 13. [REPEALER.]

Minnesota Statutes 1992, section 465.80, subdivision 3, is repealed. Minnesota Statutes 1993 Supplement, section 465.80, subdivisions 1, 2, 4, and 5, are repealed.

ARTICLE 5

PROPERTY TAX

Section 1. [17.4999] [STORAGE, HANDLING, AND DISPOSAL OF FISH MANURE.]

Fish manure from aquatic farm operations:

(1) *is subject to the same requirements under state law and rules as other animal manures; and*

(2) *if managed in a pond system, may be applied as a manipulated manure under chapter 18C if certified by the commissioner.*

Sec. 2. Minnesota Statutes 1992, section 97A.135, subdivision 3, is amended to read:

Subd. 3. [COOPERATIVE FARMING AGREEMENTS.] On any public hunting, game refuge, ~~or~~ wildlife management area, *or scientific and natural area* lands, the commissioner may enter into written cooperative farming agreements ~~with nearby farmers~~ on a sharecrop basis, without competitive bidding, for the purpose of ~~establishing or maintaining~~ wildlife food ~~or cover for habitat purposes and plant management~~. Cooperative farming agreements *may also be used to allow pasturing of livestock*. The agreements may provide for the bartering of a share of any crop, ~~not exceeding \$1,500 in value and produced from these lands, for services such as weed control, planting, cultivation, or other wildlife habitat practices or products that will enhance or benefit the management of state lands for plant and animal species~~. Cooperative farming agreements pursuant to this section shall not be considered leases for tax purposes under section 272.01, subdivision 2, or 273.19.

Sec. 3. Minnesota Statutes 1992, section 271.06, subdivision 7, is amended to read:

Subd. 7. [RULES.] (a) *Except as provided in section 278.05, subdivision 6,* the rules of evidence and civil procedure for the district court of Minnesota shall govern the procedures in the tax court, where practicable. The tax court may adopt rules under chapter 14. The rules in effect on January 1, 1989, apply until superseded.

(b) ~~Notwithstanding paragraph (a), information, including income and expense figures, verified net rentable areas, and anticipated income and expenses, for income-producing property which is not provided to the county assessor at least 45 days before any hearing under this chapter, is not admissible except if necessary to prevent undue hardship or when the failure to provide it was due to the unavailability of the evidence at that time.~~

(c) ~~Notwithstanding paragraph (a) and provided that the information as contained in paragraph (b) is timely submitted to the county assessor, the county assessor shall furnish the petitioner at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. The petitioner shall furnish to the county assessor at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by or for the county or by or for the petitioner shall not be admissible as evidence if the provisions within this paragraph are not met.~~

Sec. 4. Minnesota Statutes 1993 Supplement, section 273.11, subdivision 16, is amended to read:

Subd. 16. [VALUATION EXCLUSION FOR CERTAIN IMPROVEMENTS.] Improvements to homestead property made before January 2, 2003, shall be fully or partially excluded from the value of the property for

assessment purposes provided that the house is at least 35 years old at the time of the improvement. *The age of a residence is the number of years that the residence has existed at its present site.* In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued ~~covering~~ *prior to commencement of the improvement.* If the property lies in a jurisdiction which is not subject to a building permit process, ~~the~~ *an application must be made to the assessor prior to commencement of the improvement.* Any improvement must add at least \$1,000 to the value of the property *to be eligible for exclusion under this subdivision.* Only improvements to the structure which is the residence of the qualifying homesteader or ~~the~~ *construction of or improvements to no more than one two-car garage per residence* qualify for the provisions of this subdivision. *If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for exclusion under this subdivision provided that a building permit was obtained for the improvement between January 2, 1992, and January 2, 1993.* Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the assessor of the possibility of valuation exclusion under this subdivision. The assessor may require an application process and documentation of the age of the house from the owner, if unknown. *If an application is required by the county or the local taxing jurisdiction in which the property is located, the application may be filed subsequent to the date of the building permit provided that the application is filed prior to the next assessment date.* After the adjournment of the 1994 county board of equalization meetings, no exclusion may be granted for an improvement by a local board of review or county board of equalization unless a building permit was issued or application was completed prior to the commencement of the improvement. No abatement of the taxes for qualifying improvements may be granted by a county board unless a building permit was issued or application completed prior to commencement of the improvement.

The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made, at which time an amount equal to 20 percent of the qualifying value shall be added back in each of the five subsequent assessment years. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. *Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity.* The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

The total qualifying value for a homestead may not exceed \$50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed \$25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70 years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The

\$25,000 and \$50,000 maximum qualifying value under this ~~section~~ subdivision may result from up to three separate improvements to the homestead. *If more than three improvements are made to the qualifying property, the taxpayer may choose which three improvements are eligible, provided that after the choice has been made and valuation attributable to the improvement has been excluded from taxation, no change can be made.*

If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increase the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

Sec. 5. Minnesota Statutes 1992, section 273.11, is amended by adding a subdivision to read:

Subd. 18. [DISCLOSURE OF VALUATION EXCLUSION.] No seller of real property shall sell or offer for sale property that, for purposes of property taxation, has an exclusion from market value for home improvements under section 273.11, subdivision 16, without disclosing to the buyer the existence of the excluded valuation and informing the buyer that the exclusion will end upon the sale of the property and that the property's estimated market value for property tax purposes will increase accordingly.

Sec. 6. Minnesota Statutes 1993 Supplement, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) 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.

Property of a trustee, beneficiary, or grantor of a trust is not disqualified from receiving homestead benefits if the homestead requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) 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.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph, "relative" means a parent, stepparent, child, stepchild, spouse, grandparent, grandchild, brother, sister, uncle, or aunt. This relationship may be by blood or marriage. Property that was classified as seasonal recreational residential property at the time when treatment under this paragraph would first apply shall continue to be classified as seasonal recreational residential property for the first four assessment years beginning after the date when the relative of the owner occupies the property as a homestead; this delay also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son or daughter, *father, or mother* of the owner of the agricultural property *or a son or daughter of the spouse of the owner of the agricultural property,*

(2) the owner of the agricultural property must be a Minnesota resident,

(3) the owner of the agricultural property is not eligible to receive homestead treatment on any other agricultural property in Minnesota, and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may

require the necessary proof that the requirements under this paragraph have been met.

Sec. 7. Minnesota Statutes 1993 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to \$115,000 has a net class rate of .45 percent of market value and a gross class rate of 1.75 percent of market value. The remaining value of class 2a property over \$115,000 of market value that does not exceed 320 acres has a net class rate of one percent of market value, and a gross class rate of 2.25 percent of market value. The remaining property over the \$115,000 market value in excess of 320 acres has a class rate of 1.5 percent of market value, and a gross class rate of 2.25 percent of market value.

(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; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; ~~or~~ (3) real estate that is nonhomestead agricultural land; *or* (4) *a landing area or public access area of a privately owned public use airport.* Class 2b property has a net class rate of 1.5 percent of market value, and a gross class rate 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 state or federal farm programs. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products.

(d) Real estate of less than ten acres used principally for raising or cultivating agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

(e) The term "agricultural products" as used in this subdivision includes:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1); and

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing.

(f) 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.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxi-ways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

Sec. 8. Minnesota Statutes 1993 Supplement, section 278.01, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION OF VALIDITY.] Any person having personal property, or any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the (1) city, or (2) county, or (3) in the case of a county containing a city of the first class, the portion of the county excluding the first class city, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined by the district court of the county in which the tax is levied or by the tax court by serving one copy of a petition for such determination upon the county auditor, one copy on the county attorney, one copy on the county treasurer, and three copies on the county assessor. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be forwarded by the assessor to the school board of the school district in which the property is located.

In counties where the office of county treasurer has been combined with the office of county auditor, the county may elect to require the petitioner to serve the number of copies as determined by the county. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A list of petitioned properties, including the name of the petitioner, the identification number of the property, and the estimated market value, shall be sent on or before the first day of July by the county auditor/treasurer to the school board of the school district in which the property is located.

For all counties, the petitioner must file the copies with proof of service, in the office of the court administrator of the district court before ~~the 16th day of May~~ *March 15* of the year in which the tax becomes payable. A petition for determination under this section may be transferred by the district court to the tax court. An appeal may also be taken to the tax court under chapter 271 at any time following receipt of the valuation notice required by section 273.121 but prior to ~~May 16~~ *March 15* of the year in which the taxes are payable.

Sec. 9. Minnesota Statutes 1992, section 278.05, subdivision 6, is amended to read:

Subd. 6. [DISMISSAL OF PETITION; EXCLUSION OF CERTAIN EVIDENCE.] (a) Information, including income and expense figures, verified net rentable areas, and anticipated income and expenses, for income-producing property ~~which is not must be provided to the county assessor at least 45 days before any hearing within 60 days after the petition has been filed under this chapter; is not admissible except if necessary to prevent undue hardship or when. Failure to provide the information required in this paragraph shall result in the dismissal of the petition, unless the failure to provide it was due to the unavailability of the evidence at that time.~~

(b) Provided that the information as contained in paragraph (a) is timely submitted to the county assessor, the county assessor shall furnish the petitioner at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing.

The petitioner shall furnish to the county assessor at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by or for the county ~~or by or for the petitioner~~ shall not be admissible as evidence if the *county assessor does not comply with the provisions within in this paragraph are not met*. *The petition shall be dismissed if the petitioner does not comply with the provisions in this paragraph.*

Sec. 10. Minnesota Statutes 1993 Supplement, section 383A.75, subdivision 3, is amended to read:

Subd. 3. [DUTIES.] The committee is authorized to and shall meet from time to time to make appropriate recommendations for the efficient and effective use of property tax dollars raised by the jurisdictions for programs, buildings, and operations. In addition, the committee shall:

(1) identify trends and factors likely to be driving budget outcomes over the next five years with recommendations for how the jurisdictions should manage those trends and factors to increase efficiency and effectiveness;

(2) agree, by ~~August~~ *September 1* of each year, on the appropriate level of overall property tax levy for the three jurisdictions and publicly report such to the governing bodies of each jurisdiction for ratification or modification by resolution;

(3) plan for the joint truth-in-taxation hearings under section 275.065, subdivision 8; and

(4) identify, by December 31 of each year, areas of the budget to be targeted in the coming year for joint review to improve services or achieve efficiencies.

In carrying out its duties, the committee shall consult with public employees of each jurisdiction and with other stakeholders of the city, county, and school district, as appropriate.

Sec. 11. Laws 1981, chapter 281, section 1, is amended to read:

Section 1. [GREENWAY JOINT RECREATION BOARD TAX.]

The Greenway joint recreation board may levy a tax ~~not to exceed 3.5 mills~~ on the ~~value of~~ property situated in the territory of Independent School District No. 316 in accordance with this act. Property in territory in the school district may be made subject to the tax permitted by this act by the agreement of the governing body or town board of the city or town where it is located. The agreement may be by resolution of a governing body or town board or by a joint powers agreement pursuant to section 471.59. If levied, the tax is in addition to all other taxes on the property subject to it permitted to be levied for park and recreation purposes by the cities and towns other than for the support of the joint recreation board. It shall be disregarded in the calculation of all other mill rate or per capita tax levy limitations imposed by law or charter upon them. A city or town may withdraw its agreement to future taxes by notice to the recreation board and the county auditor unless provided otherwise by a joint powers agreement. The tax shall be collected by the Itasca county auditor and treasurer and paid directly to the Greenway joint recreation board.

Sec. 12. [ITASCA COUNTY TOWNS; CEMETERY ASSOCIATION.]

Notwithstanding Minnesota Statutes, section 471.24, each town which is a member of the Lakeview Cemetery Association, operated by the town of Iron Range, is authorized to levy a tax and make an appropriation not to exceed \$15,000 annually to the association for cemetery purposes.

Sec. 13. [PILOT PROJECT FOR INFORMATION ON SQUARE FOOTAGE OF PROPERTY.]

The commissioner of revenue shall coordinate a pilot project with the counties of Hennepin and Blue Earth. The primary purpose is to collect, by legal classification of real property, information on the total square footage of land and structures within the respective counties by taxing jurisdiction. The square footage shall be identified separately for land and for structures.

By February 15, 1995, the commissioner shall provide a report to the tax committee of the house of representatives and the committee on taxes and tax laws of the senate. Besides reporting the basic data, the report shall discuss the feasibility of developing a statewide system of property taxation in which a property's tax base would be determined by its square footage.

Sec. 14. [REPEALER.]

Minnesota Statutes 1993 Supplement, section 82.19, subdivision 9, is repealed.

Sec. 15. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment and applies to licensed aquatic farms in operation on or after that date.

Sections 3 to 5 are effective for petitions relating to property taxes payable in 1995 and thereafter.

Sections 6, 8, 9, 11, and 12 are effective for taxes levied in 1994, payable in 1995, and thereafter.

Sections 7 and 14 are effective July 1, 1994.

ARTICLE 6

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1992, section 270B.12, is amended by adding a subdivision to read:

Subd. 10. [PROPERTY TAX REFUNDS.] The commissioner may disclose to a county auditor and treasurer, and to their designated agents or employees, the property tax refund amounts for each parcel of homestead property in the county as determined by the commissioner under chapter 290A.

Sec. 2. Minnesota Statutes 1992, section 270B.12, is amended by adding a subdivision to read:

Subd. 11. [SOCIAL SECURITY NUMBERS.] For purposes of determining and administering homestead status and property tax refunds, the commissioner may disclose to a county auditor, county treasurer, county assessor, the county recorder or registrar of deeds and their designated agents or employees, and those officials may disclose to each other and to the

commissioner, the parcel identification number and the names and social security numbers of the owners of homestead property and their spouses.

Sec. 3. Minnesota Statutes 1993 Supplement, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) 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, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) 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.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph, "relative" means a parent, stepparent, child, stepchild, spouse, grandparent, grandchild, brother, sister, uncle, or aunt. This relationship may be by blood or marriage. Property that was classified as seasonal recreational residential property at the time when treatment under this paragraph would first apply shall continue to be classified as seasonal recreational residential property for the first four assessment years beginning after the date when the relative of the owner occupies the property as a homestead; this delay also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immedi-

ately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son or daughter of the owner of the agricultural property,

(2) the owner of the agricultural property must be a Minnesota resident,

(3) the owner of the agricultural property is not eligible to receive homestead treatment on any other agricultural property in Minnesota, and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location as provided under subdivision 13, or (4) residence in a nursing home or boarding care facility.

Sec. 4. Minnesota Statutes 1993 Supplement, section 273.124, subdivision 13, is amended to read:

Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) On or before January 2, ~~1993~~ 1995, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the ~~1992~~ 1994 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property, *by all the owners' spouses if the spouses occupy the property*, or by the qualifying relative, and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

(c) Every property owner applying for homestead classification must furnish to the county assessor the social security number of each occupant who is listed as an owner of the property on the ~~homestead application deed of record~~, and the name and address of each owner who does not occupy the

property, and the name and social security number of each owner's spouse who occupies the property. If a property owner occupies a homestead, property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property owner's spouse does not occupy the homestead because marriage dissolution proceedings are pending, the spouses are legally separated, or the spouse's employment or self-employment location requires the spouse to have a separate homestead. The assessor may require proof of employment or self-employment and employment or self-employment location, or proof of dissolution proceedings or legal separation.

If the social security number or affidavit or other proof is not provided, the county assessor shall classify the property as nonhomestead.

The social security numbers or affidavits or other proofs of the property owners and spouses 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.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The social security number of each relative occupying the property and the social security number of each owner who is related to an occupant of the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The social security number of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for the 1993 1995 assessment, or any assessment year thereafter, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. ~~Beginning with assessment year 1993 for all properties,~~ If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and social security number of each property owner *and the property owner's spouse occupying the property*, or relative of a property owner, applying for homestead classification under this subdivision. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) 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 taconite homestead credit under section 273.135, *and the supplemental homestead credit under section 273.1391, and the property tax refunds deducted on the property tax statement under chapter 290A.*

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 100 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 of taxes and penalty to the succeeding year's tax list to be collected as part of the property taxes.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. *Any amount recovered attributable to property tax refunds reimbursed to the county by the state shall be paid to the commissioner of revenue for deposit in the fund from which it was paid.* 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 total amount of penalty collected must be deposited in the county general fund.

(j) 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.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 5. Minnesota Statutes 1993 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer

at the address listed on the county's current year's assessment roll, a notice of proposed property taxes and, in the case of a town, final property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority other than a town proposes to collect for taxes payable the following year and, for a town, the amount of its final levy. It must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail. For 1993, the notice must clearly state that each taxing authority holding a public meeting will describe the increases or decreases of the total budget, including employee and independent contractor compensation in the prior year, current year, and the proposed budget year.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) by county, city or town, school district excess referenda levy, remaining school district levy, regional library district, if in existence, the total of the metropolitan special taxing districts as defined in paragraph (i) and the sum of the remaining all special taxing districts, and as a total of the taxing authorities, including all special taxing districts, the proposed or, for a town, final net tax on the property for taxes payable the following year, *not including the property tax refunds under chapter 290A*, and the actual tax for taxes payable the current year, *not including the property tax refunds under chapter 290A*. *In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy.* In the case of a parcel where tax increment or the fiscal disparities areawide tax applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease in the amounts in clause (2) from taxes payable in the current year to proposed or, for a town, final taxes payable the following year, expressed as a dollar amount and as a percentage.

(e) *For homesteads, other than manufactured homes described in section 273.125, subdivision 8, paragraph (c), the notice must clearly state that the final tax for taxes payable in the current year and the proposed tax for taxes payable the following year do not include the property tax refunds under chapter 290A for which the owner was or may be eligible. It must state that, if the property owner is eligible for the property tax refunds, the property tax refunds will be computed for taxes payable the following year, that the refunds*

will be shown as a deduction on the property tax statement for the second payment, and that the refunds will reduce the proposed tax shown on the notice.

The notice must clearly state that the proposed or final taxes do not include the following *and that these items may increase the proposed tax shown on the notice:*

- (1) special assessments;
 - (2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, 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;
 - (4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified;
 - (5) any additional amount levied in lieu of a local sales and use tax, unless this amount is included in the proposed or final taxes; and
 - (6) the contamination tax imposed on properties which received market value reductions for contamination.
- (f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.
- (g) If the notice the taxpayer receives under this section lists the property as nonhomestead and the homeowner provides satisfactory documentation to the county assessor that the property is owned and has been used as the owner's homestead prior to June 1 of that year, the assessor shall reclassify the property to homestead for taxes payable in the following year.
- (h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:
- (1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or
 - (2) post a copy of the notice in a conspicuous place on the premises of the property.
- (i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:
- (1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.521, 473.547, or 473.834;
 - (2) metropolitan airports commission under section 473.667, 473.671, or 473.672;
 - (3) regional transit board under section 473.446; and
 - (4) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

Sec. 6. [276.012] [ADMINISTRATION OF PROPERTY TAX REFUND.]

On or before July 1 each year, the commissioner of revenue shall give the county auditor the property tax refund amount for each parcel of homestead property that qualifies for a refund on the property tax statement for taxes payable in the current year. The county auditor shall certify these amounts to the county treasurer who shall reflect the amounts as a property tax deduction on the property tax statements for the second half payment under section 276.04. The deduction is the sum of the amounts for which the property qualifies under section 290A.04, subdivisions 2 and 2h.

Sec. 7. Minnesota Statutes 1993 Supplement, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. *For homestead property, the statement must contain the parcel identification number.* 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, ~~the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i),~~ school district excess referenda levy, remaining school district levy, and the total of other voter approved referenda levies based on market value under section 275.61 must be separately stated. The amounts due all ~~other~~ special taxing districts, if any, may be aggregated. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. 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."

For homestead property other than manufactured homes described in section 273.125, subdivision 8, paragraph (c), a property tax statement shall be mailed separately for each payment. The tax statement for the first half payment must state that one-half of the tax shown is due on or before May 15. It must state that a statement for the rest of the tax due will be mailed by August 31 and that payment will be due on or before October 15. It must state that the second half statement will show the property tax refunds under chapter 290A as a deduction for the second half tax, if the taxpayer is eligible

for property tax refunds, and that the payment due on or before October 15 will be equal to or less than the May 15 payment.

(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) 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 right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under sections 273.11, subdivisions 1a and 16;

(3) the property's gross tax, calculated by multiplying the property's gross tax capacity times the total local tax rate and adding to the result the sum of the aids enumerated in clause (3);

(4) 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; and

(iii) disparity reduction aid under section 273.1398;

(5) for homestead residential and agricultural properties, the homestead and agricultural credit aid apportioned to the property. This amount is obtained by multiplying the total local tax rate by the difference between the property's gross and net tax capacities under section 273.13. This amount must be separately stated and identified as "homestead and agricultural credit." 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 for taxes payable in 1989 under section 273.13, and the agricultural credit under section 273.132 for taxes payable in 1989;

(6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

(7) *for the second half statement for eligible homestead properties, the property tax refunds for which the taxpayer qualifies under chapter 290A shown as a deduction on the statement; and*

(8) the net tax payable in the manner required in paragraph (a).

(d) The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clauses (3) and (4) that local governments will receive in the following year. ~~In the case of a county containing a city of the first class, for taxes levied in 1991, and for all counties for taxes levied in 1992 and thereafter,~~ The commissioner must certify this amount by September 1.

Sec. 8. Minnesota Statutes 1992, section 276.04, subdivision 3, is amended to read:

Subd. 3. [MAILING OF TAX STATEMENTS.] (a) The county treasurer shall mail to taxpayers statements of their personal property taxes due not later than April 15 for property taxes payable in 1990 and March 31 thereafter, except in the case of manufactured homes and sectional structures taxed as personal property.

(b) For homestead property other than manufactured homes described in section 273.125, subdivision 8, paragraph (c), statements of the first half payment of real property taxes due shall on or before May 15 must be mailed not later than April 15 for property taxes payable in 1990 and by March 31 thereafter, and statements of the second half payment of real property taxes due on or before October 31 must be mailed by August 31. For all other real property, statements of the real property taxes due must be mailed by March 31.

(c) The validity of the tax shall not be affected by failure of the treasurer to mail the a statement.

(d) The taxpayer is defined as the owner who is responsible for the payment of the tax.

Sec. 9. Minnesota Statutes 1992, section 276.09, is amended to read:

276.09 [SETTLEMENT BETWEEN AUDITOR AND TREASURER.]

On the later of May 20 of each year or 26 calendar days after the postmark date on the envelopes containing real or personal property tax statements, 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 the settlement, send an abstract of it to the state auditor in the form prescribed by the state auditor. At 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 the later of May 20 or the actual settlement date 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 and all property tax refunds paid to the county treasurer under chapter 290A.

Sec. 10. Minnesota Statutes 1992, section 276.10, is amended to read:

276.10 [APPORTIONMENT AND DISTRIBUTION OF FUNDS.]

On the settlement day determined in section 276.09 for each year, the county auditor and county treasurer shall distribute all undistributed funds in the treasury and property tax refunds paid under chapter 290A. 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 local tax rate from the year before the year of distribution when apportioning and distributing delinquent tax proceeds, if the composition of the previous year's local tax rate between taxing districts is not significantly different from the local tax rate that existed for the year of the delinquency.

Sec. 11. Minnesota Statutes 1992, section 276.111, is amended to read:

276.111 [DISTRIBUTIONS AND FINAL YEAR-END SETTLEMENT.]

Within seven business days after October 15, the county treasurer shall pay to the school districts 50 percent of the estimated collections *and property tax refund receipts* arising from taxes levied by and belonging to the school district from the settlement day determined in section 276.09 to October 20. The remaining 50 percent of the estimated tax collections *and property tax refund receipts* must be paid to the school district within the next seven business days. Within ten business days after November 15, the county treasurer shall pay to the school district 100 percent of the estimated collections *and property tax refund receipts* arising from taxes levied by and belonging to the school districts from October 20 to November 20.

Within ten business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100 percent of the estimated collections *and property tax refund receipts* arising from taxes levied by and belonging to each taxing district from the settlement day determined in section 276.09 to November 20.

On or before January 5, the county treasurer shall make full settlement with the county auditor of all receipts collected, *including property tax refund receipts*, from the settlement day determined in section 276.09 to December 31. After subtracting any tax distributions that have been made to the taxing districts in October and November, the treasurer shall pay to each of the taxing districts on or before January 25, the balance of the tax amounts *and property tax refund receipts* collected on behalf of each taxing district. Interest accrues at an annual rate of eight percent and must be paid to the taxing district if this final settlement amount is not paid by January 25. 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.

For purposes of this section, "property tax refund receipts" means property tax refunds paid by the commissioner of revenue to the county treasurer under chapter 290A.

Sec. 12. Minnesota Statutes 1992, section 290A.04, subdivision 2, is amended to read:

Subd. 2. [HOMEOWNERS.] A claimant whose property taxes payable 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. The state refund equals the amount of property taxes payable 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	1.2 percent	22 percent	\$400 \$500
1,000 to 1,999	1.3 percent	24 23 percent	\$400 \$500
2,000 to 2,999	1.4 percent	26 24 percent	\$400 \$500
3,000 to 3,999	1.6 percent	28 25 percent	\$400 \$500
4,000 to 4,999	1.7 percent	30 26 percent	\$400 \$500
5,000 to 5,999	1.9 percent	33 27 percent	\$400 \$500
6,000 to 6,999	1.9 percent	35 28 percent	\$400 \$500
7,000 to 7,999	2.1 percent	38 29 percent	\$400 \$500
8,000 to 8,999	2.2 percent	40 30 percent	\$400 \$500
9,000 to 9,999	2.3 percent	42 31 percent	\$400 \$500
10,000 to 10,999	2.4 percent	45 33 percent	\$400 \$500
11,000 to 11,999	2.5 percent	48 33 percent	\$400 \$500
12,000 to 13,999	2.6 percent	48 33 percent	\$400 \$500
14,000 to 14,999	2.8 percent	48 33 percent	\$400 \$500
15,000 to 15,999	3.0 percent	50 33 percent	\$400 \$500
16,000 to 16,999	3.2 percent	50 33 percent	\$400 \$500
17,000 to 20,999	3.3 percent	50 33 percent	\$400 \$500
21,000 to 23,999	3.4 percent	50 35 percent	\$400 \$500
24,000 to 24,999	3.5 percent	50 35 percent	\$400 \$500
25,000 to 27,999	3.5 percent	50 35 percent	\$400 \$500
28,000 to 29,999	3.5 percent	50 35 percent	\$400 \$500
30,000 to 34,999	3.5 percent	55 38 percent	\$400 \$500
35,000 to 39,999	3.7 percent	55 45 percent	\$400 \$500
40,000 to 56,999	4.0 percent	55 percent	\$400
40,000 to 54,000	4.0 percent	50 percent	\$500
55,000 to 55,999	4.0 percent	55 percent	\$500
56,000 to 56,999	4.0 percent	55 percent	\$400
57,000 to 57,999	4.0 percent	55 percent	\$300
58,000 to 58,999	4.0 percent	55 percent	\$200
59,000 to 59,999	4.0 percent	55 percent	\$100
60,000 to 60,999	4.0 percent	55 percent	\$0

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$60,000 or more.

Sec. 13. Minnesota Statutes 1993 Supplement, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. (a) If the gross property taxes payable on a homestead increase more than 12 percent over the net property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$80 or more for taxes payable in 1993, and \$100 or more for taxes payable in 1994, 1995, and 1996, a claimant who is a homeowner shall be allowed an additional refund equal to 75 percent of the amount of the increase over the greater of 12 percent of the prior year's net property taxes payable or \$80 for taxes payable in 1993, and 75 percent of the amount of the increase over the greater of 12 percent of the prior year's net property taxes payable or \$100 for taxes payable in 1994, 1995, and 1996. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes.

The maximum refund allowed under this subdivision is \$1,500 for taxes payable in 1994 and \$750 for taxes payable in 1995 and 1996.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "Net property taxes payable" means property taxes payable minus refund amounts for which the claimant qualifies pursuant to subdivision 2 and this subdivision.

(2) "Gross property taxes" means net property taxes payable determined without regard to the refund allowed under this subdivision.

(c) 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.

On or before December 1, 1993, 1994, and 1995, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in the following year. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims for taxes payable in 1994, 1995, and 1996 exceed \$5,500,000, for each of the three years the commissioner shall increase the \$100 amount of tax increase which must occur before a taxpayer qualifies for a refund, and increase by an equal amount the \$100 threshold used in determining the amount of the refund, so that the estimated total refund claims do not exceed \$5,500,000 for taxes payable in 1994, for taxes payable in 1995, or for taxes payable in 1996.

The determinations of the revised thresholds by the commissioner are not rules subject to chapter 14.

Sec. 14. [290A.065] [PROPERTY TAXES PAYABLE; FILING TIME LIMIT; LATE FILING.]

Subdivision 1. [FILING TIME LIMIT.] A claim for a property tax refund based on property taxes payable, other than for a manufactured home as described in section 273.125, subdivision 8, paragraph (c), shall be filed with the department of revenue on or before May 15 of the year in which the property taxes are due and payable.

Subd. 2. [LATE FILING.] Claims may be filed after May 15 but the amount of refund shall be reduced by \$10. Claims filed after May 15 shall be paid by the commissioner, and not shown as a deduction on the property tax statement.

Subd. 3. [ABATEMENT.] The commissioner may abate the penalty in the case of sickness, absence, or other disability, when the first half property tax statements are not mailed by March 31, or when in the commissioner's judgment other good cause exists.

Subd. 4. [NOTICE.] The individual income tax instructions and return and the property tax refund instructions and return shall clearly notify taxpayers of the time limit, penalty, and abatement provisions under this section.

Sec. 15. Minnesota Statutes 1992, section 290A.07, is amended to read:

290A.07 [TIME FOR PAYMENT.]

Subdivision 1. Allowable claims filed pursuant to the provisions of this

chapter shall be paid by the commissioner ~~from the general fund~~ as provided in this section.

Subd. 2a. A claimant who is a renter or a homeowner who occupies a manufactured home, as defined in section ~~274.19~~ 273.125, subdivision 8, paragraph (c), or who files a claim for property taxes payable with the commissioner after May 15, shall receive full payment after August 1 and before August 15 or 60 days after receipt of the application, whichever is later.

Subd. 3. A claimant not included in subdivision 2a shall receive full payment after September 15 and before September 30 as a deduction on the claimant's property tax statement for the second half taxes payable by October 15 as provided in section 276.04. If the property tax refund exceeds the second half tax payment, the commissioner shall pay the balance of the refund to the claimant after August 1 and before August 15.

On or before October 15 the commissioner shall pay the amount of the property tax refunds deducted from the property tax statements in the county to the county treasurer for settlement and distribution under sections 276.09 to 276.111.

Sec. 16. [1994 PROPOSED PROPERTY TAX NOTICE.]

The notice of proposed property taxes mailed to taxpayers in 1994, for taxes payable in 1995, under Minnesota Statutes, section 275.065, subdivision 3, must notify property owners that the social security numbers of both spouses, if both spouses occupy the property, must be furnished to the county assessor in order to receive homestead benefits under Minnesota Statutes, section 273.13, subdivision 22 or 23. The notice must state that all property owners must submit a new homestead application in 1995 that includes the social security number of the spouse, or the affidavit or proof required under Minnesota Statutes, section 273.124, subdivision 1, paragraph (e). The notice required by this section may be contained in a separate insert.

Sec. 17. [SOCIAL SECURITY INFORMATION FURNISHED TO COUNTY ASSESSORS.]

On or before July 1, 1994, the department of revenue shall furnish county assessors a list of the social security numbers of all owners and the owners' spouses for each parcel of homestead property in the county. A social security number provided under this section is private data on individuals as defined by Minnesota Statutes, section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed as provided in Minnesota Statutes, section 270B.12, subdivision 11.

Sec. 18. [APPROPRIATIONS; COUNTY GRANTS.]

\$..... is appropriated to the commissioner of revenue for fiscal year 1995, for grants to counties to reimburse them for programming, form design, data entry, and computer hardware costs directly attributable to compliance with this article. Each county auditor shall estimate the expenses and notify the commissioner of revenue in the time and manner required by the commissioner. The commissioner shall review the cost estimates and may correct them, return them to the county for changes, or request additional information or documentation. The grants must be awarded by the commissioner to each county in proportion to the county's expenses as finally determined by the commissioner.

Sec. 19. [EFFECTIVE DATE.]

Sections 1 and 2 are effective the day following final enactment. Sections 3 to 11, 14, and 15 are effective for property taxes levied in 1995, payable in 1996, and thereafter. Sections 12 and 13 are effective for taxes payable in 1995.

ARTICLE 7

LOCAL GOVERNMENT AIDS

Section 1. [LOCAL GOVERNMENT AID; STATEMENT OF PURPOSE.]

The purpose of local government aid is to provide property tax relief, and to reduce disparities among cities in property tax burdens that are due to differences in taxable property wealth and municipal overburden. Because some cities have property tax bases that are insufficient to meet the needs of their citizens for police, fire, and other basic city services, local government aid is needed so that adequate levels of needed city services can be provided by all cities at reasonable tax rates.

Sec. 2. Minnesota Statutes 1992, section 256E.06, subdivision 5, is amended to read:

Subd. 5. [COMMUNITY SOCIAL SERVICE LEVY.] In each calendar year, for taxes payable the following year, a county board shall levy upon all taxable property in the county a tax for community social services at least equal to the amount determined in subdivisions 1 and 2. Money for community social services provided to a county by a municipal levy may, for the purposes of this section, be counted as partial fulfillment of the local levy requirement. All money available to counties pursuant to this section may be used by counties to match federal money. *It is the intention of the legislature that the aid paid to counties under this section be used to provide property tax relief within the county.*

Sec. 3. Minnesota Statutes 1992, section 256E.06, is amended by adding a subdivision to read:

Subd. 13. [APPROPRIATION.] *In fiscal years 1996 and thereafter, there is appropriated from the general fund to the commissioner of human services for payment of aid under this section the amount appropriated in the previous year before any increases under section 16A.711, subdivision 5, multiplied by the greater of one or one plus the percentage increase of the implicit price deflator for state and local government purchases of goods and services prepared by the bureau of economic analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year; provided that the percentage increase used in this subdivision shall be no less than three percent and no greater than five percent.*

Notwithstanding subdivisions 1 and 2, the increased appropriation available in fiscal year 1996 and thereafter must be used to increase each county's aid proportionately over the aid received in calendar year 1994. For calendar year 1995 only, each county's aid will be adjusted to reflect the increase that is required to occur in the second half of the calendar year.

The amount appropriated for aid to be paid under this section is considered to be held in trust for the recipients.

Sec. 4. Minnesota Statutes 1992, section 273.138, is amended by adding a subdivision to read:

Subd. 7. [ANNUAL APPROPRIATION.] A sum sufficient to make the payments required by this section to school districts is annually appropriated from the general fund to the commissioner of education. A sum sufficient to make the payments required by this section to counties is annually appropriated from the general fund to the commissioner of revenue.

Sec. 5. Minnesota Statutes 1992, section 273.1398, is amended by adding a subdivision to read:

Subd. 8. [APPROPRIATION.] An amount sufficient to pay the aids and credits provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity, is annually appropriated from the general fund to the commissioner of education. An amount sufficient to pay the aids and credits provided under this section for counties, cities, towns, and special taxing districts is annually appropriated from the general fund to the commissioner of revenue. A jurisdiction's aid amount may be increased or decreased based on any prior year adjustments for homestead credit or other property tax credit or aid programs.

The amount appropriated for aid to be paid under this section is considered to be held in trust for the recipients.

Sec. 6. Minnesota Statutes 1993 Supplement, section 273.166 is amended by adding a subdivision to read:

Subd. 5. [APPROPRIATION.] There is annually appropriated from the general fund to the commissioner of education a sum sufficient to pay the aids provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity. There is annually appropriated from the general fund to the commissioner of revenue a sum sufficient to pay the aids provided under this section to counties, cities, towns, and special taxing districts.

Sec. 7. Minnesota Statutes 1993 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes and, in the case of a town, final property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority other than a town proposes to collect for taxes payable the following year and, for a town, the amount of its final levy. It must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an

address where comments will be received by mail. For 1993, the notice must clearly state that each taxing authority holding a public meeting will describe the increases or decreases of the total budget, including employee and independent contractor compensation in the prior year, current year, and the proposed budget year.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) by county, city or town, school district excess referenda levy, remaining school district levy, regional library district, if in existence, the total of the metropolitan special taxing districts as defined in paragraph (i) and the sum of the remaining special taxing districts, and as a total of the taxing authorities, including all special taxing districts, the proposed or, for a town, final net tax on the property for taxes payable the following year and the actual tax for taxes payable the current year. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease in the amounts in clause (2) from taxes payable in the current year to proposed or, for a town, final taxes payable the following year, expressed as a dollar amount and as a percentage.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, 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;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) ~~any additional amount levied in lieu of a local sales and use tax, unless this amount is included in the proposed or final taxes; and~~

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead and the homeowner provides satisfactory documentation to the county assessor that the property is owned and has been used as the owner's homestead prior to June 1 of that year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672;

(3) regional transit board under section 473.446; and

(4) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

Sec. 8. Minnesota Statutes 1993 Supplement, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. (a) If the gross property taxes payable on a homestead increase more than 12 percent over the net property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$80 or more for taxes payable in 1993, and \$100 or more for taxes payable in 1994, 1995, and 1996, a claimant who is a homeowner shall be allowed an additional refund equal to 75 percent of the amount of the increase over the greater of 12 percent of the prior year's net property taxes payable or \$80 for taxes payable in 1993, and 75 percent of the amount of the increase over the greater of 12 percent of the prior year's net property taxes payable or \$100 for taxes payable in 1994, 1995, and 1996. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes.

The maximum refund allowed under this subdivision is \$1,500.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "Net property taxes payable" means property taxes payable minus refund amounts for which the claimant qualifies pursuant to subdivision 2 and this subdivision.

(2) "Gross property taxes" means net property taxes payable determined without regard to the refund allowed under this subdivision.

(c) 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.

On or before December 1, 1993, 1994, and 1995, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in the following year. Notwithstanding the open appropriation provision of section ~~290A.23~~ 290A.231, if the estimated total refund claims for taxes payable in 1994, 1995, and 1996 exceed \$5,500,000, for each of the three years the commissioner shall increase the \$100 amount of tax increase which must occur before a taxpayer qualifies for a refund, and increase by an equal amount the \$100 threshold used in determining the amount of the refund, so that the estimated total refund claims do not exceed \$5,500,000 for taxes payable in 1994, for taxes payable in 1995, or for taxes payable in 1996.

The determinations of the revised thresholds by the commissioner are not rules subject to chapter 14.

Sec. 9. [290A.231] [ANNUAL APPROPRIATION.]

There is annually appropriated from the general fund to the commissioner of revenue the amount necessary to make the payments required by this chapter.

Sec. 10. Minnesota Statutes 1992, section 297A.02, is amended to read:

297A.02 [IMPOSITION OF TAX.]

Subdivision 1. [GENERALLY.] Except as otherwise provided in this chapter, there is imposed an excise tax of ~~six~~ 6.5 percent of the gross receipts from sales at retail made by any person in this state.

Subd. 2. [MACHINERY AND EQUIPMENT.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of special tooling is ~~four~~ 4.5 percent and upon sales of farm machinery and aquaculture production equipment is ~~two~~ 2.5 percent.

Subd. 3. [LIQUOR AND BEER SALES.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of intoxicating liquor, as defined in section 340A.101, subdivision 14, and 3.2 percent malt liquor, as defined in section 340A.101, subdivision 19, shall be ~~8.5~~ nine percent. The 3.2 percent malt liquor is subject to taxation under this subdivision only when sold at an on-sale or off-sale municipal liquor store or other establishment licensed to sell any type of intoxicating liquor.

Subd. 4. [MANUFACTURED HOUSING.] Notwithstanding the provisions of subdivision 1, for sales at retail of manufactured homes used for residential

purposes the excise tax is imposed upon 65 percent of the sales price of the home.

Sec. 11. Minnesota Statutes 1992, section 297A.44, subdivision 1, is amended to read:

Subdivision 1. (a) Except as provided in paragraphs (b), (c), and (d), ~~and subdivision 4~~, all revenues, including interest and penalties, derived from the excise and use taxes imposed by sections 297A.01 to 297A.44 shall be deposited by the commissioner in the state treasury and credited to the general fund.

(b) All excise and use taxes derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project, from and after the date on which a conditional commitment for a loan guaranty for the project is made pursuant to section 41A.04, subdivision 3, shall be deposited in the Minnesota agricultural and economic account in the special revenue fund. The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account shall be reduced by any refunds and by the costs incurred by the department of revenue to administer and enforce the assessment and collection of the taxes.

(c) All revenues, including interest and penalties, derived from the excise and use taxes imposed on sales and purchases included in section 297A.01, subdivision 3, paragraphs (d) and (l), clauses (1) and (2), must be deposited by the commissioner in the state treasury, and credited as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance must be credited to the general fund.

(d) The revenues, including interest and penalties, derived from the taxes imposed on solid waste collection services as described in section 297A.45, except for the tax imposed under section 297A.021, shall be deposited by the commissioner in the state treasury and credited to the general fund to be used for funding solid waste reduction and recycling programs.

Sec. 12. Minnesota Statutes 1992, section 477A.012, subdivision 6, is amended to read:

Subd. 6. [AID OFFSET FOR 1992 COURT AND PUBLIC DEFENDER COSTS.] (a) There shall be deducted from the payment to a county under this section an amount equal to the cost of jury fees and, in the case of a county located in the third or sixth judicial district, of public defense services in juvenile and misdemeanor cases, to the extent those costs are assumed by the state for the fiscal year beginning on July 1, 1992. The amount of the deduction is computed as provided in this subdivision.

(b) By June 30, 1991, the supreme court shall determine and certify to the department of revenue for each county, except counties located in the eighth judicial district, the cost for each county of jury fees during the fiscal year beginning on July 1, 1992.

(c) By June 30, 1991, the board of public defense shall determine and certify to the department of revenue the pro rata share for each county in the

third or sixth judicial district of the cost of the state-financed public defense services in juvenile and misdemeanor cases in the third or sixth judicial district during the fiscal year beginning on July 1, 1992.

(d) One-half of the amount computed under paragraphs (b) and (c) for each county shall be deducted from each local government aid payment to the county under section 477A.015 in 1992 and each subsequent year. If the amount computed under paragraph (b) exceeds the amount payable to a county under subdivision 1, the excess shall be deducted from the aid payable to the county under section 273.1398, subdivision 2, and then, if necessary, from the disparity reduction aid under section 273.1398, subdivision 3. ~~No payments shall be made from the local government trust fund to the general fund for county aid reductions under subdivisions 3, 4, and 6.~~

Sec. 13. [477A.0122] [FAMILY PRESERVATION AID.]

Subdivision 1. [PURPOSE.] The purpose of family preservation aid is to reduce the rate of increase in the costs of out-of-home placement of children and concomitant increases in county property taxes. Funds appropriated under this section must be used to fund family preservation programs.

Subd. 2. [DEFINITIONS.] For purposes of this section, the following definitions apply:

(a) "Children in out-of-home placement" means the total unduplicated number of children in out-of-home care as reported pursuant to section 275.0725.

(b) "Family preservation programs" means family-based services, families first services, parent and child education programs, and day treatment services provided in cooperation with a school district or other programs as defined by the commissioner of human services.

(c) "Income maintenance caseload" means average monthly number of AFDC cases for the year.

By July 1, 1994, the commissioner of human services shall certify to the commissioner of revenue the number of children in out-of-home placement in 1991 and 1992 for each county and the income maintenance caseload for each county for the most recent year available. By July 1 of each subsequent year, the commissioner of human services shall certify to the commissioner of revenue the income maintenance caseload for each county for the most recent year available.

Subd. 3. [AID DISTRIBUTION; CALENDAR YEAR 1995.] For aid paid in calendar year 1995 only, one-half of the aid amount shall be paid to each county in the same proportion that the county's number of children in out-of-home placement is to the number of children in out-of-home placement for all counties within the state for 1991 and 1992, and one-half of the aid amount shall be paid to each county in the same proportion that the county's income maintenance caseload is to the income maintenance caseload for all counties within the state.

Subd. 4. [AID DISTRIBUTION; CALENDAR YEAR 1996 AND THEREAFTER.] For aid paid in calendar year 1996 and thereafter, each county shall receive the same proportion of the total aid it received in the prior year, multiplied by one plus the percentage change in the county's share of the statewide income maintenance caseload.

Subd. 5. [PAYMENT.] The commissioner of revenue shall pay the amounts determined under this section as provided in section 477A.015.

Subd. 6. [REPORT.] On or before March 15 of the year following the year in which the distributions under this section are received, each county shall file with the commissioner of revenue and commissioner of human services a report on prior year expenditures for out-of-home placement and family preservation, including expenditures under this section.

Sec. 14. Minnesota Statutes 1993 Supplement, section 477A.013, subdivision 8, is amended to read:

Subd. 8. [CITY AID INCREASE.] (a) In calendar year 1994 and subsequent years, the aid increase for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) the city's net tax capacity multiplied by the tax effort rate. The need increase percentage must be the same for all cities and must be calculated by the department of revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03, subdivision 1a. *Notwithstanding the prior sentence, in 1995 only for cities which in 1992 or 1993 transferred an amount from governmental funds to their sewer and water fund in an amount greater than their net levy for taxes payable in the year in which the transfer occurred, their need increase percentage shall be double that applicable to other cities. The applicable need increase percentages must be calculated by the department of revenue so the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03, subdivision 1a.*

(b) The percentage aid increase for a first class city in calendar year 1994 and thereafter must not exceed the percentage increase in the sum of that calendar year 1994 year's city aids under this section compared to the sum of the city aid base for all cities in the previous calendar year. ~~The aid increase for any other city in 1994 must not exceed five percent of the city's net levy for taxes payable in 1993.~~

(c) The aid increase in calendar year 1995 and subsequent years for any city ~~except a first-class city must not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its city aid base multiplied by the base reduction percentage, provided that in 1995 only for cities which in 1992 or 1993 transferred an amount for governmental funds to their sewer and water fund in an amount greater than their net levy for taxes payable in the year in which the transfer occurred, the aid increase must not exceed 20 percent of the city's net levy for the year prior to the aid distribution.~~

Sec. 15. Minnesota Statutes 1993 Supplement, section 477A.013, subdivision 9, is amended to read:

Subd. 9. [CITY AID DISTRIBUTION.] In calendar year ~~1994~~ 1995 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city aid increase under subdivision 8, and (2) its city aid base ~~multiplied by a percentage equal to 100 minus the base reduction percentage for the year prior to the aid distribution as certified under section 477A.014, subdivision 1.~~

Sec. 16. Minnesota Statutes 1992, section 477A.014, subdivision 5, is amended to read:

Subd. 5. [DEDUCTION FROM AID PAYMENTS.] The commissioner of revenue shall deduct the amounts certified under subdivision 4 from the aid payments to be made to appropriate local units of government in the next aid payment year. ~~Amounts must be transferred from the local government trust fund to the general fund.~~

Sec. 17. Minnesota Statutes 1993 Supplement, section 477A.03, is amended by adding a subdivision to read:

Subd. 1a. [ANNUAL APPROPRIATION.] A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue. For aid payable in 1995 and thereafter, the total aid paid to cities under section 477A.013, subdivision 9, is the amount paid in the previous year before any increases or reductions under sections 16A.711, subdivision 5, and 477A.0132 multiplied by the greater of one or one plus the percentage increase of the implicit price deflator for state and local government purchases of goods and services prepared by the bureau of economic analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year; provided that the percentage increase used in this subdivision shall be no less than three percent and no greater than five percent. For aid payable in 1995, the total aid paid to counties under section 477A.0121 is \$9,701,000. For 1996 and subsequent years, the amount for payments under section 477A.0121 is the amount paid in the previous year multiplied by the greater of one or one plus the percentage increase of the implicit price deflator for state and local government purchases of goods and services prepared by the bureau of economic analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year; provided that the percentage increase used in this subdivision shall be no less than three percent and no greater than five percent. For aid payable in 1995, the total aid paid to counties under section 477A.0122 is \$1,500,000. For 1996 and subsequent years, the amount for payments under section 477A.0122 is the amount paid in the previous year multiplied by the greater of one or one plus the percentage increase of the implicit price deflator for state and local government purchases of goods and services prepared by the bureau of economic analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year; provided that the percentage increase used in this subdivision shall be no less than three percent and no greater than five percent.

The amount appropriated for aid to be paid under this section is considered to be held in trust for the recipients.

Sec. 18. [ELIMINATION OF LOCAL GOVERNMENT TRUST FUND.]

The local government trust fund is eliminated as a separate fund in the state treasury as of July 1, 1995. Any money in the local government trust fund on that date is transferred to the general fund.

Sec. 19. [APPROPRIATION; LOCAL GOVERNMENT TRUST FUND DEFICIENCY.]

A sum sufficient to eliminate any deficit in the local government trust fund for the biennium ending June 30, 1995, which absent this appropriation would require an aid reduction under Minnesota Statutes, section 16A.711, subdivision 5, is appropriated from the general fund to the local government trust fund. The appropriation cannot exceed \$29,455,000.

Sec. 20. [REPEALER.]

Minnesota Statutes 1992, sections 3.862; 16A.711; 273.1381; 273.1398, subdivision 7; 297A.021; 297A.44, subdivision 4; 297B.09, subdivision 3; and 477A.0132; Minnesota Statutes 1993 Supplement, sections 16A.712; 256E.06, subdivision 12; 273.166, subdivision 4; 290A.23; and 477A.03, subdivision 1; Laws 1973, chapter 650, article 24, section 6, are repealed.

Sec. 21. [EFFECTIVE DATE.]

Section 19 is effective July 1, 1994. The remainder of this article is effective July 1, 1995, provided that sections 10, 11, 18, and 20 are effective only upon enactment of sections 3 to 6, 8, 9, and 17.

ARTICLE 8

TAX INCREMENT FINANCING; LOCAL ECONOMIC
DEVELOPMENT

Section 1. Minnesota Statutes 1993 Supplement, section 116J.556, is amended to read:

116J.556 [LOCAL MATCH REQUIREMENT.]

(a) In order to qualify for a grant under sections 116J.551 to 116J.557, the municipality must pay for at least one-half of the project costs as a local match. The municipality shall pay an amount of the project costs equal to at least 18 percent of the cleanup costs from the municipality's general fund, a property tax levy for that purpose, or other unrestricted money available to the municipality (excluding tax increments). These unrestricted moneys may be spent for project costs, other than cleanup costs, and qualify for the local match payment equal to 18 percent of cleanup costs. The rest of the local match may be paid with tax increments or any other money available to the municipality.

(b) If the development authority establishes a tax increment financing district or hazardous substance subdistrict on the site to pay for part of the local match requirement, the district or subdistrict is not subject to the state aid reductions under section 273.1399. In order to qualify for the exemption from the state aid reductions, the municipality must elect, by resolution, on or before the request for certification is filed that all tax increments from the district or subdistrict will be used exclusively to pay (1) for project costs for the site and (2) administrative costs for the district or subdistrict. The district or subdistrict must be decertified when an amount of tax increments equal to no more than three times the costs of implementing the response action plan for the site and the administrative costs for the district or subdistrict have been received, after deducting the amount of the state grant.

Sec. 2. Minnesota Statutes 1993 Supplement, section 270.91, subdivision 4, is amended to read:

Subd. 4. [TAX RATES AFTER PLAN APPROVAL.] (a) The tax imposed under this subdivision applies for the first assessment year that begins after one of the following occurs:

(1) a response action plan for the property has been approved by the commissioner of the pollution control agency or by the commissioner of

agriculture for an agricultural chemical release or incident subject to chapter 18D and work under the plan has begun; or

(2) the contaminants are asbestos and the property owner has in place an abatement plan for enclosure, removal, or encapsulation of the asbestos ~~or a proactive, in-place management program pursuant to the rules, requirements, and formal policies of the United States environmental protection agency.~~ To qualify under this clause, the property owner must (1) have entered into a binding contract with a licensed contractor for completion of the work, ~~or~~ (2) have obtained a license from the commissioner of health and begun the work, ~~or~~ (3) ~~implemented a proactive, in-place management program pursuant to the rules, requirements, and formal policies of the United States environmental protection agency.~~ An abatement plan must provide for completion of the work within a reasonable time period, as determined by the assessors. ~~An asbestos management program must cover a period of time and require such proactive practices as are required by the rules, requirements, and formal policies of the United States environmental protection agency.~~

(b) To qualify under paragraph (a), the property owner must provide the assessor with a copy of: (1) the approved response action plan; ~~or~~ (2) a copy of the asbestos abatement plan and contract for completion of the work or the owner's license to perform the work; ~~or~~ (3) ~~a copy of the approved asbestos management program.~~ The property owner also must file with the assessor an affidavit indicating when work under the response action plan or asbestos abatement plan began.

(c) The tax imposed under this subdivision equals 50 percent of the class rate for the property under section 273.13, multiplied by the contamination value of the property.

(d) The tax imposed under this subdivision equals 12.5 percent of the class rate for the property under section 273.13, multiplied by the contamination value of the property. The tax under this paragraph applies if one of the following conditions is satisfied:

(1) the contaminants are subject to chapter 115B and neither the owner nor the operator of the taxable real property in the assessment year is a responsible person under chapter 115B;

(2) the contaminants are subject to chapter 18D and neither the owner nor the operator of the taxable real property in the assessment year is a responsible party under chapter 18D;

(3) ~~the contaminants are asbestos and neither the owner nor the operator of the taxable real property in the assessment year is required to undertake asbestos-related work, but is implementing a proactive in-place management program.~~

Sec. 3. Minnesota Statutes 1993 Supplement, section 270.94, is amended to read:

270.94 [EXEMPTIONS.]

(a) The tax imposed by sections 270.91 to 270.98 does not apply to the contamination value of a parcel of property attributable to contaminants that were addressed by a response action plan for the property, if the commissioner of the pollution control agency, or the commissioner of agriculture for a release subject to chapter 18D, has determined that all the requirements of the

plan have been satisfied. This exemption applies beginning for the first assessment year after the commissioner of the pollution control agency, or the commissioner of agriculture determines that the implementation of a response action plan has been completed. To qualify under this paragraph, the property owner must provide the assessor with a copy of the determination by the commissioner of the pollution control agency or the commissioner of agriculture of the completion of the response action plan.

(b) The tax imposed by sections 270.91 to 270.98 does not apply to the contamination value of a parcel that is attributable to asbestos, if:

(1) the work has been completed under an asbestos abatement plan or the property owner is implementing a proactive in-place asbestos management program consistent with the rules, requirements, and formal policies of the United States Environmental Protection Agency; and

(2) the property owner provides the assessor with an affidavit stating the work under the abatement plan has been completed, or the asbestos management plan is being implemented, and any other evidence or information the assessor requests.

Sec. 4. Minnesota Statutes 1993 Supplement, section 273.1399, subdivision 1, is amended to read:

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

(a) "Qualifying captured net tax capacity" means the following amounts:

(1) the captured net tax capacity of a new or the expanded part of an existing economic development district other than a qualified manufacturing district or a soils condition tax increment financing district; ~~other than a qualified manufacturing district~~ other than an exempt soils condition district, for which certification was requested after April 30, 1990;

(2) the captured net tax capacity of a qualified manufacturing district, multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district:

Number of Years	Percentage
1	0
2	20
3	40
4	60
5	80
6 or more	100;

(3) the captured net tax capacity of a new or the expanded part of an existing tax increment financing district; ~~other than a qualified housing district, qualified hazardous substance subdistrict, or an economic development or soils condition district,~~ for which certification was requested after April 30, 1990, ~~other than a district described in clause (1) or (2), or exempt under subdivisions 6 to 11~~ multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net

tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district.

Number of years	Renewal and Renovation Districts	All other Districts
0 to 5	0	0
6	12.5	6.25
7	25	12.5
8	37.5	18.75
9	50	25
10	62.5	31.25
11	75	37.5
12	87.5	43.75
13	100	50
14	100	56.25
15	100	62.5
16	100	68.75
17	100	75
18	100	81.25
19	100	87.5
20	100	93.75
21 or more	100	100

In the case of a hazardous substance subdistrict, the number of years must be measured from the date of certification of the subdistrict for purposes of the additional captured net tax capacity resulting from the reduction in the subdistrict's or site's original net tax capacity.

(b) The terms defined in section 469.174 have the meanings given in that section.

(c) "Qualified manufacturing district" means an economic development district that qualifies under section 469.176, subdivision 4c, paragraph (a), without regard to clauses (2) and (5), for which certification was requested after June 30, 1991, located in a home rule charter or statutory city that has a population under 10,000 according to the last federal census.

(d) "Qualified housing district" means a housing district for a residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit.

(e) "Qualified hazardous substance subdistrict" means a hazardous substance subdistrict in which the municipality has made an election to make an alternative local contribution as provided under section 469.175, subdivision 1a.

Sec. 5. Minnesota Statutes 1992, section 273.1399, is amended by adding a subdivision to read:

Subd. 7. [QUALIFIED HOUSING DISTRICTS.] The provisions of this section do not apply to a qualified housing district, which is a housing district for a residential rental project or projects in which the only properties

receiving assistance from revenues derived from tax increments from the district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit. This subdivision applies to districts for which certification was requested after August 1, 1993.

Sec. 6. Minnesota Statutes 1992, section 273.1399, is amended by adding a subdivision to read:

Subd. 8. [EXEMPT SOILS CONDITION DISTRICTS.] The provisions of this section do not apply to an exempt soils condition district, which is a soils condition district that was created for the purpose of remediating a site that contains hazardous substances, pollution, or contaminants including petroleum products. This subdivision applies to districts for which certification was requested after June 30, 1994.

Sec. 7. Minnesota Statutes 1992, section 273.1399, is amended by adding a subdivision to read:

Subd. 9. [HAZARDOUS SUBSTANCE SUBDISTRICTS.] The provisions of this section do not apply to hazardous substance subdistricts created under section 469.175, subdivision 7, for which certification was requested after August 1, 1993.

Sec. 8. Minnesota Statutes 1992, section 273.1399, is amended by adding a subdivision to read:

Subd. 10. [REDEVELOPMENT DISTRICTS.] The provisions of this section do not apply to redevelopment districts as defined in section 469.174, subdivision 10, for which certification was requested after April 30, 1990.

Sec. 9. Minnesota Statutes 1992, section 273.1399, is amended by adding a subdivision to read:

Subd. 11. [ECONOMIC DEVELOPMENT DISTRICTS.] The provisions of this section do not apply to redevelopment districts as defined in section 469.174, subdivision 12, for which certification was requested after June 30, 1994.

Sec. 10. Minnesota Statutes 1992, section 469.004, subdivision 1a, is amended to read:

Subd. 1a. [RAMSEY COUNTY AUTHORITY.] Ramsey county may exercise the powers of a housing and redevelopment authority. Before the commencement of a project by Ramsey county acting as a housing and redevelopment authority, the governing body of the municipality in which the project is to be located shall, by majority vote, approve the project as recommended by the authority. The authority granted to Ramsey county under this subdivision and subdivision 4 terminates June 30, 1994, providing that obligations incurred by the county before that date shall remain in effect according to their terms. A resolution of the county board may provide that the board will constitute the county housing and redevelopment authority.

Sec. 11. [469.0775] [MANKATO; PORT AUTHORITY.]

The governing body of the city of Mankato may exercise all the powers of a port authority provided by sections 469.048 to 469.068.

Sec. 12. Minnesota Statutes 1993 Supplement, section 469.174, subdivision 19, is amended to read:

Subd. 19. [SOILS CONDITION DISTRICT.] (a) "Soils condition district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that the following conditions exist:

(1) unusual terrain, the presence of hazardous substances, pollution or contaminants, or soil deficiencies for 80 percent of the acreage in the district require substantial filling, grading, removal or remedial action, or other physical preparation for use; *contamination due to the presence of petroleum products in the soil qualifies under this clause if no public funds other than those to be made available under the tax increment financing plan are available for cleanup of the site;*

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in section 160.01 and local improvements as described in sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01, exceeds 75 percent of the fair market value of the land before completion of the preparation.

The requirements of clause (2) need not be satisfied, if each parcel of property in the district either satisfies the requirements of clause (2) or the estimated costs of the proposed removal or remedial action exceeds \$2 per square foot for the area of the parcel.

(b) An area does not qualify as a soils condition district if it contains a wetland, as defined in section 103G.005, unless the development agreement prohibits draining, filling, or other alteration of the wetland or other binding legal assurances for preservation of the wetland are provided.

(c) If the district is located in the metropolitan area, the proposed development of the district in the tax increment financing plan must be consistent with the municipality's land use plan adopted in accordance with sections 473.851 to 473.872 and reviewed by the metropolitan council under section 473.175. If the district is located outside of the metropolitan area, the proposed development of the district must be consistent with the municipality's comprehensive municipal plan.

Sec. 13. Minnesota Statutes 1993 Supplement, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. [DURATION LIMITS; TERMS.] (a) No tax increment shall in any event be paid to the authority

(1) after 25 years from date of receipt by the authority of the first tax increment for a mined underground space development district,

(2) after 15 years after receipt by the authority of the first increment for a renewal and renovation district,

(3) after 12 years from approval of the tax increment financing plan for a soils condition district,

(4) after nine years from the date of the receipt, or 11 years from approval of the tax increment financing plan, whichever is less, for an economic development district; *or, for economic development districts for which*

certification is requested after June 30, 1994, after 25 years from date of receipt by the authority of the first increment,

(5) for a housing district or a redevelopment district, after 20 years from the date of receipt by the authority of the first tax increment by the authority pursuant to section 469.175, subdivision 1, paragraph (b); or, if no provision is made under section 469.175, subdivision 1, paragraph (b), after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

Sec. 14. Minnesota Statutes 1993 Supplement, section 469.176, subdivision 4c; is amended to read:

Subd. 4c. [ECONOMIC DEVELOPMENT DISTRICTS.] (a) 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 more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities; or

(6) space necessary for and related to the activities listed in clauses (1) to (5).

~~(b) Notwithstanding the provisions of this subdivision, revenue derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 5,000 square feet of commercial and retail facilities within the municipal jurisdiction of a home rule charter or statutory city that has a population of 5,000 or less. The 5,000 square feet limitation is cumulative and applies to all facilities in all the economic development districts within the municipal jurisdiction.~~

Sec. 15. Minnesota Statutes 1992, section 469.176, subdivision 4f, is amended to read:

Subd. 4f. [INTEREST REDUCTION.] Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to section 469.012, subdivisions 7 to 10, or pursuant to

other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (1) tax increments may not be collected for a program for a period in excess of ~~42~~ 15 years after the date of the first interest rate reduction payment for the program, (2) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 469.178 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (3) tax increments may not be used to finance an interest reduction program for owner-occupied single-family dwellings.

Sec. 16. Minnesota Statutes 1992, section 469.1761, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENT IMPOSED.] In order for a tax increment financing district to qualify as a housing district, the income limitations provided in this section must be satisfied. The requirements imposed by this section apply to residential property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, or other subsidies. The provisions of this section do not apply (1) to interest reduction programs, provided that the duration of the district is limited to ~~42~~ 15 years from the collection of the first increment or (2) to districts located in a targeted area as defined in section 462C.02, subdivision 9, clause (e).

Sec. 17. [469.1811] [PROPERTY TAX EXEMPTION; AGRICULTURAL PROCESSING FACILITIES.]

Subdivision 1. [DEFINITIONS.] For purposes of this section:

(1) "Agricultural processing facility" means land, buildings, structures, fixtures, and improvements used or operated primarily for the processing or production of marketable products from agricultural crops, including waste and residues from agricultural crops, but not including livestock or livestock products, poultry or poultry products, or wood or wood products. As used in this subdivision, land is limited to land on which the buildings, structures, fixtures, and improvements are situated and the immediately surrounding land used for storage or other functions directly related to the processing or production, not including land used for the growing of agricultural crops.

(2) "Qualifying property" means taxable property: (i) that consists of an agricultural processing facility; and (ii) which requires an investment of at least \$100,000,000 before commencement of operation of the facility.

Subd. 2. [CITY MAY EXEMPT.] The governing body of a home rule or statutory city may by resolution exempt qualifying property from property taxation. The exemption shall include the entire market value of the qualifying property as determined by the assessor, including the land and any improvements existing at the time the exemption is granted, any increases in the value of the land and improvements during the duration of the exemption, and the value of any improvements constructed or attached during the exemption period. The property tax exemption granted by the city may not exceed a ten-year period beginning with taxes payable the year following the year the exemption is granted. At the expiration of the exemption period, the facility shall be assessed and pay property taxes as otherwise provided by law.

Subd. 3. [APPLICATION; HEARING.] *A person proposing to construct an agricultural processing facility may apply for a property tax exemption to the city clerk of the city where the facility is proposed to be located. The application must contain a plan that includes a legal description of the real estate on which the exemption is sought, a description of the proposed facility, a detailed estimate of acquisition and construction costs, a construction time schedule, and any other information required by the city.*

Before approving a tax exemption pursuant to this section, the governing body of the city must hold a public hearing. The municipal clerk or auditor shall publish a notice in the official newspaper of the time and place of a hearing to be held by the governing body on the application, not less than 30 days after the notice is published. The notice shall state that the applicant, local government officials, and any taxpayer of the municipality may be heard or may present their views in writing at or before the hearing. The hearing may be adjourned from time to time, but the governing body shall take action on the application by resolution within 30 days after the hearing ends. If disapproved, the reasons shall be set forth in the resolution.

Subd. 4. [CONDITIONS; REVOCATION.] *(a) The governing body of the city may set conditions to its approval or continuation of a tax exemption under this section. The conditions may include construction specifications; time limits for construction; traffic, parking, safety, or environmental requirements; requirements as to the type and number of jobs to be created; valuation or assessment requirements after the exemption expires; or any other conditions reasonably required by the city to safeguard the public welfare.*

(b) If the city proposes to revoke its approval of a tax exemption granted under this section, it must notify the owner of the property and give the person an opportunity to be heard. The city must give the person 30 days' notice before holding the hearing. A revocation by the city must be made by resolution and must state the findings on which the revocation is based.

Sec. 18. [CITY OF MINNEAPOLIS; SEWARD SOUTH URBAN RENEWAL AREA.]

The Minneapolis community development agency may establish an economic development tax increment financing district under Minnesota Statutes, sections 469.174 to 469.178, for the retention and expansion of a private educational campus located within a certain area of Seward South urban renewal area which was incorporated into the urban renewal area pursuant to a modification no. 9 which was adopted by the city of Minneapolis as of April 12, 1985. The district established under this section is not subject to the limitations of Minnesota Statutes, section 469.176, subdivision 4c. The proceeds of the levy by Hennepin county on captured net tax capacity within the district established under this section will be paid to Hennepin county unless the Hennepin county board approves the implementation of tax increment financing with respect to the county's levy within and for the purposes of the district.

Sec. 19. [CITY OF MINNEAPOLIS; NORTH WASHINGTON INDUSTRIAL PARK REDEVELOPMENT PROJECT.]

Subdivision 1. [AUTHORIZATION; SPECIAL RULES.] *(a) A hazardous substance subdistrict may be established by the Minneapolis community development agency and the city of Minneapolis within the North Washington*

industrial park redevelopment project in the city of Minneapolis. The district would be subject to the provisions of this section.

(b) In addition to the uses of tax increment revenues authorized in Minnesota Statutes, section 469.176, subdivision 4e, the city of Minneapolis or the Minneapolis community development agency may use tax increment revenues derived from the hazardous substance subdistrict to acquire property within the hazardous substance subdistrict.

(c) At any time on or after approval of the tax increment financing plan for the hazardous substance subdistrict, the Minneapolis community development agency may elect to designate any tax increment revenues from the hazardous substance subdistrict to be tax increment revenues generated solely from the hazardous substance subdistrict.

(d) A parcel described in the tax increment financing plan or plan amendment may be designated and certified for inclusion in the hazardous substance subdistrict without approval of a development action response plan.

(e) Minnesota Statutes, section 273.1399, does not apply to the hazardous substance subdistrict.

(f) In addition to the uses of tax increment revenues authorized in Minnesota Statutes, sections 469.174 to 469.179, the Minneapolis community development agency may use tax increment revenues to provide job training or job training grants to businesses located or to be located at the jobs park within the North Washington industrial park.

Subd. 2. [EXEMPTION FROM SALES TAX.] The purchase of capital equipment to be located and used on real property within the hazardous substance subdistrict established in the North Washington industrial park redevelopment project is exempt from the sales and use taxes imposed under Minnesota Statutes, sections 297A.01 to 297A.44. As used in this subdivision, "capital equipment" has the meaning given in Minnesota Statutes, section 297A.01, subdivision 16, except that replacement equipment would be exempt under this provision.

Sec. 20. [BENTON COUNTY; ECONOMIC DEVELOPMENT AUTHORITY; ESTABLISHMENT AND POWERS.]

The board of county commissioners of Benton county may establish an economic development authority in the manner provided in Minnesota Statutes, sections 469.090 to 469.1081, and may impose limits on the authority enumerated in Minnesota Statutes, section 469.092. The economic development authority has all of the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.1081. The county economic development authority may create and define the boundaries of economic development districts at any place or places within the county. A project may not be commenced by the authority until it has been approved by (1) a majority of the overall economic development committee created by action of the county board on December 15, 1987, (2) a majority of the members of that committee who represent cities on the committee, and (3) in the case of a project that is to be located within the corporate limits of a city, a majority of the governing body of the city. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision

I, do not apply to limit the areas that may be designated as county economic development districts.

Sec. 21. [COUNTY; POWERS OF A CITY.]

If an economic development authority is established as provided in section 20, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.1081, or other law, including the power to levy a tax to support the activities of the authority.

Sec. 22. [BROOKLYN PARK; ECONOMIC DEVELOPMENT DISTRICT.]

Subdivision 1. [ESTABLISHMENT.] The city of Brooklyn Park may establish an economic development tax increment financing district in which 15 percent of the revenue generated from tax increment in any year is deposited in the housing development account of the authority and expended according to the tax increment financing plan.

Subd. 2. [ELIGIBLE ACTIVITIES.] The authority must identify in the plan the housing activities that will be assisted by the housing development account. Housing activities may include rehabilitation, acquisition, demolition, and financing of new or existing single family or multifamily housing. Housing activities listed in the plan need not be located within the district or project area but must be activities that meet the requirements of a qualified housing district or Minnesota Statutes, section 469.1761, subdivision 2.

Subd. 3. [HOUSING ACCOUNT.] Tax increment to be expended for housing activities under this section must be segregated by the authority into a special account on its official books and records. The account may also receive funds from other public and private sources.

Subd. 4. [EXEMPTION.] The district established under this act is exempt from the provisions of Minnesota Statutes, section 273.1399.

Sec. 23. [DULUTH; BONDS; IMPROVEMENTS TO THE DULUTH ENTERTAINMENT CONVENTION CENTER.]

The Duluth city council may issue general obligation bonds, in one or more series, in an aggregate principal amount not to exceed \$4,000,000 to finance improvements to the Duluth entertainment convention center. The issuance of the bonds is subject to Minnesota Statutes, chapter 475, except that no election is required to authorize issuance of the bonds.

Sec. 24. [CITY OF EAGAN; SPECIAL SERVICE DISTRICT.]

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

(a) "City" means the city of Eagan.

(b) "Special services" means:

(1) the promotion and management of a special service district as a trade or shopping area with the ability to provide the following special services within the boundaries of the district to be rendered or contracted for by the city;

(2) providing of signage identifying the overall retail area;

(3) preparation, mowing, maintenance, and repair of landscaping on public right-of-way;

(4) installation, maintenance, and repair of street and pedestrian lighting in excess of the city standard;

(5) installation, maintenance, and repair of public parking facilities;

(6) provision and coordination of public safety services in excess of the city standard;

(7) repair, maintenance, operation, rerouting, and replacement of existing public improvements, and those authorized by Minnesota Statutes, section 429.021, within the boundaries of the special service district established under subdivision 2; and

(8) administration, coordination, and preparation of studies and designs for the defined special services.

Special services do not include services that are ordinarily provided throughout the city from ordinary revenues of the city unless an increased level of service is provided in the special service district.

Subd. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.] The governing body of the city of Eagan may adopt ordinances establishing special service districts as follows:

Beginning at the centerline intersection point of Silver Bell Road and Beau-De-Rue Drive, then south along the centerline of Beau-De-Rue Drive approximately 660 feet to the south right-of-way line of Gold Trail, then southeasterly along said right-of-way approximately 100 feet to the east line of Leibel Addition, then south along said east line approximately 190 feet, then westerly along the south line of Leibel Addition approximately 290 feet to the centerline of Beau-De-Rue Drive, then southwesterly along said centerline approximately 430 feet to the centerline point of Beau-De-Rue Drive and Rahn Road, then southeasterly along the centerline of Rahn Road 410 feet to the extended south line of Parcel 010-10, then southwesterly along said south line approximately 770 feet to its intersection with the west line of Parcel 031-10, then south along said west line approximately 780 feet to the north line of Outlot A of Cedar Grove No. 3, then west along said north line approximately 1,595 feet to the west line of the NE 1/4 of Section 19, then north along said west line approximately 1,150 feet to the extended south line of MnDOT Right-of-Way Plat No. 19-6, then northeasterly along said south line approximately 2,795 feet to its intersection with the southwest line of MnDOT Right-of-Way Plat No. 19-8, then easterly along said southwest line approximately 330 feet to the NE corner of the NE 1/4 of Section 19, then north along the east line of the MnDOT Right-of-Way Plat No. 19-8, approximately 190 feet to the northwest corner of Parcel 120-54, then northeast approximately 185 feet to the north corner of said parcel, then southeast approximately 176 feet to the northeast corner of said parcel, then south approximately 192 feet to the centerline of Silver Bell Road, then west approximately 260 feet to the point of beginning at the centerline intersection of Silver Bell Road and Beau-De-Rue Drive, also including Lot 1, Block 1, Silver Bell Center Addition.

Minnesota Statutes, chapter 428A, applies to the establishment and operation

of special service districts in the city, except to the extent otherwise specified in this section.

Sec. 25. [HOPKINS HOUSING IMPROVEMENT AREA; DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] As used in sections 25 to 34, the terms defined in this section have the meanings given them.

Subd. 2. [CITY.] "City" means the city of Hopkins.

Subd. 3. [ENABLING ORDINANCE.] "Enabling ordinance" means the ordinance adopted by the city council establishing the housing improvement area.

Subd. 4. [HOUSING IMPROVEMENTS.] "Housing improvements" has the meaning given in the city's enabling ordinance. Housing improvements may include improvements to common elements of a condominium.

Subd. 5. [HOUSING IMPROVEMENT AREA.] "Housing improvement area" means a defined area within the city where housing improvements are made or constructed and the costs of the improvements are paid in whole or in part from fees imposed within the area.

Subd. 6. [HOUSING UNIT.] "Housing unit" means real property and improvements thereon consisting of a one-dwelling unit, or an apartment as described in Minnesota Statutes, chapter 515 or 515A, that is occupied by a person or family for use as a residence.

Sec. 26. [PETITION REQUIRED.]

No action may be taken under sections 27 and 28 unless owners of 25 percent or more of the housing units that would be subject to fees in the proposed housing improvement area file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 28 to impose a fee unless owners of 25 percent or more of the housing units subject to the proposed fee file a petition requesting a public hearing on the proposed fee with the city clerk.

Sec. 27. [ESTABLISHMENT OF HOUSING IMPROVEMENT AREA.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a housing improvement area. The ordinance must specifically describe the portion of the city to be included in the area, the basis for the imposition of the fees, and the number of years the fee will be in effect. In addition, the ordinance must include findings that without the housing improvement area, the proposed improvements could not be made by the condominium associations or housing unit owners, and the designation is needed to maintain and preserve the housing units within the housing improvement area. The ordinance may not be adopted until a public hearing has been held regarding the ordinance. The ordinance may be amended by the governing body of the city, provided the governing body complies with the public hearing notice provisions of subdivision 2.

Subd. 2. [PUBLIC HEARING.] The notice of public hearing must include the time and place of hearing, a map showing the boundaries of the proposed area, and a statement that all persons owning housing units in the proposed area that would be subject to a fee for housing improvements will be given an opportunity to be heard at the hearing. Notice of the hearing must be given by

publication in the official newspaper of the city. The public hearing must be held at least seven days after the publication. Not less than ten days before the hearing, notice must also be mailed to the owner of each housing unit within the proposed area. For the purpose of giving mailed notice, owners are those shown on the records of the county auditor. Other records may be used to supply the necessary information. At the public hearing a person owning property in the proposed housing improvement area may testify on any issues relevant to the proposed area. The hearing may be adjourned from time to time. The ordinance establishing the area may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Subd. 3. [PROPOSED HOUSING IMPROVEMENTS.] At the public hearing held under subdivision 2, the city shall provide a preliminary listing of the housing improvements to be made in the area. The listing shall identify those improvements, if any, that are proposed to be made to all or a portion of the common elements of a condominium. The listing shall also identify those housing units that have completed the proposed housing improvements and are proposed to be exempted from a portion of the fee. In preparing the list the city shall consult with the residents of the area and the condominium associations.

Subd. 4. [BENEFIT; OBJECTION.] Before the ordinance is adopted or at the hearing at which it is to be adopted, the owner of a housing unit in the proposed housing improvement area may file a written objection with the city clerk asserting that the owner's property should not be included in the area or should not be subjected to a fee and objecting to the inclusion of the housing unit in the area, for the reason that the property would not benefit from the improvements.

The governing body shall make a determination of the objection within 60 days of its filing. Pending its determination, the governing body may delay adoption of the ordinance or it may adopt the ordinance with a reservation that the landowner's property may be excluded from the housing improvement area or fee when the determination is made.

Subd. 5. [APPEAL TO DISTRICT COURT.] Within 30 days after the determination of the objection, any person aggrieved, who is not precluded by failure to object before or at the hearing, or whose failure to object is due to a reasonable cause, may appeal to the district court by serving a notice upon the mayor or city clerk. The notice shall be filed with the court administrator of the district court within ten days after its service. The city clerk shall furnish the appellant a certified copy of the findings and determination of the governing body. The court may affirm the action objected to or, if the appellant's objections have merit, modify or cancel it. If the appellant does not prevail upon the appeal, the costs incurred are taxed to the appellant by the court and judgment entered for them. All objections are deemed waived unless presented on appeal.

Sec. 28. [IMPROVEMENT FEES AUTHORITY; NOTICE AND HEARING.]

Subdivision 1. [AUTHORITY.] Fees may be imposed by the city on the housing units within the housing improvement area at a rate, term, or amount sufficient to produce revenue required to provide housing improvements in the area. The fee can be imposed on the basis of the tax capacity of the housing unit, or the total amount of square footage of the housing unit, or a method

determined by the council and specified in the resolution. Before the imposition of the fees, a hearing must be held and notice must be published in the official newspaper at least seven days before the hearing and shall be mailed at least seven days before the hearing to any housing unit owner subject to a fee. For purposes of this section, the notice must also include:

- (1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed housing improvement fee;
- (2) the estimated cost of improvements including administrative costs to be paid for in whole or in part by the fee imposed under the ordinance;
- (3) the amount to be charged against the particular property;
- (4) the right of the property owner to prepay the entire fee;
- (5) the number of years the fee will be in effect; and
- (6) a statement that the petition requirements of section 26 have either been met or do not apply to the proposed fee;

Within six months of the public hearing, the city may adopt a resolution imposing a fee within the area not exceeding the amount expressed in the notice issued under this section.

Prior to adoption of the resolution approving the fee, the condominium associations located in the housing improvement area shall submit to the city a financial plan prepared by an independent third party, acceptable to the city and associations, that provides for the associations to finance maintenance and operation of the common elements in the condominium and a long-range plan to conduct and finance capital improvements.

Subd. 2. [LEVY LIMIT.] Fees imposed under this section are not included in the calculation of levies or limits on levies imposed under any law or charter.

Sec. 29. [COLLECTION OF FEES.]

The city may provide for the collection of the housing improvement fees according to the terms of Minnesota Statutes, section 428A.05.

Sec. 30. [BONDS.]

At any time after a contract for the construction of all or part of an improvement authorized under sections 25 to 34 has been entered into or the work has been ordered, the governing body of the city may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing.

The obligations are payable primarily out of the proceeds of the fees imposed under section 28, or from any other special assessments or revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The governing body may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure payment of the principal and interest if the proceeds of the fees in the area are insufficient to pay the principal and interest. The obligations must be issued in accordance with Minnesota Statutes, chapter 475, except that an election is not required, and the amount

of the obligations are not included in determination of the net debt of the city under the provisions of any law or charter limiting debt.

Sec. 31. [ADVISORY BOARD.]

The governing body of the city may create and appoint an advisory board for the housing improvement area in the city to advise the governing body in connection with the planning and construction of housing improvements. In appointing the board, the council shall consider for membership, members of condominium associations located in the housing improvement area. The advisory board shall make recommendations to the governing body to provide improvements or impose fees within the housing improvement area. Before the adoption of a proposal by the governing body to provide improvements within the housing improvement area, the advisory board of the housing improvement area shall have an opportunity to review and comment upon the proposal.

Sec. 32. [VETO POWERS OF OWNERS.]

Subdivision 1. [NOTICE OF RIGHT TO FILE OBJECTIONS.] The effective date of any ordinance or resolution adopted under sections 27 and 28 must be at least 45 days after it is adopted. Within five days after adoption of the ordinance or resolution, a summary of the ordinance or resolution shall be mailed to the owner of each housing unit included in the housing improvement area. The mailing shall include a notice that owners subject to a fee have a right to veto the ordinance or resolution by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution and that a copy of the ordinance or resolution is on file with the city clerk for public inspection.

Subd. 2. [REQUIREMENTS FOR VETO.] If owners of 35 percent or more of the housing units in the area subject to the fee file an objection to the ordinance adopted by the city under section 27 with the city clerk before the effective date of the ordinance, the ordinance does not become effective. If owners of 35 percent or more of the housing units' tax capacity subject to the fee under section 28 file an objection with the city clerk before the effective date of the resolution, the resolution does not become effective.

Sec. 33. [ANNUAL REPORTS.]

Each condominium association located within the housing improvement area must, by August 15 annually, submit a copy of its audited financial statements to the city. The city may also, as part of the enabling ordinance, require the submission of other relevant information from the associations.

Sec. 34. [SPECIAL ASSESSMENTS.]

Within a housing improvement area, the governing body of the city may, in addition to the fee authorized in section 28, special assess housing improvements to benefited property. The governing body of the city may by ordinance adopt regulations consistent with this section.

Sec. 35. [MAHNOMEN COUNTY BONDING.]

Subdivision 1. [AUTHORIZATION; PURPOSES.] The county of Mahnomen may issue its general obligation bonds in a principal amount not to exceed \$800,000 to (1) fund or refund certain existing warrants and loans of the county incurred in connection with its ownership and operation of the Mahnomen County and Village Hospital, Nursing Home, and Clinic, and (2)

provide working capital for the Mahnomen County and Village Hospital, Nursing Home, and Clinic.

Subd. 2. [EXISTING LAW.] The bonds shall be issued according to Minnesota Statutes; chapter 475, except that (1) the bonds shall not constitute net debt within the meaning of Minnesota Statutes, section 475.53, or a debt of the county within the meaning of any other statutory provision, and (2) Minnesota Statutes, section 475.58, does not apply.

Subd. 3. [EFFECTIVE DATE.] This section is effective the day following final enactment, upon compliance by the Mahnomen county board with Minnesota Statutes, section 645.021.

Sec. 36. [METROPOLITAN COUNCIL HOUSING BOND CREDIT ENHANCEMENT PROGRAM; FINDINGS.]

The legislature finds that public ownership of qualified housing development projects can be beneficial, because lower debt service and operating costs tend to result in more affordable rents for the elderly and low- or moderate-income households. The legislature finds that local governmental units often face financial challenges in attempting to meet their citizens' housing needs and that the financial responsibility for providing safe, quality, affordable housing to the elderly and low- or moderate-income households should be shared by the entire metropolitan area. The legislature has determined that the establishment of a housing bond credit enhancement program administered by the metropolitan council will provide an incentive for all metropolitan area local government units to promote and provide appropriate affordable housing opportunities to the elderly and low- or moderate-income households.

Sec. 37. [473.197] [HOUSING BOND CREDIT ENHANCEMENT PROGRAM.]

Subdivision 1. [AUTHORIZATION.] The metropolitan council may establish a housing bond credit enhancement program as provided in this section. The council may pledge its full faith and credit and taxing powers to the payment of bonds issued under section 469.034 for qualified housing development projects in the metropolitan area, as provided in this section. A "qualified housing development project" has the meaning given in section 469.034, subdivision 2, paragraph (e), except that the metropolitan council is substituted for "general jurisdiction governmental unit" in clause (3).

Subd. 2. [PROJECT SELECTION.] Before pledging its full faith and credit, the council must establish criteria for selecting qualified housing development projects for the credit enhancement program. The council may award preferences for qualified housing development projects that meet criteria for preferences established by the council. The council must establish the criteria in consultation with housing providers in the metropolitan area. The council shall consider the extent to which projects for the credit enhancement program are developed in collaboration with Minnesota Youth-Build under sections 268.361 to 268.367; or training for housing programs for homeless adults under Laws 1992, chapter 376, article 6; or other employment training programs.

Subd. 3. [LIMITATION.] The aggregate principal amount of bonds that may be secured by a pledge of the council's full faith and credit under this section may not exceed \$20,000,000. The bonds must be payable from

revenues derived from the project or projects financed under the credit enhancement program, or from income of the authority or authorities that participate in the program, including earnings on any reserves established for the program. The council must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds.

Subd. 4. [DEBT RESERVE; LEVY.] To provide money to pay debt service on bonds issued under the credit enhancement program if pledged revenues are insufficient to pay debt service, the council must maintain a debt reserve fund in the manner and with the effect provided by section 475.66 for public debt service funds. To provide funds for the debt reserve fund, the council may use up to \$3,000,000 of the proceeds of solid waste bonds issued by the council under Minnesota Statutes 1990, section 473.831. To provide additional funds for the debt reserve fund, the council may levy a tax on all taxable property in the metropolitan area. The council must levy the tax if the amount in the debt reserve fund is insufficient to cure any deficiency in the debt service fund established for the bonds. The tax authorized by this section does not affect the amount or rate of taxes that may be levied by the council for other purposes and is not subject to limit as to rate or amount.

Subd. 5. [AGREEMENTS.] The council and each authority that participates in the credit enhancement program may enter into agreements they determine to be necessary to implement the credit enhancement program. The agreements may extend over any period, notwithstanding any law to the contrary.

Subd. 6. [APPLICATION.] This section applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 38. [TWO HARBORS LODGING TAX.]

Notwithstanding Minnesota Statutes, section 477A.016, or other law, in addition to a tax authorized in Minnesota Statutes, section 469.190, the city of Two Harbors may impose, by ordinance, a tax of up to one percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. The proceeds of the tax shall be dedicated and used to provide preservation, display, and interpretation of the tug boat Edna G. The total tax imposed by the city under this section and under Minnesota Statutes, section 469.190, shall not exceed three percent.

Sec. 39. [RED WING TAX INCREMENT DISTRICT.]

Notwithstanding any restrictions otherwise applicable pursuant to Minnesota Statutes, section 469.176, subdivision 1c, the duration of the two city tax increment financing districts within Development Districts I and II, located within the city of Red Wing, may be extended by resolution of the Red Wing City Council to August 1, 2009.

Sec. 40. [REPEALER.]

Minnesota Statutes 1993 Supplement, section 469.175, subdivision 7a, is repealed.

Sec. 41. [EFFECTIVE DATE.]

Section 1 is effective for grants requested after June 30, 1994.

Sections 2 and 3 are effective for taxes levied in 1994, payable in 1995, and thereafter.

Sections 9 and 13 are effective for districts for which certification is requested after June 30, 1994.

Section 17 is effective the day following final enactment and applies to agricultural processing facilities for which construction is commenced after that date.

Sections 18 and 19 are each effective the day after the governing body of the city of Minneapolis complies with Minnesota Statutes, section 645.021, subdivision 3, for that provision.

Sections 11, 21, and 25 to 38 are effective the day following final enactment.

ARTICLE 9

CROSS LAKE AREA WATER AND SEWER BOARD

Section 1. [DEFINITIONS.]

Subdivision 1. For the purposes of this article, the terms defined in this section have the meanings given them.

Subd. 2. "Cross Lake area water and sanitary sewer district" and "district" mean the area over which the Cross Lake area water and sanitary sewer board has jurisdiction, including the towns of Pokegama and Chengwatana and Pine City in Pine county, but only that part within 1,000 feet of the high waterline of Cross Lake in those townships.

Subd. 3. "Water and sanitary sewer board" or "board" means the Cross Lake area water and sanitary sewer board established for the district as provided in subdivision 2.

Subd. 4. "Person" means an individual, partnership, corporation, limited liability company, cooperative, or other organization or entity, public or private.

Subd. 5. "Local governmental unit" or "governmental unit" means the towns of Pokegama, Chengwatana, and Pine City.

Subd. 6. "Acquisition" and "betterment" have the meanings given in Minnesota Statutes, chapter 475.

Subd. 7. "Agency" means the Minnesota pollution control agency created in Minnesota Statutes, chapter 116.

Subd. 8. "Sewage" means all liquid or water-carried waste products from whatever sources derived, together with any groundwater infiltration and surface water as may be present.

Subd. 9. "Pollution of water" and "sewer system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 10. "Treatment works" and "disposal system" have the meanings given in Minnesota Statutes, section 115.01.

Subd. 11. "Interceptor" means a sewer and its necessary appurtenances, including but not limited to mains, pumping stations, and sewage flow-regulating and -measuring stations, that is:

(1) designed for or used to conduct sewage originating in more than one local governmental unit;

(2) designed or used to conduct all or substantially all the sewage originating in a single local governmental unit from a point of collection in that unit to an interceptor or treatment works outside that unit; or

(3) determined by the board to be a major collector of sewage used or designed to serve a substantial area in the district.

Subd. 12. "District disposal system" means any and all interceptors or treatment works owned, constructed, or operated by the board unless designated by the board as local water and sanitary sewer facilities.

Subd. 13. "Municipality" means any home rule charter or statutory city or town.

Subd. 14. "Total costs of acquisition and betterment" and "costs of acquisition and betterment" mean all acquisition and betterment expenses permitted to be financed out of stopped bond proceeds issued in accordance with section 13, whether or not the expenses are in fact financed out of the bond proceeds.

Subd. 15. "Current costs of acquisition, betterment, and debt service" means interest and principal estimated to be due during the budget year on bonds issued to finance said acquisition and betterment and all other costs of acquisition and betterment estimated to be paid during the year from funds other than bond proceeds and federal or state grants.

Subd. 16. [RESIDENT.] "Resident" means the owner of a dwelling located in the district and receiving water or sewer service.

Sec. 2. [WATER AND SANITARY SEWER BOARD.]

Subdivision 1. [ESTABLISHMENT.] A water and sewer district is established for the towns of Pokegama, Chengwatana, and Pine City in Pine county, to be known as the Cross Lake area water and sanitary sewer district. The water and sewer district is under the control and management of the Cross Lake area water and sanitary sewer board. The board is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties that may be validly granted to or imposed upon a municipal corporation, as provided in this article.

Subd. 2. [MEMBERS AND SELECTION.] The board is composed of seven members selected as follows: the town boards of the governmental units each shall meet to appoint two members of the water and sanitary sewer board and each board member has one vote. One member must be selected by the city of Pine City. The first terms must be as follows: two for one year, two for two years, and three for three years, fixed by lot at the district's first meeting. Thereafter, all terms are for three years.

Subd. 3. [TIME LIMITS FOR SELECTION.] The board members must be selected as provided in subdivision 2 within 60 days after this article becomes effective. The successor to each board member must be selected at any time within 60 days before the expiration of the member's term in the same manner as the predecessor was selected. A vacancy on the board must be filled within 60 days after it occurs.

Subd. 4. [VACANCIES.] If the office of a board member becomes vacant, the vacancy must be filled for the unexpired term in the manner provided for

selection of the member who vacated the office. The office is deemed vacant under the conditions specified in Minnesota Statutes, section 351.02.

Subd. 5. [REMOVAL.] A board member may be removed by the unanimous vote of the governing body appointing the member, with or without cause, or for malfeasance or nonfeasance in the performance of official duties as provided by Minnesota Statutes, sections 351.14 to 351.23.

Subd. 6. [QUALIFICATIONS.] One board member representing a town must be a resident of the district and the other member representing that town must be a resident of the township, and each may, but need not be, an elected public official.

Subd. 7. [CERTIFICATES OF SELECTION; OATH OF OFFICE.] A certificate of selection of every board member selected under subdivision 2 stating the term for which selected, must be made by the respective town clerks. The certificates, with the approval appended by other authority, if required, must be filed with the secretary of state. Counterparts thereof must be furnished to the board member and the secretary of the board. Each member shall qualify by taking and subscribing the oath of office prescribed by the Minnesota Constitution, article 5, section 8. The oath, duly certified by the official administering the same, must be filed with the secretary of state and the secretary of the board.

Subd. 8. [BOARD MEMBERS' COMPENSATION.] Each board member, except the chair, must be paid a per diem compensation of \$35 for meetings and for other services as are specifically authorized by the board, not to exceed \$1,000 in any one year. The chair must be paid a per diem compensation of \$45 for meetings and for other services specifically authorized by the board, not to exceed \$1,500 in any one year. All members of the board must be reimbursed for all reasonable and necessary expenses actually incurred in the performance of duties.

Sec. 3. [GENERAL PROVISIONS FOR ORGANIZATION AND OPERATION OF BOARD.]

Subdivision 1. [ORGANIZATION; OFFICERS; MEETINGS; SEAL.] After the selection and qualification of all board members, they shall meet to organize the board at the call of any two board members, upon seven days' notice by registered mail to the remaining board members, at a time and place within the district specified in the notice. A majority of the members shall constitute a quorum at that meeting and all other meetings of the board, but a lesser number may meet and adjourn from time to time and compel the attendance of absent members. At the first meeting the board shall select its officers and conduct other organizational business as may be necessary. Thereafter the board shall meet regularly at the time and place that the board designates by resolution. Special meetings may be held at any time upon call of the chair or any two members, upon written notice sent by mail to each member at least three days before the meeting, or upon other notice as the board by resolution may provide, or without notice if each member is present or files with the secretary a written consent to the meeting either before or after the meeting. Except as otherwise provided in this article, any action within the authority of the board may be taken by the affirmative vote of a majority of the board and may be taken by regular or adjourned regular meeting or at a duly held special meeting, but in any case only if a quorum is present. Meetings of the board must be open to the public. The board may adopt a seal, which must be officially and judicially noticed, to authenticate

instruments executed by its authority, but omission of the seal does not affect the validity of any instrument.

Subd. 2. [CHAIR.] The board shall elect a chair from its membership. The term of the first chair of the board shall expire on January 1, 1996, and the terms of successor chairs expire on January 1 of each succeeding year. The chair shall preside at all meetings of the board, if present, and shall perform all other duties and functions usually incumbent upon such an officer, and all administrative functions assigned to the chair by the board. The board shall elect a vice-chair from its membership to act for the chair during temporary absence or disability.

Subd. 3. [SECRETARY AND TREASURER.] The board shall select a person or persons who may, but need not be, a member or members of the board, to act as its secretary and treasurer. The secretary and treasurer shall hold office at the pleasure of the board, subject to the terms of any contract of employment that the board may enter into with the secretary or treasurer. The secretary shall record the minutes of all meetings of the board, and be the custodian of all books and records of the board except those that the board entrusts to the custody of a designated employee. The treasurer is the custodian of all money received by the board except as the board otherwise entrusts to the custody of a designated employee. The board may appoint a deputy to perform any and all functions of either the secretary or the treasurer. No secretary or treasurer who is not a member of the board or a deputy of either shall have any right to vote.

Subd. 4. [EXECUTIVE DIRECTOR.] The board shall appoint an executive director, selected solely upon the basis of training, experience, and other qualifications and who shall serve at the pleasure of the board and at a compensation to be determined by the board. The executive director need not be a resident of the district. The executive director may also be selected by the board to serve as either secretary or treasurer, or both, of the board. The executive director shall attend all meetings of the board, but shall not vote, and shall have the following powers and duties:

(1) to see that all resolutions, rules, regulations, or orders of the board are enforced;

(2) to appoint and remove, upon the basis of merit and fitness, all subordinate officers and regular employees of the board except the secretary and the treasurer and their deputies;

(3) to present to the board plans, studies, and other reports prepared for board purposes and recommend to the board for adoption the measures the executive director deems necessary to enforce or carry out the powers and the duties of the board, or the efficient administration of the affairs of the board;

(4) to keep the board fully advised as to its financial condition, and to prepare and submit to the board and to the governing bodies of the local governmental units, the board's annual budget and other financial information the board may request;

(5) to recommend to the board for adoption rules and regulations the executive director deems necessary for the efficient operation of the district disposal system; and

(6) to perform other duties prescribed by the board.

Subd. 5. [PUBLIC EMPLOYEES.] The executive director and other persons employed by the district are public employees and have all the rights and duties conferred on public employees under Minnesota Statutes, sections 179A.01 to 179A.25. The board may elect to have employees become members of either the public employees retirement association or the Minnesota state retirement system. The compensation and conditions of employment of the employees must be governed by rules applicable to state employees in the classified service and to the provisions of Minnesota Statutes, chapter 15A.

Subd. 6. [PROCEDURES.] The board shall adopt resolutions or bylaws establishing procedures for board action, personnel administration, keeping records, approving claims, authorizing or making disbursements, safekeeping funds, and auditing all financial operations of the board.

Subd. 7. [SURETY BONDS AND INSURANCE.] The board may procure surety bonds for its officers and employees, in amounts deemed necessary to ensure proper performance of their duties and proper accounting for funds in their custody. It may procure insurance against risks to property and liability of the board and its officers, agents, and employees for personal injuries or death and property damage and destruction, in amounts deemed necessary or desirable, with the force and effect stated in Minnesota Statutes, chapter 466.

Sec. 4. [GENERAL POWERS OF BOARD.]

Subdivision 1. [SCOPE.] The board has all powers necessary or convenient to discharge the duties imposed upon it by law. The powers include those specified in this section, but the express grant or enumeration of powers does not limit the generality or scope of the grant of powers contained in this subdivision.

Subd. 2. [SUIT.] The board may sue or be sued.

Subd. 3. [CONTRACT.] The board may enter into any contract necessary or proper for the exercise of its powers or the accomplishment of its purposes.

Subd. 4. [RULEMAKING.] The board may adopt rules relating to its responsibilities and may provide penalties for their violation, not exceeding the maximum that may be specified for a misdemeanor, and the cost of prosecution may be added to the penalties imposed. Any rule prescribing a penalty for violation must be published at least once in a newspaper having general circulation in the district. The violations may be prosecuted before any court in the district having jurisdiction of misdemeanors, and every court having misdemeanor jurisdiction has jurisdiction of the violations. Any constable or other peace officer of any governmental unit in the district may make arrests for violations committed anywhere in the district in like manner and with like effect as for violations of city ordinances or for statutory misdemeanors. Fines collected in cases arising under this subdivision must be deposited in the treasury of the board, or may be allocated between the board and the governmental unit in which the prosecution occurs on a basis as the board and the governmental unit agree.

Subd. 5. [GIFTS, GRANTS, LOANS.] The board may accept gifts, apply for and accept grants or loans of money or other property from the United States, the state, or any person for any of its purposes, enter into any agreement required in connection with them, and hold, use, and dispose of the money or property in accordance with the terms of the gift, grant, loan, or agreement relating to it. With respect to loans or grants of funds or real or

personal property or other assistance from any state or federal government or its agency or instrumentality, the board may contract to do and perform all acts and things required as a condition or consideration for the gift, grant, or loan pursuant to state or federal law or regulations, whether or not included among the powers expressly granted to the board in this article.

Subd. 6. [COOPERATIVE ACTION.] *The board may act under Minnesota Statutes, section 471.59, or any other appropriate law providing for joint or cooperative action between governmental units.*

Subd. 7. [STUDIES AND INVESTIGATIONS.] *The board may conduct research studies and programs, collect and analyze data, prepare reports, maps, charts, and tables, and conduct all necessary hearings and investigations in connection with the design, construction, and operation of the district disposal system.*

Subd. 8. [EMPLOYEES, TERMS.] *The board may employ on terms it deems advisable, persons or firms performing engineering, legal, or other services of a professional nature; require any employee to obtain and file with it an individual bond or fidelity insurance policy; and procure insurance in amounts it deems necessary against liability of the board or its officers or both, for personal injury or death and property damage or destruction, with the force and effect stated in Minnesota Statutes, chapter 466, and against risks of damage to or destruction of any of its facilities, equipment, or other property as it deems necessary.*

Subd. 9. [PROPERTY RIGHTS, POWERS.] *The board may acquire by purchase, lease, condemnation, gift, or grant, any real or personal property including positive and negative easements and water and air rights, and it may construct, enlarge, improve, replace, repair, maintain, and operate any interceptor, treatment works, or water facility determined to be necessary or convenient for the collection and disposal of sewage in the district. Any local governmental unit and the commissioners of transportation and natural resources are authorized to convey to or permit the use of any of the above-mentioned facilities owned or controlled by it, by the board, subject to the rights of the holders of any bonds issued with respect to those facilities, with or without compensation, without an election or approval by any other governmental unit or agency. All powers conferred by this subdivision may be exercised both within or without the district as may be necessary for the exercise by the board of its powers or the accomplishment of its purposes. The board may hold, lease, convey, or otherwise dispose of the above-mentioned property for its purposes upon the terms and in the manner it deems advisable. Unless otherwise provided, the right to acquire lands and property rights by condemnation may be exercised only in accordance with Minnesota Statutes, sections 171.011 to 171.232, and shall apply to any property or interest in the property owned by any local governmental unit. No property devoted to an actual public use at the time, or held to be devoted to such a use within a reasonable time, shall be so acquired unless a court of competent jurisdiction determines that the use proposed by the board is paramount to the existing use. Except in the case of property in actual public use, the board may take possession of any property on which condemnation proceedings have been commenced at any time after the issuance of a court order appointing commissioners for its condemnation.*

Subd. 10. [RELATIONSHIP TO OTHER PROPERTIES.] *The board may construct or maintain its systems or facilities in, along, on, under, over, or*

through public waters, streets, bridges, viaducts, and other public rights-of-way without first obtaining a franchise from a county or municipality having jurisdiction over them. However, the facilities must be constructed and maintained in accordance with the ordinances and resolutions of the county or municipality relating to constructing, installing, and maintaining similar facilities on public properties and must not unnecessarily obstruct the public use of those rights-of-way.

Subd. 11. [DISPOSAL OF PROPERTY.] The board may sell, lease, or otherwise dispose of any real or personal property acquired by it which is no longer required for accomplishment of its purposes. The property may be sold in the manner provided by Minnesota Statutes, section 469.065, insofar as practical. The board may give notice of sale as it deems appropriate. When the board determines that any property or any part of the district disposal system acquired from a local governmental unit without compensation is no longer required but is required as a local facility by the governmental unit from which it was acquired, the board may by resolution transfer it to that governmental unit.

Subd. 12. [AGREEMENTS WITH OTHER GOVERNMENTAL UNITS.] The board may contract with the United States or any agency thereof, any state or agency thereof, or any regional public planning body in the state with jurisdiction over any part of the district, or any other municipal or public corporation, or governmental subdivision or agency or political subdivision in any state, for the joint use of any facility owned by the board or such entity, for the operation by that entity of any system or facility of the board, or for the performance on the board's behalf of any service, including but not limited to planning, on terms as may be agreed upon by the contracting parties. Unless designated by the board as a local water and sanitary sewer facility, any treatment works or interceptor jointly used, or operated on behalf of the board, as provided in this subdivision, is deemed to be operated by the board for purposes of including those facilities in the district disposal system.

Sec. 5. [COMPREHENSIVE PLAN.]

Subdivision 1. [BOARD PLAN AND PROGRAM.] The board shall adopt a comprehensive plan for the collection, treatment, and disposal of sewage in the district for a designated period the board deems proper and reasonable. The board shall prepare and adopt subsequent comprehensive plans for the collection, treatment, and disposal of sewage in the district for each succeeding designated period as the board deems proper and reasonable. The first plan, as modified by the board, and any subsequent plan shall take into account the preservation and best and most economic use of water and other natural resources in the area; the preservation, use, and potential for use of lands adjoining waters of the state to be used for the disposal of sewage; and the impact the disposal system will have on present and future land use in the area affected. The plans shall include the general location of needed interceptors and treatment works, a description of the area that is to be served by the various interceptors and treatment works, a long-range capital improvements program and any other details as the board deems appropriate. In developing the plans, the board shall consult with persons designated for the purpose by governing bodies of any governmental unit within the district to represent the entities and shall consider the data, resources, and input offered to the board by the entities and any planning agency acting on behalf of one or more of the entities. Each plan, when adopted, must be followed in the district and may be revised as often as the board deems necessary.

Subd. 2. [COMPREHENSIVE PLANS; HEARING.] Before adopting any subsequent comprehensive plan, the board shall hold a public hearing on the proposed plan at a time and place in the district that it selects. The hearing may be continued from time to time. Not less than 45 days before the hearing, the board shall publish notice of the hearing in a newspaper having general circulation in the district, stating the date, time, and place of the hearing, and the place where the proposed plan may be examined by any interested person. At the hearing, all interested persons must be permitted to present their views on the plan.

Subd. 3. [GOVERNMENTAL UNIT PLANS AND PROGRAMS; COORDINATION WITH BOARD'S RESPONSIBILITIES.] Once the board's plan is adopted, no construction project involving the construction of new sewers or other disposal facilities may be undertaken by the local governmental unit unless its governing body shall first find the project to be in accordance with the governmental unit's comprehensive plan and program as approved by the board. Before approval by the board of the comprehensive plan and program of any local governmental unit in the district, no water and sanitary sewer construction project may be undertaken by the governmental unit unless approval of the project is first secured from the board as to those features of the project affecting the board's responsibilities as determined by the board.

Sec. 6. [POWERS TO ISSUE OBLIGATIONS AND IMPOSE SPECIAL ASSESSMENTS.]

The Cross Lake area water and sanitary sewer board, in order to implement the powers granted under this article to establish, maintain, and administer the Cross Lake area water and sanitary sewer district, may issue obligations and impose special assessments against benefited property within the limits of the district benefited by facilities constructed under this article in the manner provided for local governments by Minnesota Statutes, chapter 429.

Sec. 7. [SYSTEM EXPANSION; APPLICATION TO CITIES.]

The authority of the water and sanitary sewer board to establish water or sewer or combined water and sewer systems under this section extends to areas within the Cross Lake area water and sanitary sewer district organized into cities when requested by resolution of the governing body of the affected city or when ordered by the Minnesota pollution control agency after notice and hearing. For the purpose of any petition filed or special assessment levied with respect to any system, the entire area to be served within a city must be treated as if it were owned by a single person, and the governing body shall exercise all the rights and be subject to all the duties of an owner of the area, and shall have power to provide for the payment of all special assessments and other charges imposed upon the area with respect to the system by the appropriation of money, the collection of service charges, or the levy of taxes, which shall be subject to no limitation of rate or amount.

Sec. 8. [SEWAGE COLLECTION AND DISPOSAL; POWERS.]

Subdivision 1. [POWERS.] In addition to all other powers conferred upon the board in this article, it has the powers specified in this section.

Subd. 2. [DISCHARGE OF TREATED SEWAGE.] The board may discharge the effluent from any treatment works operated by it into any waters of the state, subject to approval of the agency if required and in accordance

with any effluent or water quality standards lawfully adopted by the agency, any interstate agency, or any federal agency having jurisdiction.

Subd. 3. [UTILIZATION OF DISTRICT SYSTEM.] The board may require any person or local governmental unit to provide for the discharge of any sewage, directly or indirectly, into the district disposal system, or to connect any disposal system or a part of it with the district disposal system wherever reasonable opportunity for connection is provided; may regulate the manner in which the connections are made; may require any person or local governmental unit discharging sewage into the disposal system to provide preliminary treatment for it; may prohibit the discharge into the district disposal system of any substance that it determines will or may be harmful to the system or any persons operating it; and may require any local governmental unit to discontinue the acquisition, betterment, or operation of any facility for the unit's disposal system wherever and so far as adequate service is or will be provided by the district disposal system.

Subd. 4. [SYSTEM OF COST RECOVERY TO COMPLY WITH APPLICABLE REGULATIONS.] Any charges, connection fees, or other cost-recovery techniques imposed on persons discharging sewage directly or indirectly into the district disposal system must comply with applicable state and federal law, including state and federal regulations governing grant applications.

Sec. 9. [BUDGET.]

The board shall prepare and adopt, on or before October 1 in 1995 and each year thereafter, a budget showing for the following calendar year or other fiscal year determined by the board, sometimes referred to in this article as the budget year, estimated receipts of money from all sources, including but not limited to payments by each local governmental unit, federal or state grants, taxes on property, and funds on hand at the beginning of the year, and estimated expenditures for:

(1) costs of operation, administration, and maintenance of the district disposal system;

(2) cost of acquisition and betterment of the district disposal system; and

(3) debt service, including principal and interest, on general obligation bonds and certificates issued pursuant to section 13, and any money judgments entered by a court of competent jurisdiction. Expenditures within these general categories, and any other categories as the board may from time to time determine, must be itemized in detail as the board prescribes. The board and its officers, agents, and employees shall not spend money for any purpose other than debt service without having set forth the expense in the budget nor in excess of the amount set forth in the budget for it. No obligation to make an expenditure of the above-mentioned type is enforceable except as the obligation of the person or persons incurring it. The board may amend the budget at any time by transferring from one purpose to another any sums except money for debt service and bond proceeds or by increasing expenditures in any amount by which actual cash receipts during the budget year exceed the total amounts designated in the original budget. The creation of any obligation under section 13 or the receipt of any federal or state grant is a sufficient budget designation of the proceeds for the purpose for which it is authorized, and of the tax or other revenue pledged to pay the obligation and interest on it, whether or not specifically included in any annual budget.

Sec. 10. [ALLOCATION OF COSTS.]

Subdivision 1. [DEFINITION OF CURRENT COSTS.] *The estimated cost of administration, operation, maintenance, and debt service of the district disposal system to be paid by the board in each fiscal year and the estimated costs of acquisition and betterment of the system that are to be paid during the year from funds other than state or federal grants and bond proceeds and all other previously unallocated payments made by the board pursuant to this article to be allocated in the fiscal year are referred to as current costs and must be allocated by the board as provided in subdivision 2 in the budget for that year.*

Subd. 2. [METHOD OF ALLOCATION OF CURRENT COSTS.] *Current costs must be allocated in the district on an equitable basis as the board may determine by resolution to be in the best interests of the district. The adoption or revision of any method of allocation used by the board must be by the affirmative vote of at least two-thirds of the members of the board.*

Sec. 11. [TAX LEVIES.]

To accomplish any duty imposed on it the board may, in addition to the powers granted in this article and in any other law or charter, exercise the powers granted any municipality by Minnesota Statutes, chapters 117, 412, 429, 475, sections 115.46, 444.075, and 471.59, with respect to the area in the district. The board may levy taxes upon all taxable property in the district for all or a part of the amount payable to the board, pursuant to section 10, to be assessed and extended as a tax upon that taxable property by the county auditor for the next calendar year, free from any limitation of rate or amount imposed by law or charter. The tax must be collected and remitted in the same manner as other general taxes.

Sec. 12. [PUBLIC HEARING AND SPECIAL ASSESSMENTS.]

Subdivision 1. [PUBLIC HEARING REQUIREMENT ON SPECIFIC PROJECT.] *Before the board orders any project involving the acquisition or betterment of any interceptor or treatment works, all or a part of the cost of which will be allocated pursuant to section 10 as current costs, the board shall hold a public hearing on the proposed project. The hearing must be held following two publications in a newspaper having general circulation in the district, stating the time and place of the hearing, the general nature and location of the project, the estimated total cost of acquisition and betterment, that portion of costs estimated to be paid out of federal and state grants, and that portion of costs estimated to be allocated. The estimates must be best available at the time of the meeting and if costs exceed the estimate, the project cannot proceed until an additional public hearing is held, with notice as required at the initial meeting. The two publications must be a week apart and the hearing at least three days after the last publication. Not less than 45 days before the hearing, notice of the hearing must also be mailed to each clerk of all local governmental units in the district, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. The project may include all or part of one or more interceptors or treatment works. No hearing may be held on any project unless the project is within the area covered by the comprehensive plan adopted by the board pursuant to section 5 except that the hearing may be held simultaneously with a hearing on a comprehensive plan. A hearing is not required with respect to a project, no part of the costs of which are to be allocated as the current costs of acquisition, betterment, and debt service.*

Subd. 2. [NOTICE TO BENEFITED PROPERTY OWNERS.] *If the board proposes to assess against benefited property within the district all or any part of the allocable costs of the project as provided in subdivision 5, the board shall, not less than ten days before the hearing provided for in subdivision 1, cause mailed notice of the hearing to be given to the owner of each parcel within the area proposed to be specially assessed and shall also give one week's published notice of the hearing. The notice of hearing must contain the same information provided in the notice published by the board pursuant to subdivision 1, and a description of the area proposed to be assessed. For the purpose of giving mailed notice, owners are those shown to be on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and not listed on the records of the county auditor or the county treasurer, the owners must be ascertained by any practicable means and mailed notice given them as herein provided. Failure to give mailed notice or any defects in the notice does not invalidate the proceedings of the board.*

Subd. 3. [BOARD PROCEEDINGS PERTAINING TO HEARING.] *Before adoption of the resolution calling for a hearing under this section, the board shall secure from the district engineer or some other competent person of the board's selection a report advising it in a preliminary way as to whether the proposed project is feasible and whether it should be made as proposed or in connection with some other project and the estimated costs of the project as recommended. No error or omission in the report invalidates the proceeding. The board may also take other steps before the hearing, as will in its judgment provide helpful information in determining the desirability and feasibility of the project, including but not limited to preparation of plans and specifications and advertisement for bids on them. The hearing may be adjourned from time to time and a resolution ordering the project may be adopted at any time within six months after the date of hearing. In ordering the project the board may reduce but not increase the extent of the project as stated in the notice of hearing and shall find that the project as ordered is in accordance with the comprehensive plan and program adopted by the board pursuant to section 5.*

Subd. 4. [EMERGENCY ACTION.] *If the board by resolution adopted by the affirmative vote of not less than two-thirds of its members determines that an emergency exists requiring the immediate purchase of materials or supplies or the making of emergency repairs, it may order the purchase of those supplies and materials and the making of the repairs before any hearing required under this section, provided that the board shall set as early a date as practicable for the hearing at the time it declares the emergency. All other provisions of this section must be followed in giving notice of and conducting the hearing. Nothing herein may be construed as preventing the board or its agents from purchasing maintenance supplies or incurring maintenance costs without regard to the requirements of this section.*

Subd 5. [POWER OF THE BOARD TO SPECIALLY ASSESS.] *The board may specially assess all or any part of the costs of acquisition and betterment as herein provided, of any project ordered pursuant to this section. The special assessments must be levied in accordance with the provisions of Minnesota Statutes, sections 429.051 to 429.081, except as otherwise provided in this subdivision. No other provisions of Minnesota Statutes, chapter 429, apply. For purposes of levying the special assessments, the hearing on the project*

required in subdivision 1 serves as the hearing on the making of the original improvement provided for by Minnesota Statutes, section 429.051. The area assessed may be less than but may not exceed the area proposed to be assessed as stated in the notice of hearing on the project provided for in subdivision 2.

Sec. 13. [BONDS, CERTIFICATES, AND OTHER OBLIGATIONS.]

Subdivision 1. [BUDGET ANTICIPATION CERTIFICATES OF INDEBTEDNESS.] At any time after adoption of its annual budget and in anticipation of the collection of tax and other revenues estimated and set forth by the board in the budget, except in the case of deficiency taxes levied under this subdivision and taxes levied for the payment of certificates issued under subdivision 2, the board may, by resolution, authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon terms it determines, of its negotiable general obligation certificates of indebtedness in aggregate principal amounts not exceeding 50 percent of the total amount of tax collections and other revenues, and maturing not later than three months after the close of the budget year in which issued. The proceeds of the sale of the certificates must be used solely for the purposes for which the tax collections and other revenues are to be expended pursuant to the budget.

All the tax collections and other revenues included in the budget for the budget year, after the expenditure of the tax collections and other revenues in accordance with the budget, must be irrevocably pledged and appropriated to a special fund to pay the principal and interest on the certificates when due. If for any reason the tax collections and other revenues are insufficient to pay the certificates and interest when due, the board shall levy a tax in the amount of the deficiency on all taxable property in the district and shall appropriate this amount when received to the special fund.

Subd. 2. [EMERGENCY CERTIFICATES OF INDEBTEDNESS.] If in any budget year the receipts of tax and other revenues should for some unforeseen cause become insufficient to pay the board's current expenses, or if any public emergency should subject it to the necessity of making extraordinary expenditures, the board may by resolution authorize the issuance, negotiation, and sale, in accordance with subdivision 4 in the form and manner and upon the terms and conditions it determines, of its negotiable general obligation certificates of indebtedness in an amount sufficient to meet the deficiency. The board shall levy on all taxable property in the district a tax sufficient to pay the certificates and interest on the certificates and shall appropriate all collections of the tax to a special fund created for the payment of the certificates and the interest on them. Certificates issued under this subdivision mature not later than April 1 in the year following the year in which the tax is collectible.

Subd. 3. [GENERAL OBLIGATION BONDS.] The board may by resolution authorize the issuance of general obligation bonds for the acquisition or betterment of any part of the district disposal system, including but without limitation the payment of interest during construction and for a reasonable period thereafter, or for the refunding of outstanding bonds, certificates of indebtedness, or judgments. The board shall pledge its full faith and credit and taxing power for the payment of the bonds and shall provide for the issuance and sale and for the security of the bonds in the manner provided in Minnesota Statutes, chapter 475. The board has the same powers and duties as a

municipality issuing bonds under that law, except that no election is required and the debt limitations of Minnesota Statutes, chapter 475, do not apply to the bonds. The board may also pledge for the payment of the bonds and deduct from the amount of any tax levy required under Minnesota Statutes, section 475.61, subdivision 1, and any revenues receivable under any state and federal grants anticipated by the board and may covenant to refund the bonds if and when and to the extent that for any reason the revenues, together with other funds available and appropriated for that purpose, are not sufficient to pay all principal and interest due or about to become due, provided that the revenues have not been anticipated by the issuance of certificates under subdivision 1.

Subd. 4. [MANNER OF SALE AND ISSUANCE OF CERTIFICATES.] Certificates issued under subdivisions 1 and 2 may be issued and sold by negotiation, without public sale, and may be sold at a price equal to the percentage of the par value of the certificates, plus accrued interest, and bearing interest at the rate determined by the board. No election is required to authorize the issuance of the certificates. The certificates must bear the same rate of interest after maturity as before and the full faith and credit and taxing power of the board must be pledged to the payment of the certificates.

Sec. 14. [DEPOSITORYES.]

The board shall designate one or more national or state banks, or trust companies authorized to do a banking business, as official depositories for money of the board, and shall require the treasurer to deposit all or a part of the money in those institutions. The designation must be in writing and set forth all the terms and conditions upon which the deposits are made, and must be signed by the chair and treasurer and made a part of the minutes of the board. A designated bank or trust company shall qualify as a depository by furnishing a corporate surety bond or collateral in the amounts required by Minnesota Statutes, section 118.01. No bond or collateral is required to secure any deposit insofar as it is insured under federal law.

Sec. 15. [MONEY, ACCOUNTS, AND INVESTMENTS.]

Subdivision 1. [RECEIPT AND APPLICATION.] Money received by the board must be deposited or invested by the treasurer and disposed of as the board may direct in accordance with its budget; provided that any money that has been pledged or dedicated by the board to the payment of obligations or interest on the obligations or expenses incident thereto, or for any other specific purpose authorized by law, must be paid by the treasurer into the fund to which it has been pledged.

Subd. 2. [FUNDS AND ACCOUNTS.] (a) The board's treasurer shall establish funds and accounts as may be necessary or convenient to handle the receipts and disbursements of the board in an orderly fashion.

(b) The funds and accounts must be audited annually by a certified public accountant at the expense of the district.

Subd. 3. [DEPOSIT AND INVESTMENT.] The money on hand in those funds and accounts may be deposited in the official depositories of the board or invested as provided in this subdivision. Any amount not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of municipal sinking funds by Minnesota

Statutes, section 475.66. The money may also be held under certificates of deposit issued by any official depository of the board.

Subd. 4. [BOND PROCEEDS.] The use of proceeds of all bonds issued by the board for the acquisition and betterment of the district disposal system, and the use, other than investment, of all money on hand in any sinking fund or funds of the board, is governed by the provisions of Minnesota Statutes, chapter 475, the provisions of this article, and the provisions of resolutions authorizing the issuance of the bonds. When received, the bond proceeds must be transferred to the treasurer of the board for safekeeping, investment, and payment of the costs for which they were issued.

Subd. 5. [AUDIT.] The board shall provide for and pay the cost of an independent annual audit of its official books and records by the state auditor or a public accountant authorized to perform that function under Minnesota Statutes, chapter 6.

Sec. 16. [SERVICE CONTRACTS WITH GOVERNMENTAL ENTITIES OUTSIDE THE JURISDICTION OF THE BOARD.]

(a) The board may contract with the United States or any agency of the federal government, any state or its agency, or any municipal or public corporation, governmental subdivision or agency or political subdivision in any state, outside the jurisdiction of the board, for furnishing services to those entities, including but not limited to planning for and the acquisition, betterment, operation, administration, and maintenance of any or all interceptors, treatment works, and local water and sanitary sewer facilities. The board may include as one of the terms of the contract that the entity must pay to the board an amount agreed upon as a reasonable estimate of the proportionate share properly allocable to the entity of costs of acquisition, betterment, and debt service previously allocated in the district. When payments are made by entities to the board, they must be applied in reduction of the total amount of costs thereafter allocated in the district, on an equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 10, subdivision 2. A municipality in the state of Minnesota may enter into a contract and perform all acts and things required as a condition or consideration therefor consistent with the purposes of this article, whether or not included among the powers otherwise granted to the municipality by law or charter.

(b) The board shall contract with the city of Pine City, or another qualified entity to make necessary inspections on the district facilities, and to otherwise process or assist in processing any of the work of the district.

Sec. 17. [CONTRACTS FOR CONSTRUCTION, MATERIALS, SUPPLIES, AND EQUIPMENT.]

Subdivision 1. [PLANS AND SPECIFICATIONS.] When the board orders a project involving the acquisition or betterment of a part of the district disposal system, it shall cause plans and specifications of the project to be made, or if previously made, to be modified, if necessary, and to be approved by the agency if required, and after any required approval by the agency, one or more contracts for work and materials called for by the plans and specification may be awarded as provided in this section.

Subd. 2. [CONTRACTS IN EXCESS OF \$5,000.] No contract for construction work, or for the purchase of materials, supplies, or equipment, estimated to cost more than \$5,000 may be made by the board without publishing once in a newspaper having general circulation in the district and once in a trade paper or legal newspaper published in any city of the first class, not less than 14 days before the last day for submission of bids, notice that bids or proposals will be received. The notice must state the nature of the work or purchase, the terms and conditions upon which the contract is to be awarded, and the time and place where bids will be received, opened, and read publicly. After the bids have been duly received, opened, read publicly, and recorded, the board shall within a reasonable time award the contract to the lowest responsible bidder or it may reject all bids and readvertise. Each contract must be duly executed in writing and the party to whom the contract is awarded shall give sufficient bond or security to the board for the faithful performance of the contract as required by law. If the board by an affirmative vote of not less than two-thirds of its members declares that an emergency exists requiring the immediate purchase of materials or supplies or in making emergency repairs, at a cost estimated to be in excess of \$5,000, it shall not be necessary to advertise for bids.

Subd. 3. [CONTRACTS OR PURCHASES FOR \$5,000 OR LESS.] The board may, without advertising for bids, enter into any contract or purchase any materials, supplies, or equipment of the type referred to in subdivision 2, the cost of which is estimated to be \$5,000 or less, or it may authorize the executive director to enter into a contract on behalf of the board for that work or to make those purchases without prior approval of the board and without advertising for bids.

Subd. 4. [UNIFORM MUNICIPAL CONTRACTING LAW.] Except as otherwise provided in this section, Minnesota Statutes, section 471.345, shall apply.

Sec. 18. [PROPERTY EXEMPT FROM TAXATION.]

Any properties, real or personal; owned, leased, controlled, used, or occupied by the water and sanitary sewer board for any purpose under this article are declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and are exempt from taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. No possible use of any properties in any manner different from their use as part of a disposal system at the time may be considered in determining the special benefit received by the properties. All assessments are subject to final approval by the board, whose determination of the benefits is conclusive upon the political subdivision levying the assessment. All bonds, certificates of indebtedness, or other obligations of the board, and the interest on them, are exempt from taxation by the state or any political subdivision of the state.

Sec. 19. [RELATION TO EXISTING LAWS.]

The provisions of this article must be given full effect notwithstanding the provisions of any law or charter inconsistent with this article. The powers conferred on the board under this article do not in any way diminish or supersede the powers conferred on the agency by Minnesota Statutes, chapters 115 to 116.

Sec. 20. [EFFECTIVE DATE.]

Subdivision 1. This article is effective as to the city of Pine City when approved by the Pine City council and upon compliance with Minnesota Statutes, section 645.021.

Subd. 2. This article is effective as to the towns of Pokegama, Chengwatana, and Pine City when approved by the town boards of each town and upon compliance with Minnesota Statutes, section 645.021.

ARTICLE 10

CHISHOLM/HIBBING AIRPORT

Section 1. [DEFINITIONS.]

Subdivision 1. [SCOPE.] For the purpose of this article, the words and terms defined in this section have the meanings given them.

Subd. 2. [AERONAUTICS.] "Aeronautics" means the transportation by aircraft; the operation, construction, repair, or maintenance of aircraft, air equipment, power plants, and accessories; the design, establishment, construction, operation, improvement, repair, or maintenance of airports, restricted landing areas, or other air navigation facilities and construction; and powers incidental to these activities.

Subd. 3. [AIRPORT.] (a) "Airport" means any locality of land or water, including intermediate landing fields, that is used or intended to be used for the landing and take-off of aircraft, whether or not facilities have been provided for the shelter, servicing, or repair of aircraft, or for receiving or discharging passengers or cargo. The term also includes any facility used in, available for use in, or designed for use in air navigation or to aid air navigation, including without limitation landing areas; lights; any apparatus or equipment for disseminating weather information, for signaling, for radio-directional finding, or for radio or other electrical communication; and any other structure or mechanism having a similar purpose for guiding or controlling flight in the air or for the landing or take-off of aircraft. The term also includes without limitation access roads, park areas, and those lands contiguous or not as may be required for installations necessary for safe and efficient operation, buildings, structures, hangars, shops, and any personal property usually used in connection with operating airports, including specifically, but not exclusively, snow-removal or impacting equipment, fire and ambulance equipment, motor vehicles, and equipment for buildings, structures, hangars, and shops.

(b) Whenever the words "airport" or "airport facilities" are used in this article, they have the meaning given them in paragraph (a) and specifically include the Chisholm/Hibbing airport, including any land, buildings, or other appurtenances incidental and necessary to the operation of that airport, and any land, buildings, or other appurtenances that may be acquired in the future for those purposes by the authority.

Subd. 4. [AUTHORITY.] "Authority" means the Chisholm/Hibbing airport authority created under this article.

Subd. 5. [CITIES.] "Cities" means the city of Chisholm and the city of Hibbing, in and for which an airport authority is created under this article.

Subd. 6. [CITY COUNCILS; COUNCILS.] "City councils" or "councils" means the governing bodies of the city of Chisholm as established under the home rule charter of that city and the city of Hibbing, a statutory city.

Subd. 7. [DIRECTOR.] "Director" means a person appointed or otherwise selected as, and after qualification, acting as a member of the authority.

Subd. 8. [DIRECTORS.] "Directors" means a quorum of the members of the authority.

Subd. 9. [PERSON.] "Person" means an individual, firm, copartnership, corporation, company, limited liability company, association, joint stock association, or body politic; and includes its trustee, receiver, assignee, or other similar representative.

Sec. 2. [AIRPORT AUTHORITY CREATED.]

For the purposes set forth in this article, the Chisholm/Hibbing airport authority is created in and for the city of Chisholm and the city of Hibbing.

Sec. 3. [DIRECTORS.]

Subdivision 1. [APPOINTMENTS; GENERAL POWERS AUTHORIZED.] The members of the authority created under this article shall consist of six directors, three of whom shall be appointed to membership in the authority by the city council of the city of Chisholm and three of whom shall be appointed to membership in the authority by the city council of the city of Hibbing. The members of the authority may exercise the powers and perform the duties set forth in this article.

Subd. 2. [TERMS; TRANSITION.] The members of the Chisholm/Hibbing airport commission as of the day before the effective date of this article shall be the original directors of the authority and shall serve until the remainder of their term and until their respective successors are appointed and qualified. Subsequent terms of directors are for three years, and all terms must expire on December 31 of the appropriate year. Directors shall serve until their respective successors are appointed and qualified.

Subd. 3. [EXPENSE REIMBURSEMENTS.] Each director may be paid a per diem for attending monthly, executive, and special meetings. Each director shall be reimbursed for reasonable and authorized out-of-pocket expenses incurred in the fulfillment of their duties.

Subd. 4. [VACANCY.] When a vacancy occurs in the membership of the authority by means of resignation, death, removal from the city, or removal for failure or neglect to perform the duties of a director, the vacancy must be filled for the unexpired term in the same manner as the predecessor was appointed.

Subd. 5. [OATH.] Appointments and removals of the directors of the authority must be made by the respective city councils evidenced by resolution. An appointee who fails within ten days after notification of appointment to file with the city clerk of the appointing city the oath or affirmation to perform faithfully, honestly, and impartially the duties of office, is deemed to have refused the appointment, and another person must be appointed in the manner prescribed in this section.

Subd. 6. [INITIAL APPOINTMENTS.] Within 30 days after the effective date of this article, the original directors must be appointed as provided in subdivision 2. Upon filing the oath of office required by subdivision 5, each

director assumes all the rights, privileges, and powers of a director duly appointed as provided in this article.

Subd. 7. [ORGANIZING MEETING; QUORUM; RULES AND REGULATIONS.] *Within 20 days after members of the authority have qualified for office, the authority shall meet and organize. The members shall adopt, and thereafter may amend, rules and regulations for the conduct of the authority as the authority deems in the public interest and most likely to advance, enhance, foster, and promote air transportation in the airports of the city of Chisholm and the city of Hibbing. The rules and regulations must at all times be consistent with this article. At this organizing meeting, and at all subsequent meetings of the authority, four directors constitutes a quorum for the transaction of business, and the affirmative vote of the majority of the directors present is required for the passage of any measure. The quorum must be present to act on any measure.*

Subd. 8. [OFFICERS.] *The directors shall elect from among their members a president, a vice-president, and a treasurer. They shall also elect a secretary, who may or may not be a director. No two offices may be held by one director. The officers shall have the duties and powers usually attendant upon the holders of those offices and other duties and powers not inconsistent with this article and as may be provided by the authority.*

Subd. 9. [EXECUTIVE DIRECTOR.] *As soon after the organization meeting as possible, the authority shall appoint an executive director to be the executive and operating officer of the authority. The executive director shall serve at the pleasure of the authority and receive compensation as may be fixed by it. The executive director must be experienced with aviation and meet the requirement of a written, authority-approved job description kept on file with the authority. Under the supervision of the authority, the executive director is responsible for the operation, management, and promotion of all activities with which the authority is charged, together with other duties as may be prescribed by the authority. The executive director has those powers necessary and incidental to the performance of duties, and other powers as may be granted by the authority.*

Sec. 4. [FINANCIAL MATTERS.]

Subdivision 1. [TREASURER; BUDGET; ACCOUNTING; FINANCIAL STATEMENT.] *The treasurer shall receive and retain custody of all money of the authority. That money is deemed public funds. The authority shall prepare an annual budget before the joint meeting of the city councils to approve the levy and a copy of the annual budget must be provided to the councils at the joint meeting. The treasurer shall disburse funds only in accordance with the annual budget of the authority and only upon written orders drawn against those funds, signed by the executive director and approved by the president of the authority, or in the president's absence, the vice-president of the authority or other employee of the authority as may be authorized or directed so to do. Each order must state the name of the payee and the nature of the claim for which the order is issued. The treasurer shall keep an account of all money received, showing the source of all receipts and the nature, purpose, and authority of all disbursements. At least four times each year, in the form to be determined by the directors, the authority shall file with the city clerks of the cities of Chisholm and Hibbing a financial statement from the authority, showing all receipts and disbursements, the nature and purposes of those*

receipts and disbursements, the money on hand, the credits and assets of the authority, and its outstanding liability.

Subd. 2. [SPENDING POWER.] *Within the total budget approved as provided in subdivision 1, the authority has the exclusive power to receive, control, and order the expenditure of money in the control and management of the airport facilities of the authority.*

Subd. 3. [AUDIT.] *A complete examination and audit of all books and accounts of the authority must be done at least annually by a certified public accountant. One copy of the yearly audit must be filed with each city clerk as a public document.*

Sec. 5. [POWERS.]

Subdivision 1. [SUITS; CONTRACTS; EMINENT DOMAIN; OPERATION; ACCEPT GIFTS; LEVY AND TAX.] *Notwithstanding any law or charter or ordinance provision to the contrary, the following powers and duties are conferred upon the authority:*

- (1) *to sue and be sued;*
- (2) *to enter into and execute agreements, instruments, and other arrangements necessary, proper, and convenient to the exercise of its powers;*
- (3) *to acquire:*
 - (i) *by purchase, lease, or gift any personal property, franchises, easements, or other rights in its own name that may be necessary or proper for the operation of the Chisholm/Hibbing airport, or any airport facilities that may be acquired in the future;*
 - (ii) *real property for use as airport terminal facilities, maintenance facilities, parking facilities, runway or taxiway facilities with approval of the city councils; and*
 - (iii) *other facilities used or useful for operating the airport;*
- (4) *to acquire, construct, equip, improve, operate, and maintain airports and airport terminal facilities, maintenance facilities, runways and taxiways, parking areas, and other facilities useful for or related to operating an airport;*
- (5) *to lease to or contract with any person or operator for the use of any real or personal property under the authority's control; provided, however, that the authority does not have the power to make agreements for the sale of any real estate under its control without the approval by resolution of the city councils;*
- (6) *to accept gifts, grants, or loans of money or other property from the United States, the state, or any person or entity, and for those purposes may enter into any agreement required to do so, subject to prior notice to the city councils; and*
- (7) *to levy a tax on all taxable property, according to the total tax capacity in each city, in the city of Chisholm and in the city of Hibbing, to provide funds for the operation of the authority. A joint meeting of the city councils must be convened annually for the purpose of either adopting or rejecting the proposed levy. Each city council shall vote separately on the proposed levy. If the proposed levy is rejected by either city council, the authority shall revise*

the levy and resubmit the proposal for consideration by the city councils who shall either reject or approve the revised proposed levy. This procedure shall continue until a levy is approved by resolution of both city councils. No later than October 1 each year, the secretary of the authority shall certify to the auditor of St. Louis county the total levy approved by the city councils, accompanied by a certified copy of the resolution of each city approving the levy. The auditor shall add the total levy made by the authority to other tax levies of the county on taxable property in the cities of Chisholm and Hibbing for collection by the county auditor with other taxes. When collected, the county auditor shall make settlement of those taxes with the treasurer of the authority in the same manner as other taxes are distributed to political subdivisions.

Subd. 2. [MANAGEMENT CONTRACTS.] Notwithstanding other provisions of this article to the contrary, the authority is authorized, in lieu of directly operating the Chisholm/Hibbing airports or any part of them, to enter into management contracts with persons for managing the airports or any part of them, for a period of time, for purposes, and under any compensation and other terms and conditions as deemed advisable and proper by the authority. The agreement is subject to the approval by resolution of the city councils.

Sec. 6. [ADDITIONAL POWERS.]

The authority is authorized:

(1) when not in conflict with this article, to adopt and alter bylaws and rules and regulations that it deems necessary for conducting the business of the authority, for using and operating the Chisholm/Hibbing airports and the facilities of the authority, and for carrying out the objects of this article;

(2) to appoint the executive director, engineers and other consultants, accountants, attorneys, and other officers, agents, and employees as it deems necessary, who shall perform duties and receive compensation as the authority may determine and who are removable at the pleasure of the authority;

(3) to prescribe or provide for a policy or policies of insurance for the defense and indemnification of the cities of Chisholm and Hibbing and their officers and employees, and the authority's directors, executive director, and other employees against claims arising against them out of the performance of duty, whether the claims be groundless or otherwise, with premiums for any policies of insurance required by this article to be paid out of the funds of the authority;

(4) to authorize and direct the treasurer to invest, in the manner provided by law, any funds held in reserve, sinking funds, or any funds not required for immediate disbursement; and

(5) to fix, alter, change, and collect fees, rentals, and all other charges to be made for all services or facilities furnished by the authority to the public, to any persons, or to public or private agencies leasing any and all facilities at the Chisholm/Hibbing airports.

Sec. 7. [EXECUTIVE DIRECTOR.]

Subdivision 1. [CUSTODY OF MONEY COLLECTED DAILY.] The executive director of the authority is responsible for the custody and control

of all money received and collected from the daily operations of the Chisholm/Hibbing airports until that money is delivered to the treasurer and the executive director has obtained a receipt for it, or until the money is deposited in a bank account under the control of the treasurer.

Subd. 2. [INSURANCE.] In addition to other insurance provisions of this article, the executive director shall provide for insurance on any of the Chisholm/Hibbing airports' property, rights, revenue, workers' compensation, public liability, or any other risk or hazard arising from its activities; and the premiums for that insurance must be paid for out of funds of the Chisholm/Hibbing airport authority.

Sec. 8. [TAX-EXEMPT PROPERTY.]

Notwithstanding other law to the contrary, the property, money, and other assets of the authority, or revenues or other income of the authority, and all bonds or other obligations issued by the authority, with the approval of the city councils, and the interest on them, are exempt from all taxation, licensing, fees, or charges of any kind imposed by the state of Minnesota, or by any county, municipality, political subdivision, taxing district, or other public agency or body of the state.

Sec. 9. [REVENUE BONDS.]

Subdivision 1. [AUTHORITY TO ISSUE.] Notwithstanding any limitations imposed by law or by the charter of the city of Chisholm, the authority is authorized to issue negotiable revenue bonds for any one or more of its purposes. Revenue bonds under this section shall be issued in the amounts, times, and series to the authority determined by resolution. No election is necessary to authorize the issuance of the revenue bonds. Except as otherwise provided by this section, the maturities, any right of prior redemption, execution, paying agency, provision for interest, and other terms of the bonds, are subject to Minnesota Statutes, sections 475.54 and 475.56.

Subd. 2. [PLEDGED FROM REVENUES.] Revenue bonds issued under this section do not constitute a debt of the city of Chisholm or the city of Hibbing, and no tax levy may be compelled for their payment. The bonds are payable only from the revenues of the Chisholm/Hibbing airport pledged by the authority; to payment of principal of and interest on the bonds; and they must so recite. At or before the issuance of revenue bonds, the authority, by resolution, shall pledge and appropriate to the payment of principal and interest the net revenues of the Chisholm/Hibbing airports, or some part of those airports, after provision for reasonable and necessary expenses of operation and maintenance, as described and defined in the authorizing resolution.

Subd. 3. [RESOLUTION.] By the authorizing resolution, the authority may provide covenants for the protection of the bondholders relating to disposition of bond proceeds and revenues; their reserves and investment; construction, acquisition, repair, replacement, operation and insurance of the Chisholm/Hibbing airports facilities; accounting and reports; issuance of parity or subordinate lien bonds, rates and charges to be established or maintained; and other covenants the authority finds to be usual and reasonably necessary for the protection of the airport revenue bondholders.

Subd. 4. [DEFAULT.] The authority may also define the event or events of default and other requisites for suit by bondholders or their representatives,

conditions upon which any covenant may be amended. Any terms, covenants, or conditions of revenue bonds to be provided by resolution of the authority may be set forth in a trust indenture with a corporation having trust powers appointed by the authority, to represent and act for bondholders, to hold and disburse pledged revenues, and to perform other duties as may be provided in the trust indenture. However, the trust indenture must not confer or authorize any mortgage lien on the real or operating properties or general funds of the authority.

Subd. 5. [PUBLIC INSTRUMENTALITY.] Revenue bonds of the authority are deemed and must be treated as instrumentalities of the public government agency; and as such, together with interest on the bonds, are exempt from taxation.

Sec. 10. [GENERAL OBLIGATION BONDS.]

Subdivision 1. [AUTHORITY TO ISSUE.] The authority may request the issuance of general obligation bonds to improve or construct, and equip, terminal facilities, maintenance and hangar facilities, runway or taxiway facilities, parking areas, or similar facilities used or useful in connection with the operation by the authority of the Chisholm/Hibbing airports, or any part of them.

Subd. 2. [RESOLUTION.] General obligation bonds under this section shall be issued in the amounts, at times, and in a series as the cities shall determine by joint resolution. Except as otherwise provided by this section, the maturities, any right of prior redemption, execution, paying agency, provision for interest, or other terms of the bonds, are subject to Minnesota Statutes, sections 475.54 and 475.56.

Subd. 3. [PLEGDED WITH TAXES.] General obligation bonds issued according to the total tax capacity in each city under this section constitute a debt of the city of Chisholm and the city of Hibbing for which the full faith and credit of the city is pledged. A tax levy must be compelled for their payment and the bonds must recite that.

Sec. 11. [PROPERTY TRANSACTIONS.]

Subdivision 1. [EMINENT DOMAIN.] If it becomes necessary for any of the purposes provided in this article to exercise the power of eminent domain, that power must not be exercised by the authority. However, the city of Chisholm and the city of Hibbing shall, at the request of the authority, acquire any of the properties allowed pursuant to this article and necessary for the conduct and operation of the authority, or for the purpose of acquiring any land, waters, easements, or other rights or interests in them by the exercise of the power of eminent domain, either as provided for under the home rule charter of the city of Chisholm, or under Minnesota Statutes, chapter 117. An exercise of the power of eminent domain by the cities must be at the request and expense of the authority. The fact that the property is owned by a public service corporation organized for the purpose specified in Minnesota Statutes, section 300.03, or is already devoted to a public use, or to use by a corporation, or was acquired for a public use by condemnation, does not prevent its acquisition by the cities for the authority by condemnation. The cities, on behalf of the authority, may take possession of any property for which condemnation proceedings have been commenced at any time after the filing of the petition describing the property in the proceedings. After the

condemnation is completed, the cities shall transfer the property condemned to the authority.

Subd. 2. [PROPERTY TRANSFERS.] Subject to prior notice to the city councils, any state department or other agency of the state government, or any county, municipality, or other public agency, may sell, lease, grant, transfer, or convey to the authority, with or without consideration, any facilities or any part of the facilities, or any interest in real or personal property, which may be useful to the authority for any authorized purpose.

Sec. 12. [LIMITED REGULATION BY OTHER GOVERNMENTAL UNITS.]

The exercise by the authority and the city councils of the powers provided in this article are not subject to regulation by the jurisdiction or control of any other public body or agency, whether state, county, or municipal, except as specifically provided in this article. However, the authority is subject to rules administered by the state department of public safety, division of aeronautics, and to laws of the United States or regulations of the Federal Aviation Administration of the United States Department of Transportation, as may be applicable to the operations of the Chisholm/Hibbing airports.

Sec. 13. [PROPERTY TRANSFERRED BY THIS ARTICLE.]

On the effective date of this article, the Chisholm/Hibbing airport commission is dissolved and the title to all real and personal property presently used and occupied by the Chisholm/Hibbing airport commission vests in the authority. The city of Chisholm and the city of Hibbing shall execute all deeds or other appropriate documents necessary to confirm the vesting of title in the Chisholm/Hibbing airport authority. If the authority is dissolved, the fair market value of all real estate owned by the city of Hibbing prior to the formation of the Chisholm/Hibbing joint airport commission in 1957 including improvements on that real estate prior to that time must be credited to the city of Hibbing.

Sec. 14. [EFFECTIVE DATE.]

This article is effective after its approval by a majority of the city council of the city of Chisholm and a majority of the city council of the city of Hibbing, and upon compliance with the provisions of Minnesota Statutes, section 645.021, subdivision 3."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; enforcing the federal income tax law changes; providing income and premium tax credits; modifying capital equipment sales tax provisions; providing sales and excise tax exemptions and modifications; altering taconite production tax rates and distributions; providing for use of taconite economic development funds; altering procedures of the board of government innovation and cooperation and appropriating money to the board; modifying provisions relating to property tax classification procedures, appeals, and levies; changing property tax refund processes; limiting the amount of targeting refunds; altering truth in taxation requirements; providing for payments of aids to local governments; abolishing the local government trust fund and the advisory commission on intergovernmental relations; providing for a unified state sales tax rate; modifying requirements relating to tax increment financing; eliminating certain conditions relating to the contami-

nation tax; authorizing a property tax abatement; providing for creation of certain tax increment financing districts, special service districts, a port authority, a county economic development authority; authorizing issuances of bonds, creation of a bond guarantee fund, and imposition of a lodging tax; providing for creation and operation of the Cross Lake area water and sewer board and the Chisholm/Hibbing airport authority; appropriating money; amending Minnesota Statutes 1992, sections 60A.15, by adding a subdivision; 97A.135, subdivision 3; 256E.06, subdivision 5, and by adding a subdivision; 270B.12, by adding subdivisions; 271.06, subdivision 7; 273.11, by adding a subdivision; 273.138, by adding a subdivision; 273.1398, by adding a subdivision; 273.1399, by adding subdivisions; 276.04, subdivision 3; 276.09; 276.10; 276.111; 278.05, subdivision 6; 289A.02, by adding a subdivision; 289A.25, subdivision 5; 290.01, subdivisions 19b, 19d, and by adding a subdivision; 290.05, subdivision 3; 290.06, subdivision 2c, and by adding a subdivision; 290.068, subdivision 2; 290.0802, subdivision 1; 290.0921, subdivision 2; 290.35, by adding a subdivision; 290A.04, subdivision 2; 290A.07; 297.01, by adding a subdivision; 297A.01, by adding a subdivision; 297A.02, subdivision 2, and by adding a subdivision; 297A.135, subdivision 1; 297A.15, subdivision 5; 297A.25, by adding subdivisions; 297A.44, subdivision 1; 297C.03, by adding a subdivision; 298.017, subdivision 2; 298.24, subdivision 1; 298.28, by adding a subdivision; 298.296, subdivision 2, and by adding a subdivision; 469.004, subdivision 1a; 469.176, subdivision 4f; 469.1761, subdivision 1; 477A.012, subdivision 6; and 477A.014, subdivision 5; Minnesota Statutes 1993 Supplement, sections 116J.556; 270.78; 270.91, subdivision 4; 270.94; 273.11, subdivision 16; 273.124, subdivisions 1 and 13; 273.13, subdivision 23; 273.1399, subdivision 1; 273.166, by adding a subdivision; 275.065, subdivision 3; 276.04, subdivision 2; 278.01, subdivision 1; 289A.26, subdivision 7; 289A.60, subdivision 21; 290.01, subdivision 19; 290.091, subdivision 2; 290A.04, subdivision 2h; 296.02, subdivision 1a; 297A.01, subdivisions 3 and 16; 297B.03; 298.227; 298.28, subdivision 9a; 383A.75, subdivision 3; 465.795, subdivision 7; 465.796, subdivision 2; 465.797, subdivisions 1, 2, 3, 4, and 5; 465.798; 465.799; 469.174, subdivision 19; 469.176, subdivisions 1b and 4c; 477A.013, subdivisions 8 and 9; and 477A.03, by adding a subdivision; Laws 1981, chapter 281, section 1; proposing coding for new law in Minnesota Statutes, chapters 17; 276; 290A; 297A; 465; 469; 473; and 477A; repealing Minnesota Statutes 1992, sections 3.862; 16A.711; 273.1381; 273.1398, subdivision 7; 290.067, subdivision 6; 297A.021; 297A.44, subdivision 4; 297B.09, subdivision 3; 465.80, subdivision 3; and 477A.0132; Minnesota Statutes 1993 Supplement, sections 16A.712; 82.19, subdivision 9; 256E.06, subdivision 12; 273.166, subdivision 4; 289A.25, subdivision 5a; 290A.23; 465.80, subdivisions 1, 2, 4, and 5; 469.175, subdivision 7a; and 477A.03, subdivision 1; Laws 1973, chapter 650, article 24, section 6."

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

SECOND READING OF SENATE BILLS

S.F. Nos. 2168 and 1775 were read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Johnson, D.E. moved that his name be stricken as a co-author to S.F. No. 1995. The motion prevailed.

Mr. Langseth moved that the name of Ms. Pappas be added as a co-author to S.F. No. 2151. The motion prevailed.

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 committee indicated.

Mr. Merriam, for the Committee on Finance, introduced—

S.F. No. 2913: A bill for an act relating to state government; supplementing appropriations for public safety; the environment and natural resources; the general legislative, judicial, and administrative expenses of state government; community development; and human services; fixing and limiting the amount of fees, penalties, and other costs to be collected in certain cases; transferring certain duties and functions; amending Minnesota Statutes 1992, sections 3.737, subdivisions 1 and 4; 16A.124, subdivisions 2 and 7; 16A.127, as amended; 16A.15, subdivision 3; 16B.01, subdivision 4; 16B.05, subdivision 2; 16B.06, subdivisions 1 and 2; 41A.09, subdivisions 2 and 5; 43A.37, subdivision 1; 60K.06; 60K.19, subdivision 8; 62A.046; 62A.048; 62A.27; 62D.102; 82.20, subdivisions 7 and 8; 82.21, by adding a subdivision; 82B.08, subdivisions 4 and 5; 82B.09, subdivision 1; 82B.19, subdivision 1; 83.25; 84.0887, by adding subdivisions; 84A.32, subdivision 1; 85A.02, subdivision 17; 144.804, subdivision 1; 171.06, subdivision 3; 176.102, subdivisions 3a and 14; 176.611, subdivision 6a; 204B.27, by adding a subdivision; 221.041, by adding a subdivision; 221.171, subdivision 2; 245.97, subdivision 1; 246.18, by adding a subdivision; 252.025, by adding a subdivision; 256.74, by adding a subdivision; 256.9365, subdivisions 1 and 3; 256B.056, by adding a subdivision; 256B.0625, subdivision 25, and by adding a subdivision; 256B.0641, subdivision 1; 256B.431, subdivision 17; 256H.05, subdivision 6; 257.62, subdivisions 1, 5, and 6; 257.64, subdivision 3; 257.69, subdivisions 1 and 2; 296.02, subdivision 7; 354.06, subdivision 1; 462A.05, by adding a subdivision; 477A.12; 504.33, subdivision 4; 504.35; 518.171, subdivision 5; and 518.613, subdivision 7; Minnesota Statutes 1993 Supplement, sections 15.50, subdivision 2; 41A.09, subdivision 3; 62A.045; 82.21, subdivision 1; 82.22, subdivisions 6 and 13; 82.34, subdivision 3; 97A.028, subdivision 3; 116J.966, subdivision 1; 138.763, subdivision 1; 144A.071, subdivisions 3 and 4a; 239.785, subdivision 2, and by adding a subdivision; 245.97, subdivision 6; 246.18, subdivision 4; 252.46, subdivision 6, and by adding a subdivision; 256.969, subdivision 24; 256B.431, subdivision 24; 256I.04, subdivision 3; 257.55, subdivision 1; 257.57, subdivision 2; 268.98, subdivision 1; 477A.13; 477A.14; 504.33, subdivision 7; 518.171, subdivisions 1, 3, 4, 7, and 8; 518.611, subdivisions 2 and 4; 518.613, subdivision 2; and 518.615, subdivision 3; Laws 1993, chapter 369, section 5, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 62A; 148; and 268; repealing Minnesota Statutes 1992, sections 16A.06, subdivision 8; 16A.124, subdivision 6; 43A.21, subdivision 5; 62C.141; 62C.143; 62D.106; 62E.04, subdivisions 9 and 10; 268.32; 268.551; 268.552; 355.04; and 355.06; Laws 1985, First Special Session chapter 12, article 11, section 19.

Under the rules of the Senate, laid over one day.

SUSPENSION OF RULES

Mr. Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 2913 and that the rules of the Senate be so far suspended as to give S.F. No. 2913 its second reading and place it on General Orders. The motion prevailed.

S.F. No. 2913 was read the second time.

Mr. Samuelson introduced—

S.F. No. 2914: A bill for an act relating to appropriations; highways; appropriating money for work on Morrison county road No. 206.

Referred to the Committee on Transportation and Public Transit.

MEMBERS EXCUSED

Ms. Anderson was excused from the Session of today from 10:00 a.m. to 12:30 p.m. Mr. Metzen was excused from the Session of today from 3:05 to 3:15 p.m.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 8:00 a.m., Tuesday, April 12, 1994. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate