THIRTY-NINTH DAY

St. Paul, Minnesota, Wednesday, April 12, 1995

The Senate met at 9:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Betzold 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. Kevin D. Meyer.

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

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

The President declared a quorum present.

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

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communication was received and referred to the committee indicated.

March 13, 1995

The Honorable Allan H. Spear
President of the Senate

Dear Sir:

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

BOARD OF THE ARTS

Conrad Razidlo, 4237 Lynn Ave. S., Edina, Hennepin County, effective March 17, 1995, for a term expiring on the first Monday in January, 1999.

Joseph Duffy, 1032 Plummer Cir., Rochester, Olmsted County, effective March 17, 1995, for a term expiring on the first Monday in January, 1999.

Nancy Geiger, 3510 Eagle Ridge Dr. W., Willmar, Kandiyohi County, effective March 17, 1995, for a term expiring on the first Monday in January, 1999.

(Referred to the Committee on Governmental Operations and Veterans.)

Warmest regards,
Arne H. Carlson, Governor

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 838, 1042, 239, 521 and 856.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 11, 1995

Mr. President:

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

S.F. No. 1520: A bill for an act relating to the environment; extending the notification requirements for landfarming contaminated soil; amending Minnesota Statutes 1994, section 116.07, subdivision 11.

Senate File No. 1520 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 11, 1995

Mr. Lessard moved that the Senate do not concur in the amendments by the House to S.F. No. 1520, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

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

S.F. No. 1055: A bill for an act relating to occupations and professions; exempting certain social workers from requirement to obtain home care provider license; exempting some social workers employed in a hospital or nursing home from examination; modifying licensure requirements; requiring hospital and nursing home social workers to be licensed; amending Minnesota Statutes 1994, sections 144A.46, subdivision 2; 148B.23, subdivisions 1 and 2; 148B.27, subdivision 2, and by adding a subdivision; and 148B.60, subdivision 3; repealing Minnesota Statutes 1994, sections 148B.23, subdivision 1a; and 148B.28, subdivision 6.

Senate File No. 1055 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 11, 1995

CONCURRENCE AND REPASSAGE

Ms. Piper moved that the Senate concur in the amendments by the House to S.F. No. 1055 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1055 was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 62 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 493, 1153, 96, 586, 1437, 1567 and 617.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 11, 1995

FIRST READING OF HOUSE BILLS

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

H.F. No. 493: A bill for an act relating to retirement; various local public employee pension plans; providing for various benefit modifications and related changes that require local governing body approval; repealing Laws 1969, chapter 1088; Laws 1971, chapter 114; Laws 1978, chapters 562, section 32; and 753; Laws 1979, chapters 97; 109, section 1; and 201, section 27; Laws 1981, chapters 157, section 1; and 224, sections 250 and 254; Laws 1985, chapter 259, section 3; and Laws 1990, chapter 570, article 7, section 4.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 803.

H.F. No. 1153: A bill for an act relating to transportation; authorizing cities, counties, and transit commissions and authorities outside the metropolitan area to provide certain paratransit outside their service areas; requiring such service to be under contract; amending Minnesota Statutes 1994, section 174.24, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1097, now on General Orders.

H.F. No. 96: A bill for an act relating to insurance; health plans; prohibiting provisions that grant the health carrier a subrogation right, except where the covered person has been fully compensated from another source; proposing coding for new law in Minnesota Statutes, chapter 62A.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 164.

H.F. No. 586: A bill for an act relating to motor vehicles; authorizing sale and disposal of

unauthorized, abandoned, and junk vehicles by impound lots; amending Minnesota Statutes 1994, sections 168B.04; 168B.06; 168B.07, subdivision 1; 168B.08; 168B.09, subdivision 1; 168B.101; and 169.041, subdivisions 3, 4, and 6; proposing coding for new law in Minnesota Statutes, chapter 168B; repealing Minnesota Statutes 1994, sections 168B.02; and 168B.05.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 553, now on General Orders.

H.F. No. 1437: A bill for an act relating to employment; requiring disclosure to recruited employees in the food processing industry; proposing coding for new law in Minnesota Statutes, chapter 181.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1152.

H.F. No. 1567: A bill for an act relating to public funds; regulating the deposit and investment of these funds, and agreements related to these funds; requiring a study; amending Minnesota Statutes 1994, section 6.745; proposing coding for new law as Minnesota Statutes, chapter 118A; repealing Minnesota Statutes 1994, sections 118.005; 118.01; 118.02; 118.08; 118.09; 118.10; 118.11; 118.12; 118.13; 118.14; 118.16; 124.05; 471.56; 475.66; and 475.76.

Referred to the Committee on Taxes and Tax Laws.

H.F. No. 617: A bill for an act relating to retirement; various public pension plans; providing for the suspension or forfeiture of certain survivor benefits in the event of certain felonious deaths; making various individual and small group pension accommodations; making various pension plan administrative changes; recodifying the individual retirement account plan and making various other modifications; amending Minnesota Statutes 1994, sections 11A.23, subdivision 4; 352.12, subdivisions 1, 2, 2a, and 6; 352B.105; 352D.02, subdivision 1; 354.05, subdivisions 2a, 5, 35, and 40; 354.06, subdivision 4; 354.44, by adding a subdivision; 354.52, subdivision 4a; 354A.011, subdivision 27, and by adding a subdivision; 354A.12, subdivision 3d; 354A.31, by adding a subdivision; 355.61; 356.215, subdivisions 4d and 4g; 356.24, subdivision 1; 383B.48; and 383B.49; proposing coding for new law in Minnesota Statutes, chapters 354B; 354C and 356; repealing Minnesota Statutes 1994, sections 352D.02, subdivision 1a; 354B.01; 354B.015; 354B.02; 354B.035; 354B.04; 354B.045; 354B.05; 354B.06; 354B.07; 354B.08; 354B.085; 354B.09; and 354B.15; Laws 1990, chapter 570, article 3, sections 10 and 11, as amended; Laws 1993, chapters 192, section 89, and 239, article 5, section 2; and Laws 1994, chapters 508, article 1, section 14; and 572, sections 11 and 12.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 561.

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. 1034, 166, 806 and 561. The motion prevailed.

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was re-referred

S.F. No. 425: A bill for an act relating to health; providing rulemaking authority; modifying enforcement and fee provisions; providing penalties; amending Minnesota Statutes 1994, sections 144.414, subdivision 3; 144.417, subdivision 1; 144.99, subdivisions 1, 4, 6, 8, and 10; 144.991, subdivision 5; 326.71, subdivision 4; 326.75, subdivision 3a; and 326.78, subdivisions 2 and 9; proposing coding for new law in Minnesota Statutes, chapter 144; repealing Minnesota Statutes 1994, sections 144.877, subdivision 5; 144.8781, subdivisions 4 and 6; Laws 1993, chapter 286, section 11; Minnesota Rules, part 4620.1500.

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

Page 6, after line 24, insert:

"Sec. 10. [157.011] [RULES.]

Subdivision 1. [ESTABLISHMENTS.] The commissioner shall adopt rules establishing standards for food, beverage, and lodging establishments.

Subd. 2. [CERTIFICATION OF FOOD SERVICE MANAGERS.] The commissioner shall:

(1) adopt rules for certification requirements for managers of food service operations; and

(2) establish in rule, criteria for training and certification."

Page 9, line 6, delete "14" and insert "15"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 10, delete "chapter" and insert "chapters" and after "144" insert "; and 157"

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

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was re-referred

S.F. No. 1034: A bill for an act relating to education; establishing a consortium to meet statewide post-secondary learning needs; providing for a study and report for the development of an open learning institution; appropriating money.

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

Delete everything after the enacting clause and insert:

"Section 1. [CREATION OF CONSORTIUM.]

The University of Minnesota, Minnesota state colleges and universities, and Minnesota private college council shall establish a consortium:

(1) either to acquire courseware and learning materials or to develop and distribute them, or both; and

(2) to develop and implement alternative methods of delivery.

Sec. 2. [FUNCTIONS.]

Subdivision 1. [ALTERNATIVE DELIVERY.] The consortium shall:

(1) identify statewide learning needs;

(2) acquire, develop, and distribute high quality learning resources, including curriculum and support services, needed to meet identified needs;

(3) facilitate the delivery of learning opportunities to residents of Minnesota using the most appropriate mode of delivery for the student and subject matter; and

(4) focus particular attention on widely dispersed needs including, but not limited to:

(i) courses that could be used statewide for the post-secondary enrollment options program;

(ii) materials for place bound, home bound, or time bound residents;

(iii) courses that would be accepted under the proposed lower division Minnesota transfer curriculum; and

(iv) courses that meet the education and training needs of employed workers.

Subd. 2. [COURSEWARE DEVELOPMENT.] The consortium shall:

(1) assist in the development of course material for distance delivery;

(2) award grants to encourage faculty and student support staff to develop technology-based courseware for a variety of academic fields, learning styles, and delivery modes;

(3) identify and acquire high quality courseware and course materials for use by Minnesota institutions;

(4) develop an inventory of existing materials and courseware created by Minnesota faculty and institutions;

(5) encourage the use of Minnesota designed courseware outside Minnesota;

(6) explore the possibility of establishing collaborative relationships with private organizations for the marketing and distribution of products outside Minnesota; and

(7) seek to attract private and federal funds to support its work.

Sec. 3. [COUNCIL.]

A council is created to oversee the establishment and development of the consortium. It shall be composed of one representative of the University of Minnesota, one representative of the Minnesota state colleges and universities, one representative of the Minnesota private college council; and six citizen members appointed by the governor with the consent of the senate. At least two citizen members must be students enrolled in member institutions. The council shall oversee the operation of the consortium functions described in section 2. The council shall consult with faculty employed by the consortium members and students enrolled in member institutions. Terms, compensation, and removal of council members shall be governed by Minnesota Statutes, section 15.059.

Sec. 4. [BUDGET AND STAFFING.]

Administrative and personnel services for the consortium and council shall be provided by the member systems and institutions.

Sec. 5. [STUDY.]

Subdivision 1. [STUDY.] The higher education coordinating board shall develop plans for an open learning institution.

Subd. 2. [REPORT.] The higher education coordinating board shall report to the education committees of the legislature by February 1, 1996, on the design of an open learning institution and plans for implementation.

Sec. 6. [APPROPRIATIONS.]

Subdivision 1. [ALTERNATIVE DELIVERY.] $..... is appropriated from the general fund for fiscal year 1996 and $..... for fiscal year 1997 to the board of trustees of the Minnesota state colleges and universities to support the staffing and functions of the consortium and council, including the assessment of statewide learning needs; the identification, acquisition, and distribution of courseware and learning materials; provision of appropriate student support services; and training in the use of technologies.

Subd. 2. [COURSEWARE DEVELOPMENT.] $..... is appropriated from the general fund for fiscal year 1996 and $..... for fiscal year 1997 to the board of trustees of the Minnesota state colleges and universities to support courseware development and delivery, including staff to coordinate course development activities.

Subd. 3. [STUDY.] $..... is appropriated from the general fund for fiscal year 1996 to the higher education coordinating board to develop plans for an open learning institution."

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.

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was referred

S.F. No. 166: A bill for an act relating to public administration; providing oversight of certain state and metropolitan government contracts; amending Minnesota Statutes 1994, sections 15.061; 16A.11, by adding a subdivision; 16B.17; 16B.19, subdivisions 2 and 10; and 473.129, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 16B.

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

Delete everything after the enacting clause and insert:

"Section 1. [3.225] [PROFESSIONAL AND TECHNICAL SERVICE CONTRACTS.]

Subdivision 1. [APPLICATION.] This section applies to a contract for professional or technical services entered into by the house of representatives, the senate, the legislative coordinating commission, or any group under the jurisdiction of the legislative coordinating commission. For purposes of this section, "professional or technical services" contract has the meaning given it in section 16B.17.

Subd. 2. [REQUIREMENTS FOR ALL CONTRACTS.] Before entering into a contract for professional or technical services, the contracting entity shall determine that:

(1) all provisions of section 16B.19, subdivision 2, and subdivision 3 of this section have been verified or complied with;

(2) the work to be performed under the contract is necessary to the entity's achievement of its responsibilities;

(3) the contract will not establish an employment relationship between the state or the entity and any persons performing under the contract;

(4) no current legislator or legislative employees will engage in the performance of the contract;

(5) no state agency has previously performed or contracted for the performance of tasks that would be substantially duplicated under the proposed contract;

(6) the contracting entity has specified a satisfactory method of evaluating and using the results of the work to be performed; and

(7) the combined contract and amendments will not extend for more than five years.

Subd. 3. [CONTRACTS IN EXCESS OF $5,000.] Before an entity may seek to enter into a professional or technical services contract valued in excess of $5,000, it must determine that:

(1) no legislative employee is able and available to perform the services called for by the contract;

(2) reasonable efforts were made to publicize the availability of the contract to the public;

(3) the entity has received, reviewed, and accepted a detailed work plan from the contractor for performance under the contract; and

(4) the entity has developed, and fully intends to implement, a written plan providing for: the assignment of personnel to a monitoring and liaison function; the periodic review of interim reports or other indications of past performance; and the ultimate utilization of the final product of the services.

Subd. 4. [RENEWALS.] The renewal of a professional or technical service contract must comply with all requirements, including notice, applicable to the original contract. A renewal contract must be identified as such. All notices and reports on a renewal contract must state the date of the original contract and the amount previously paid under the contract.

Subd. 5. [REPORTS.] (a) The house of representatives, the senate, and the legislative coordinating commission shall submit to the legislative reference library a monthly listing of all contracts for professional or technical services executed in the preceding month. The report must identify the parties and the contract amount, duration, and tasks to be performed.

(b) The monthly report must:

(1) be sorted by contracting entity and by contractor;

(2) show the aggregate value of contracts issued by each agency and issued to each contractor;

(3) distinguish between contracts that are being issued for the first time and contracts that are being renewed;

(4) state the termination date of each contract; and

(5) categorize contracts according to subject matter, including topics such as contracts for training, contracts for research and opinions, and contracts for computer systems.

(c) Within 30 days of final completion of a contract in excess of $5,000 covered by this subdivision, the chief executive of the entity entering into the contract must file a one-page performance report with the legislative reference library. The report must:

(1) summarize the purpose of the contract, including why it was necessary to enter into a contract;

(2) state the amount spent on the contract;

(3) explain why this amount was a cost-effective way to enable the entity to provide its services or products better or more efficiently.

Subd. 6. [CONTRACT TERMS.] (a) A professional or technical services contract must by its terms permit the contracting entity to unilaterally terminate the contract prior to completion, upon payment of just compensation, if the entity determines that further performance under the contract would not serve entity purposes. If the final product of the contract is a written report, a copy must be filed with the legislative reference library.

(b) The terms of a contract must provide that no more than 90 percent of the amount due under the contract may be paid until the final product has been reviewed by the person entering into the contract on behalf of the contracting entity, and that person has certified that the contractor has satisfactorily fulfilled the terms of the contract.

Sec. 2. Minnesota Statutes 1994, section 15.061, is amended to read:

15.061 [~~CONSULTANT,~~ PROFESSIONAL ~~AND~~ OR TECHNICAL SERVICES.]

~~Pursuant to the provisions of~~ In accordance with section 16B.17, the head of a state department or agency may, with the approval of the commissioner of administration, contract for ~~consultant services and~~ professional ~~and~~ or technical services in connection with the operation of the department or agency. A contract negotiated under this section ~~shall~~ is not ~~be~~ subject to the competitive bidding requirements of chapter ~~16~~ 16B.

Sec. 3. Minnesota Statutes 1994, section 16A.11, is amended by adding a subdivision to read:

Subd. 3b. [CONTRACTS.] The detailed budget estimate must also include the following information on professional or technical services contracts:

(1) the number and amount of contracts in excess of $25,000 for each agency for the past biennium;

(2) the anticipated number and amount of contracts in excess of $25,000 for each agency for the upcoming biennium; and

(3) the total value of all contracts from the previous biennium, and the anticipated total value of all contracts for the upcoming biennium.

Sec. 4. [16B.167] [EMPLOYEE SKILLS INVENTORY.]

(a) The commissioners of employee relations and administration shall develop a list of skills that state agencies commonly seek from professional or technical service contracts, in consultation with exclusive representatives of state employees.

(b) Before an agency may seek approval of a professional or technical services contract valued in excess of $5,000, it must certify to the commissioner that it has publicized the contract by posting notice at appropriate worksites within agencies and has made reasonable efforts to determine that no state employee, including an employee outside the contracting agency, is able to perform the services called for by the contract.

Sec. 5. Minnesota Statutes 1994, section 16B.17, is amended to read:

16B.17 [~~CONSULTANTS AND~~ PROFESSIONAL OR TECHNICAL SERVICES.]

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

~~(a) [CONSULTANT SERVICES.]~~ "~~Consultant~~ professional or technical services" means services ~~which~~ that are intellectual in character; ~~which~~ that do not involve the provision of supplies or materials; ~~which~~ that include consultation analysis, evaluation, prediction, planning, or recommendation; and ~~which~~ that result in the production of a report or the completion of a task.

~~(b) [PROFESSIONAL AND TECHNICAL SERVICES.] "Professional and technical services" means services which are predominantly intellectual in character; which do not involve the provision of supplies or materials; and in which the final result is the completion of a task rather than analysis, evaluation, prediction, planning, or recommendation.~~

Subd. 2. [PROCEDURE FOR ~~CONSULTANT AND~~ PROFESSIONAL ~~AND~~ OR TECHNICAL SERVICES CONTRACTS.] Before approving a proposed state contract for ~~consultant services or~~ professional ~~and~~ or technical services, the commissioner must determine, at least, that:

(1) all provisions of section 16B.19 and subdivision 3 of this section have been verified or complied with;

(2) the work to be performed under the contract is necessary to the agency's achievement of its statutory responsibilities, and there is statutory authority to enter into the contract;

(3) the contract will not establish an employment relationship between the state or the agency and any persons performing under the contract;

(4) no current legislator or state employees will engage in the performance of the contract;

(5) no state agency has previously performed or contracted for the performance of tasks ~~which~~ that would be substantially duplicated under the proposed contract; ~~and~~

(6) the contracting agency has specified a satisfactory method of evaluating and using the results of the work to be performed; and

(7) the combined contract and amendments will not extend for more than five years.

Subd. 3. [DUTIES OF CONTRACTING AGENCY.] Before an agency may seek approval of a ~~consultant or~~ professional ~~and~~ or technical services contract valued in excess of $5,000, it must certify to the commissioner that:

(1) no state employee is able and available to perform the services called for by the contract;

(2) the normal competitive bidding mechanisms will not provide for adequate performance of the services;

(3) ~~the services are not available as a product of a prior consultant or professional and technical services contract, and~~ the contractor has certified that the product of the services will be original in character;

(4) reasonable efforts were made to publicize the availability of the contract to the public;

(5) the agency has received, reviewed, and accepted a detailed work plan from the contractor for performance under the contract; ~~and~~

(6) the agency has developed, and fully intends to implement, a written plan providing for the assignment of specific agency personnel to a monitoring and liaison function~~;~~, the periodic review of interim reports or other indications of past performance, and the ultimate utilization of the final product of the services; and

(7) the agency will not allow the contractor to begin work before funds are fully encumbered.

The agency certification must provide detail on how the agency complied with this subdivision. In particular, the agency must describe how it complied with clauses (1) and (4) and section 16B.167, paragraph (b), and what steps it has taken to verify the competence of the proposed contractor.

Subd. 3a. [RENEWALS.] The renewal of a professional or technical contract must comply with all requirements, including notice, applicable to the original contract. A renewal contract must be identified as such. All notices and reports on a renewal contract must state the date of the original contract and the amount paid previously under the contract.

Subd. 4. [REPORTS.] (a) The commissioner shall submit to the governor, the chairs of the house of representatives ways and means and senate finance committees, and the ~~legislature~~ legislative reference library a monthly listing of all contracts for ~~consultant services and for~~ professional ~~and~~ or technical services executed or disapproved in the preceding month. The report must identify the parties and the contract amount, duration, and tasks to be performed. The commissioner shall also issue quarterly reports summarizing the contract review activities of the department during the preceding quarter.

(b) The monthly and quarterly reports must:

(1) be sorted by agency and by contractor;

(2) show the aggregate value of contracts issued by each agency and issued to each contractor;

(3) distinguish between contracts that are being issued for the first time and contracts that are being renewed;

(4) state the termination date of each contract; and

(5) categorize contracts according to subject matter, including topics such as contracts for training, contracts for research and opinions, and contracts for computer systems.

(c) Within 30 days of final completion of a contract in excess of $5,000 covered by this subdivision, the chief executive of the agency entering into the contract must submit a one-page performance report to the commissioner who must submit a copy to the legislative reference library. The report must:

(1) summarize the purpose of the contract, including why it was necessary to enter into a contract;

(2) state the amount spent on the contract; and

(3) explain why this amount was a cost-effective way to enable the agency to provide its services or products better or more efficiently.

Subd. 5. [CONTRACT TERMS.] (a) A ~~consultant or technical and~~ professional or technical services contract must by its terms permit the agency to unilaterally terminate the contract prior to completion, upon payment of just compensation, if the agency determines that further performance under the contract would not serve agency purposes. If the final product of the contract is ~~to be~~ a written report, ~~no more than three copies of the report, one in camera ready form, shall be submitted to the agency. One of the copies~~ a copy must be filed with the legislative reference library.

(b) The terms of a contract must provide that no more than 90 percent of the amount due under the contract may be paid until the final product has been reviewed by the chief executive of the agency entering into the contract, and the chief executive has certified that the contractor has satisfactorily fulfilled the terms of the contract.

Subd. 6. [EXCEPTION.] This section and section 16B.167 do not apply to contracts with private collection agencies for the collection of debt owed to the state.

Sec. 6. Minnesota Statutes 1994, section 16B.19, subdivision 2, is amended to read:

Subd. 2. [~~CONSULTANT,~~ PROFESSIONAL ~~AND~~ OR TECHNICAL PROCUREMENTS.] Every state agency shall for each fiscal year designate for awarding to small businesses at least 25 percent of the value of anticipated procurements of that agency for ~~consultant services or~~ professional ~~and~~ or technical services. The set-aside under this subdivision is in addition to that provided by subdivision 1, but ~~shall~~ must otherwise comply with section 16B.17.

Sec. 7. Minnesota Statutes 1994, section 16B.19, subdivision 10, is amended to read:

Subd. 10. [APPLICABILITY.] This section does not apply to construction contracts or contracts for ~~consultant,~~ professional, or technical services under section 16B.17 that are financed in whole or in part with federal funds and that are subject to federal disadvantaged business enterprise regulations.

Sec. 8. [LEGISLATIVE AUDITOR.]

The legislative audit commission shall consider directing the legislative auditor to conduct a follow-up study of agency contracting and compliance with laws governing contracting.

Sec. 9. [SPENDING LIMITATION ON CONTRACTS.]

(a) During the biennium ending June 30, 1997, the aggregate amount spent by all departments or agencies defined in Minnesota Statutes, section 15.91, subdivision 1, from direct-appropriated funds on professional or technical service contracts may not exceed 90 percent of the aggregate amount these departments or agencies spent on these contracts from direct-appropriated funds during the biennium from July 1, 1993, to June 30, 1995. For purposes of this section, professional or technical service contracts are as defined in Minnesota Statutes, section 16B.17, but do not include contracts for highway construction or maintenance. The governor or a designated official must limit or disapprove proposed contracts as necessary to comply with this section. This paragraph does not apply to contracts with private collection agencies for the collection of debt owed to the state.

(b) During the biennium ending June 30, 1997, the amount spent by (1) the house of representatives; (2) the senate; and (3) the legislative coordinating commission and all groups under its jurisdiction, from direct-appropriated funds on professional or technical service contracts may not exceed 90 percent of the amount spent on these contracts from direct-appropriated funds during the biennium from July 1, 1993 to June 30, 1995. Each entity listed in clauses (1), (2), and (3) of this paragraph must be treated separately for purposes of determining compliance with this paragraph, except that the legislative coordinating commission and all groups under its jurisdiction must be treated as one unit. For purposes of this paragraph, "professional or technical service contract" has the meaning given it in Minnesota Statutes, section 16B.17.

Sec. 10. [EFFECTIVE DATE.]

Sections 1 to 9 are effective July 1, 1995."

Delete the title and insert:

"A bill for an act relating to public administration; providing oversight of certain state contracts; amending Minnesota Statutes 1994, sections 15.061; 16A.11, by adding a subdivision; 16B.17; and 16B.19, subdivisions 2 and 10; proposing coding for new law in Minnesota Statutes, chapters 3; and 16B."

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.

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was referred

S.F. No. 803: A bill for an act relating to retirement; modifying administrative provisions relating to the Minneapolis employees retirement fund; amending Minnesota Statutes 1994, section 422A.05, 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:

"ARTICLE 1

LOCAL PENSION PLAN MODIFICATIONS

Section 1. [EVELETH POLICE AND FIREFIGHTERS; BENEFIT INCREASE.]

Notwithstanding any general or special law to the contrary, in addition to the current pensions and other retirement benefits payable, the pensions and retirement benefits payable to retired police officers and firefighters and their surviving spouses by the Eveleth police and fire trust fund are increased by $100 a month. Increases are retroactive to January 1, 1995. If the city of Eveleth fails to contribute an amount required in a given year sufficient to amortize the unfunded actuarial accrued liability of the police and fire trust fund by December 31, 1998, the increases under this section in the following year are not payable.

Sec. 2. [DULUTH TEACHERS RETIREMENT FUND ASSOCIATION; SPECIAL SERVICE PURCHASE AUTHORIZATION FOR CERTAIN FORMER DULUTH TECHNICAL COLLEGE TEACHERS.]

(a) A retired member of the Duluth teachers retirement fund association who:

(1) was born on April 29, 1932;

(2) was initially employed by independent school district No. 709 on September 8, 1970;

(3) terminated employment as a teacher at the Duluth technical college on July 1, 1994;

(4) retired from the Duluth teachers retirement fund association effective on July 15, 1994; and

(5) did not receive certification of eligibility for an early separation incentive from the chancellor of the higher education board in a timely fashion, but did eventually receive the required certification on October 24, 1994;

may purchase two years of additional service credit from the Duluth teachers retirement fund association as provided in Laws 1994, chapter 572, section 3, subdivision 3, paragraph (e), clause (2)(i), as though otherwise qualified, to have the person's retirement annuity from the Duluth teachers retirement fund association recomputed based on the additional service credit, and to have any medical insurance premiums that the person paid subsequent to retirement reimbursed by the Duluth technical college on the basis of the provisions of Laws 1994, chapter 572, section 3, subdivision 3, paragraph (e), clause (1).

(b) The purchase of additional service credit must be made within 30 days of the effective date of this section.

(c) The recomputed retirement annuity must be based on any optional annuity form selected upon retirement and must be subject to the early retirement reduction imposed upon retirement. The recomputed annuity accrues as of the effective date of retirement and any omitted retirement annuity amounts from the date of retirement to the date of recomputation must be paid in a lump sum as soon as practicable following the recomputation and must include annual interest on the omitted amounts at the rate of six percent, expressed as a monthly rate, and compounded monthly.

(d) If the retired member seeks reimbursement for medical insurance premiums, the retired member must furnish the president of the Duluth technical college with reasonable verification of medical insurance coverage and of prior medical insurance premiums paid.

Sec. 3. [MINNEAPOLIS EMPLOYEES RETIREMENT FUND; TEMPORARY OPTION.]

Notwithstanding any law to the contrary, a retired member of the Minneapolis employees retirement fund who elected a joint and survivor optional annuity form at the time of retirement and who has a living designated optional annuity recipient may select a substitute joint and survivor option under which the retired member will receive a normal single-life annuity if the previously designated recipient dies before the retired member. This substitute optional annuity must be the actuarial equivalent of the joint and survivor annuity option amount in effect at the time this option substitution is selected. This option must be exercised before July 1, 1996, according to procedures specified by the board of the Minneapolis employees retirement fund.

Sec. 4. [WEST ST. PAUL POLICE CONSOLIDATION ACCOUNT; CERTAIN SURVIVING SPOUSE BENEFITS.]

(a) Notwithstanding Minnesota Statutes, section 353A.08, the surviving spouse of a person described in paragraph (b) is entitled to receive survivor benefits provided under paragraph (c).

(b) This section applies to the surviving spouse of a person who was:

(1) employed as a police chief by the city of West St. Paul;

(2) an active member of the West St. Paul police relief association on February 8, 1993, when the governing body of West St. Paul, in accordance with Minnesota Statutes, section 353A.04, subdivision 5, gave preliminary approval to the consolidation of the association with the public employees retirement association;

(3) whose intention, upon consolidation, to elect benefits provided under the relevant provisions of the public employees retirement association police and fire fund benefit plan was recognized by the governing body of West St. Paul in a resolution adopted March 16, 1994;

(4) who died in April 1993, before the governing body of West St. Paul, on August 23, 1993, gave final approval to the consolidation in accordance with Minnesota Statutes, section 353A.04, subdivision 8; and

(5) who was thus unable, before his death, to carry out his intent to elect public employees retirement association benefits under Minnesota Statutes, section 353A.08.

(c) As of the effective date of this section, benefits for the surviving spouse identified in paragraph (b) computed under provisions of the West St. Paul police relief association plan terminate and survivor benefits computed under relevant provisions of the public employees retirement association police and fire plan commence. The relevant provisions of the public employees retirement association police and fire plan are survivor benefits computed under Minnesota Statutes, section 353.657, assuming the deceased police officer was covered by that plan at the time of death. The benefit will include adjustments if any, under Minnesota Statutes, section 353.271. Retroactive payment of benefits is not authorized.

Sec. 5. [EDEN PRAIRIE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION SERVICE PENSIONS.]

Subdivision 1. [SERVICE PENSION VESTING REQUIREMENT.] (a) Notwithstanding any provision of Minnesota Statutes, section 424A.02, subdivision 2, to the contrary, if the bylaws of the relief association so provide, the Eden Prairie volunteer firefighters relief association may pay an unreduced service pension to a member of the association who has terminated active service as a firefighter in the Eden Prairie fire department, who has at least ten years of service as an active firefighter in good standing with the department and at least ten years of membership in good standing in the association, and who meets all other applicable eligibility requirements of the association for entitlement to a service pension.

(b) Notwithstanding any provision of Minnesota Statutes, section 424A.02, subdivision 2, to the

contrary, if the bylaws of the association so provide, the association may pay a reduced service pension to a member of the association who has terminated active service as a firefighter in the department, who has at least five years of service but less than ten years of service as an active firefighter in good standing with the department and at least five years but less than ten years as a member in good standing in the association, and who meets all other applicable eligibility requirements of the association for entitlement to a service pension. The amount of the reduced service pension is the amount determined by multiplying the total service pension amount as specified in the articles of incorporation or bylaws of the association that is appropriate for the number of completed years of service to the credit of the retiring member by the applicable percentage, as follows:

Completed years of service	Applicable percentage
5	40 percent
6	52 percent
7	64 percent
8	76 percent
9	88 percent
10 and thereafter	100 percent.

Subd. 2. [POSTRETIREMENT SERVICE PENSION ADJUSTMENTS FOR DEFERRED RETIREES.] (a) A "deferred retiree" is a former Eden Prairie volunteer firefighter who has completed at least five years of service as a firefighter in good standing with the Eden Prairie volunteer fire department and five years as a member in good standing in the Eden Prairie volunteer firefighters relief association and has separated from active service as a firefighter before attaining the earliest age for immediate receipt of service pension from the association as provided in the articles of incorporation or the bylaws of the association.

(b) Notwithstanding any provision of Minnesota Statutes, section 424A.02, to the contrary, if the articles of incorporation or bylaws of the association so provide, and if the Eden Prairie city council approves the deferred service pension increase under Minnesota Statutes, sections 69.773, subdivision 6, and 424A.02, subdivision 10, a deferred retiree who has credit for at least 15 years of active service with the department and who has not elected to receive a lump sum service pension as an alternative to a monthly service pension, may receive the same postretirement increase in the amount of that deferred monthly service pension that is approved and is payable to an association service pension recipient under Minnesota Statutes, section 424A.02, subdivision 9a.

(c) A deferred retiree who has credit for less than 15 years of active service with the department is not eligible for a postretirement increase.

Sec. 6. [RETURNING ANNUITANT.]

(a) Notwithstanding any provision of Minnesota Statutes, section 353.37, to the contrary, an eligible person described in paragraph (b) will be treated as specified in paragraph (c).

(b) An eligible person is a person who:

(1) was born on December 9, 1936;

(2) terminated from the Carlton county human services department as a financial eligibility specialist and retired from the public employees retirement association on April 1, 1992; and

(3) returned to Carlton county employment as a financial worker.

(c) As of the effective date of this section, annuity payments from the public employees retirement association terminate for an eligible person described in paragraph (b). As of that date the person is considered to have elected a deferred annuity under Minnesota Statutes, section 353.34, subdivision 3, with deferred annuity payments to commence upon the termination of the person's present employment. During the person's present employment, the person is entitled to

participation in the public employees unclassified plan, and the person and the county shall make the contributions required under Minnesota Statutes, section 353D.03, paragraph (a).

Sec. 7. [REPEALER.]

Minnesota Statutes 1994, section 423B.02, is repealed effective March 1, 1995.

Sec. 8. [EFFECTIVE DATE.]

(a) Section 1 is effective on approval by the Eveleth city council and compliance with Minnesota Statutes, section 645.021.

(b) Section 2 is effective on the day following approval by the board of education of independent school district No. 709 and compliance with Minnesota Statutes, section 645.021.

(c) Section 3 is effective on approval by the Minneapolis city council and compliance with Minnesota Statutes, section 645.021.

(d) Section 4 is effective on the day following approval by the governing body of the city of West St. Paul and compliance with Minnesota Statutes, section 645.021, subdivision 2.

(e) Section 5 is effective on the day following compliance with Minnesota Statutes, section 69.773, subdivision 6, approval by the Eden Prairie city council, and compliance with Minnesota Statutes, section 645.021, subdivision 3.

(f) Section 6 is effective on the day following approval by the Carlton county board and compliance with Minnesota Statutes, section 645.021.

ARTICLE 2

CRYSTAL-NEW HOPE VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION CONSOLIDATION

Section 1. [CONSOLIDATED CRYSTAL-NEW HOPE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION; CREATION.]

Notwithstanding any provision of law to the contrary, if the cities of Crystal and New Hope enter into a joint powers agreement under Minnesota Statutes, section 471.59, to establish and operate a joint powers fire department, the Crystal volunteer firefighters' relief association and the New Hope volunteer firefighters' relief association shall consolidate into a single volunteer firefighters' relief association. The consolidated volunteer firefighters' relief association must be governed by sections 1 to 7 and the applicable provisions of Minnesota Statutes, chapters 69, 356, 356A, and 424A.

Sec. 2. [CONSOLIDATED VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION.]

Subdivision 1. [ESTABLISHMENT.] The consolidated volunteer firefighters' relief association for the joint powers fire department serving the cities of Crystal and New Hope must be incorporated under Minnesota Statutes, chapter 317A. The incorporators of the consolidated relief association must include at least one board member of the Crystal volunteer firefighters' relief association and at least one board member of the former New Hope volunteer firefighters' relief association. The consolidated relief association must be incorporated within 90 days of the establishment of the joint powers fire department. The joint powers fire department is established on the date specified in the joint powers agreement.

Subd. 2. [GOVERNANCE OF CONSOLIDATED VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION.] (a) Notwithstanding Minnesota Statutes, section 424A.04, subdivision 1, the consolidated volunteer firefighters' relief association is governed by a board of trustees consisting of nine members, as provided in the bylaws of the consolidated relief association, composed of:

(1) six firefighters in the joint fire department elected by the membership of the consolidated relief association; and

(2) three appointed members, including the fire chief of the joint fire department, one member

appointed by the city council of the city of New Hope, and one member appointed by the city council of the city of Crystal.

(b) The board must have three officers, including a president, a secretary, and a treasurer. The membership of the consolidated volunteer firefighters' relief association must elect the three officers from the nine board members. A board of trustees member may not hold more than one officer position at the same time.

(c) The board of trustees must administer the affairs of the relief association consistent with sections 1 to 7 and the applicable provisions of Minnesota Statutes, chapters 69, 356A, and 424A.

Subd. 3. [SPECIAL AND GENERAL FUNDS.] (a) The consolidated volunteer firefighters' relief association must establish and maintain a special fund and may establish and maintain a general fund.

(b) The special fund must be established and maintained as provided in Minnesota Statutes, section 424A.05.

(c) The general fund must be established and maintained as provided in Minnesota Statutes, section 424A.06.

Sec. 3. [CONSOLIDATION OF FORMER RELIEF ASSOCIATIONS.]

Subdivision 1. [EFFECTIVE DATE OF CONSOLIDATION.] On the first business day occurring 30 days after the establishment of the consolidated volunteer firefighters' relief association under section 2, which is the effective date of consolidation, the administration, records, assets, and liabilities of the prior Crystal volunteer firefighters' relief association and of the prior New Hope volunteer firefighters' relief association transfer to the consolidated volunteer firefighters' relief association and the Crystal volunteer firefighters' relief association and the New Hope volunteer firefighters' relief association cease to exist as legal entities.

Subd. 2. [TRANSFER OF ADMINISTRATION.] On the effective date of consolidation, the administration of the prior relief associations is transferred to the board of trustees of the consolidated volunteer firefighters' relief association.

Subd. 3. [TRANSFER OF RECORDS.] On the effective date of consolidation, the secretary and the treasurer of the Crystal volunteer firefighters' relief association and the secretary and the treasurer of the New Hope volunteer firefighters' relief association shall transfer all records and documents relating to the prior relief associations to the secretary and the treasurer of the consolidated volunteer firefighters' relief association.

Subd. 4. [TRANSFER OF SPECIAL FUND ASSETS AND LIABILITIES.] (a) On the effective date of consolidation, the secretary and the treasurer of the Crystal volunteer firefighters' relief association and the secretary and the treasurer of the New Hope volunteer firefighters' relief association shall cause to occur the transfer of the assets of the special fund of the applicable relief association to the special fund of the consolidated relief association. Unless the applicable secretary and treasurer decide otherwise, the assets may be transferred as investment securities rather than as cash. The transfer must include any accounts receivable. The applicable secretary shall settle any accounts payable from the special fund of the relief association before the effective date of consolidation.

(b) Upon the transfer of the assets of the special fund of a prior relief association, the pension liabilities of that special fund become the obligation of the special fund of the consolidated volunteer firefighters' relief association.

(c) Upon the transfer of the prior relief association special fund assets, the board of trustees of the consolidated volunteer firefighters' relief association has legal title to and management responsibility for the transferred assets as trustees for persons having a beneficial interest in those assets arising out of the benefit coverage provided by the prior relief association.

(d) The consolidated volunteer firefighters' relief association is the successor in interest for all claims for and against the special funds of the prior Crystal volunteer firefighters' relief association and the prior New Hope volunteer firefighters' relief association, or the cities of

Crystal and New Hope with respect to the special funds of the prior relief associations. The status of successor in interest does not apply to any claim against a prior relief association, the city in which that relief association is located, or any person connected with the prior relief association or the city, based on any act or acts that were not done in good faith and that constituted a breach of fiduciary responsibility under common law or Minnesota Statutes, chapter 356A.

Subd. 5. [DISSOLUTION OF PRIOR GENERAL FUND BALANCES.] Before the effective date of consolidation, the secretary of the Crystal volunteer firefighters' relief association and the secretary of the New Hope volunteer firefighters' relief association shall settle any accounts payable from the respective general fund or any other relief association fund in addition to the relief association special fund. Any investments held by a fund of the prior relief associations in addition to the special fund must be liquidated before the effective date of consolidation as the bylaws of the relief association provide. Before consolidation, the respective relief associations shall pay all applicable general fund expenses from their respective general funds and any balance remaining in the general fund or in a fund other than the relief association special fund as of the effective date of consolidation must be paid to the new general fund of the consolidated volunteer relief association.

Subd. 6. [TERMINATION OF PRIOR RELIEF ASSOCIATIONS.] Following the transfer of administration, records, special fund assets, and special fund liabilities from the prior relief associations to the consolidated volunteer firefighters' relief association, the Crystal volunteer firefighters' relief association and the New Hope volunteer firefighters' relief association cease to exist as legal entities. The city manager of the city of Crystal and the city manager of the city of New Hope must notify the following government officials of the termination of the respective relief associations and of the establishment of the consolidated volunteer firefighters' relief association:

(1) Minnesota secretary of state;

(2) Minnesota state auditor;

(3) Minnesota commissioner of revenue; and

(4) commissioner of the federal Internal Revenue Service.

Sec. 4. [EFFECT ON PREVIOUS BENEFIT PLAN COVERAGE.]

Subdivision 1. [BENEFIT COVERAGE FOR CURRENT RETIRED MEMBERS.] (a) A person who is receiving a monthly service pension, a monthly disability benefit, or a monthly survivorship benefit from the Crystal volunteer firefighters' relief association or from the New Hope volunteer firefighters' relief association on the effective date of consolidation is entitled to a continuation of that pension or benefit, including any death benefit or monthly survivorship benefit provided for in the benefit plan document of the applicable prior relief association in effect on the day before the effective date of the consolidation, from the consolidated volunteer firefighters' relief association. Unless paragraph (b) applies, the amount of the pension or benefit payable after the effective date of consolidation must be identical to the amount payable before the effective date of consolidation. The pension or benefit payable after the effective date of consolidation is subject to the same terms, conditions, and qualifications as were in effect before the effective date of consolidation.

(b) If the board of trustees of the consolidated volunteer firefighters' relief association establishes the option, a pension or benefit recipient to whom paragraph (a) applies is entitled to elect an alternative pension or benefit amount as offered by the relief association board. To provide this alternative pension or benefit, the relief association board may arrange for a lump-sum payment or the purchase of an annuity contract for the pension or benefit recipient in place of a direct payment from the relief association to the person. The annuity contract may be purchased only from an insurance company that is licensed to do business in this state, regularly undertakes life insurance and annuity business, and is rated by a recognized national rating agency or organization as being among the top 25 percent of all insurance companies undertaking life insurance and annuity business. The alternative pension or benefit payable monthly may be in an amount greater than the pension or benefit payable before the effective date of consolidation, but may not exceed the maximum service pension or benefit payable under Minnesota Statutes,

chapter 424A. In electing the alternative pension or benefit payable under an annuity contract from a qualified insurance company, the affected person must waive in writing the person's eligibility and entitlement to any direct future pension or benefit payments from the consolidated volunteer firefighters' relief association.

Subd. 2. [BENEFIT COVERAGE FOR CURRENT DEFERRED MEMBERS.] (a) A person who is not an active member of the Crystal volunteer firefighters' relief association or an active member of the New Hope volunteer firefighters' relief association but who has sufficient service credit with one of the relief associations to be entitled to a future service pension from the appropriate relief association remains entitled to the receipt of that service pension, upon application, when the person attains at least the minimum age for receipt of a service pension unless the person elects an alternative service pension under paragraph (b). A deferred member may transfer the member's current service pension to a member's individual account established under subdivision 3, paragraph (c), subject to the same conditions of individual accounts for active members, and remain entitled to receipt of a service pension when the member reaches the normal retirement age.

(b) If the board of trustees of the consolidated volunteer firefighters' relief association establishes the option for benefit recipients under subdivision 1, the deferred service pensioner described in paragraph (a) may elect the same alternative service pension as established under subdivision 1, paragraph (b), except that the deferred service pensioner may not receive the alternative service pension at an age younger than the normal retirement age in effect for the prior applicable relief association.

Subd. 3. [BENEFIT COVERAGE FOR NEW FIREFIGHTERS' AND CURRENT VESTED AND NONVESTED ACTIVE MEMBERS.] (a) The benefit coverage for persons who become firefighters for the joint fire department for the first time after the effective date of consolidation and for persons who are active members of the consolidated volunteer firefighters' relief association as of the effective date of consolidation is a defined contribution plan governed under this subdivision and Minnesota Statutes, section 424A.02, subdivision 4.

(b) For an active member of the consolidated volunteer firefighters' relief association as of the effective date of consolidation, that member's prior service as a firefighter in the prior Crystal fire department or the prior New Hope fire department must be converted into a dollar accumulation by multiplying each full year of prior service as a firefighter in the prior fire department of Crystal or the prior fire department of New Hope by not less than $3,000. A member's prior service of a partial year will be converted into a dollar accumulation by prorating the full year of prior service yearly amount by the number of months served in the partial year. The total calculated dollar accumulation must be credited to the member's individual account established under paragraph (c).

(c) For each active member of the consolidated volunteer firefighters' relief association covered by the defined contribution plan, an individual account must be established, as provided in Minnesota Statutes, section 424A.02, subdivision 4, with an initial balance based on the conversion accumulation determined under paragraph (b), if applicable. Notwithstanding Minnesota Statutes, section 424A.02, subdivision 4, the amount of fire state aid and the amount of regular municipal contributions must be credited to individual active firefighter accounts as specified in section 6, subdivision 4.

Sec. 5. [ACTUARIAL VALUATIONS REQUIRED.]

(a) Unless all benefit recipients and deferred service pensioners elect alternative pensions or benefits under section 4, subdivisions 1, paragraph (b); and 2, paragraph (b), a special actuarial valuation of the consolidated volunteer firefighters' relief association must be prepared as soon as practicable following the benefit selection under section 4, subdivision 1. The actuarial valuation must be prepared under the applicable provisions of Minnesota Statutes, sections 356.215 and 356.216.

(b) Subsequent actuarial valuations must be prepared as required under Minnesota Statutes, section 69.773, subdivisions 2 and 3, if any person is entitled or is reasonably anticipated to be entitled to a direct future monthly benefit from the consolidated relief association.

Sec. 6. [ANNUAL RELIEF ASSOCIATION FUNDING.]

Subdivision 1. [SOURCES.] In addition to investment income earned by the special fund, the sources of the annual funding of the consolidated volunteer firefighters' relief association are the fire state aid received by the city of Crystal, the fire state aid received by the city of New Hope, the regular municipal contribution from the city of Crystal, and the regular municipal contribution from the city of New Hope.

Subd. 2. [FIRE STATE AID.] The fire state aid received by the city of Crystal and the fire state aid received by the city of New Hope must be deposited in the special fund of the consolidated volunteer firefighters' relief association, for allocation as provided in subdivision 4.

Subd. 3. [REGULAR MUNICIPAL CONTRIBUTION.] (a) Annually, as part of the municipal budget setting process, the city council of the city of Crystal and the city council of the city of New Hope must jointly establish the amount of the regular municipal contribution by each city to the consolidated volunteer firefighters' relief association.

(b) The regular municipal contribution in total must be at least equal to (1) the amount of the fire state aid received by the city of Crystal and the fire state aid received by the city of New Hope, plus (2) whatever additional amount is needed to equal the sum determined by multiplying $1,811 by the total of the number of active firefighters' who are members of the consolidated volunteer firefighters' relief association.

(c) The established amount for each city must be included in the budget of the respective city, and, if not payable from a municipal revenue source other than the city's property tax levy or fire state aid, must be included in the property tax levy of the respective city. The regular municipal contribution must be allocated in the manner specified in subdivision 4.

(d) If a direct service pension or entitlement is payable under section 4, subdivision 1, paragraph (a); or subdivision 2, paragraph (a), to a retiree or deferred retiree, the applicable city remains responsible for any amount of service pension that is payable beyond the relief association assets allocated for the retiree or deferred retiree. Following any actuarial valuation of the consolidated relief association, if there is a net mortality loss attributable to the applicable city, the city shall make a contribution in addition to the regular municipal contribution under paragraphs (a) to (c) equal to the amount of that net mortality loss. The municipal contribution under this paragraph is payable on or before the last business day of the month next following the completion of the actuarial valuation.

Subd. 4. [ALLOCATION OF FUNDING AMOUNTS.] (a) The annual fire state aid and the regular municipal contribution, after deduction for payment of administrative expenses as specified in subdivision 5, must be allocated to individual active firefighter accounts based on the level of firefighting services rendered by the individual active firefighter as stated in the bylaws of the consolidated volunteer firefighters' relief association.

(b) Investment income earned by the special fund of the consolidated relief association must be allocated to each individual account based on the proportion of the total assets of the special fund represented by the account.

Subd. 5. [PAYMENT OF RELIEF ASSOCIATION ADMINISTRATIVE EXPENSES.] (a) The payment of authorized administrative expenses of the consolidated volunteer firefighters' relief association shall be from the special fund of the relief association according to Minnesota Statutes, section 69.80, and as provided for in the bylaws of the consolidated relief association and approved by the board of trustees of the consolidated relief association. The allocation of these administrative expenses to the individual member accounts must occur as provided in the bylaws of the consolidated relief association.

(b) The payment of any other expenses of the consolidated relief association shall be from the general fund of the consolidated relief association according to Minnesota Statutes, section 69.80, and as provided for in the bylaws of the consolidated relief association and approved by the board of trustees of the consolidated relief association.

Sec. 7. [VALIDATION OF CURRENT BENEFIT PLANS AND PRIOR ACTIONS.]

Notwithstanding any provisions of Laws 1969, chapter 1088, as amended by Laws 1978, chapters 562, section 32, and 753; Laws 1979, chapter 201, section 44; or Laws 1981, chapter 224, section 250; or Laws 1971, chapter 114, as amended by Laws 1979, chapters 97, and 201, sections 27 and 44; and Laws 1981, chapter 224, section 254, the benefit plans of the Crystal volunteer firefighters' relief association and of the New Hope volunteer firefighters' relief association as reflected in each relief association's articles of incorporation and bylaws as of December 15, 1993, are hereby ratified and validated. Any acts previously taken by the Crystal volunteer firefighters' relief association and by the New Hope volunteer firefighters' relief association with those ratified articles of incorporation and bylaws are also ratified and validated.

Sec. 8. [REPEALER OF PRIOR SPECIAL LAWS.]

Laws 1969, chapter 1088; Laws 1971, chapter 114; Laws 1978, chapters 562, section 32, and 753; Laws 1979, chapters 97, and 201, section 27; and Laws 1981, chapter 224, sections 250 and 254, are repealed.

Sec. 9. [EFFECTIVE DATE.]

Sections 1 to 7 are effective on the day following final approval by the city council of the city of Crystal and by the city council of the city of New Hope and compliance with Minnesota Statutes, section 645.021, subdivision 3. Section 8 is effective on the effective date of consolidation of the Crystal volunteer firefighters' relief association and the New Hope volunteer firefighters' relief association.

ARTICLE 3

ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION POST RETIREMENT ADJUSTMENT MECHANISMS

Section 1. [ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION; POSTRETIREMENT ADJUSTMENTS.]

Subdivision 1. [AUTHORITY FOR AMENDMENT.] Under Minnesota Statutes, section 354A.12, authority is granted for the St. Paul teachers retirement fund association to amend its articles of incorporation or bylaws as required to provide postretirement adjustments after June 1, 1995, in accordance with this section.

Subd. 2. [CALCULATION OF THIRTEENTH CHECK POSTRETIREMENT ADJUSTMENT.] Retired members and survivors of retired members from the St. Paul teachers retirement fund association are entitled to receive an annual lump sum postretirement increase granted at the discretion of the board of trustees under this subdivision. If granted, the lump sum postretirement increase is payable to all eligible annuitants and benefit recipients who have been retired for at least one year on July 1 following the June 30 fiscal year end. The lump sum amount must be determined as follows:

(1) The years of service and years of annuity or benefit payment receipt of each eligible annuitant or benefit recipient must be determined by the executive secretary as of each June 30, based on the records of the association and are called units.

(2) The unit value of the lump sum adjustment is one percent of the actuarial value of fund assets divided by the total of all units determined in clause (1).

(3) The amount payable to each eligible annuitant or benefit recipient is the product of the number of units allocated to that annuitant or beneficiary multiplied by the unit value determined in clause (2).

(4) The lump sum postretirement adjustment determined under this paragraph is payable annually to each eligible annuitant or beneficiary and must be paid no sooner than six months following the fiscal year end. In lieu of a lump sum payment, the annuitant or beneficiary may annuitize the lump sum to a lifetime annuity or benefit increase using the interest and mortality assumptions required for the annual actuarial valuations of the fund.

Subd. 3. [INVESTMENT PERFORMANCE POSTRETIREMENT ADJUSTMENT.] (a)

Annually, following the fiscal year end, the board of trustees of the St. Paul teachers retirement fund association shall use the procedures in paragraph (b) to determine whether an additional investment performance postretirement adjustment is payable and the amount of that additional investment performance postretirement adjustment.

(b) Annually, as of each June 30, the rate of return, after deduction of any investment-related expenses, must be determined using the method described in Minnesota Statutes, section 11A.04, clause (11), and the return above the assumed interest rate specified in Minnesota Statutes, section 356.215, must be determined and certified by the board of trustees to the actuary performing the annual actuarial valuation of the retirement fund. The amount of excess investment earnings, the funding ratio, and the actuarial accrued liability must be determined by the actuary preparing the annual actuarial valuation as specified in Minnesota Statutes, section 356.215, and must be used to determine the amount of an excess earnings postretirement adjustment, as follows:

(1) The amount of excess investment return must be determined by the actuary as of the end of the fiscal year end.

(2) The retiree percentage of the total fund actuarial accrued liability must be determined and must be multiplied by the amount of excess investment return determined in clause (1).

(3) The amount determined in clause (2) must be multiplied by the accrued liability funding ratio to determine the amount of excess investment return available for the postretirement increase.

(4) One-fifth of the amount determined in clause (3) must be allocated equally to the current year postretirement adjustment and one-fifth to each of the subsequent four years.

(5) The amount determined in clause (4) must be combined with the amount of excess investment return available for the postretirement increase allocated to the same fiscal year in prior years.

(6) If the amount determined in clause (5) is not positive, then no adjustment under this subdivision is payable.

(7) The postretirement adjustment increase percentage rate must be determined by dividing the amount determined in clause (6) by the actuarial accrued liability for annuitants and benefit recipients in the year preceding the most recent fiscal year actuarial report.

(c) The additional postretirement adjustment rate determined in (b) applies to all annuitants and benefit recipients eligible for the regular lump sum postretirement increase determined in subdivision 2.

Subd. 4. [PAYMENT.] Any additional postretirement adjustment determined under subdivision 2 or 3 is payable to eligible annuitants and benefit recipients on January following the fiscal year end.

Sec. 2. [REPEALER.]

Laws 1979, chapter 109, section 1; Laws 1981, chapter 157, section 1; Laws 1985, chapter 259, section 3; and Laws 1990, chapter 570, article 7, section 4, are repealed.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective upon approval by the board of education of independent school district No. 625 (St. Paul) and compliance with Minnesota Statutes, section 645.021."

Delete the title and insert:

"A bill for an act relating to retirement; various local public employee pension plans; providing for various benefit modifications and related changes that require local governing body approval; repealing Minnesota Statutes 1994, section 423B.02; Laws 1969, chapter 1088; Laws 1971, chapter 114; Laws 1978, chapters 562, section 32; and 753; Laws 1979, chapters 97; 109, section 1; and 201, section 27; Laws 1981, chapters 157, section 1; and 224, sections 250 and 254; Laws 1985, chapter 259, section 3; and Laws 1990, chapter 570, article 7, section 4."

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

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was referred

S.F. No. 806: A bill for an act relating to retirement; higher education supplemental retirement and individual retirement plans; revising laws governing certain faculty in the state university and community college systems who return to teaching part time after retirement; part-time faculty program participation; investment options; amending Minnesota Statutes 1994, sections 136.90; 354.445; 354.66, by adding a subdivision; 354B.05, subdivisions 2 and 3; 354B.07, subdivisions 1 and 2; and 354B.08, subdivision 2.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

STATEWIDE GENERAL EMPLOYEE PENSION PLAN

BENEFIT AND RELATED MODIFICATIONS

Section 1. [125.615] [RETURN TO FULL-TIME WORK.]

A teacher with 20 or more years of allowable service credit under chapter 354 or chapter 354A who was assigned to a part-time position under section 354.66 or 354A.094 after June 30, 1994, must be given the option of returning to full-time employment if the employer does not make the full employer contribution to the applicable pension fund under section 354.66, subdivision 4, or 354A.094, subdivision 4, after July 1, 1995. If an employer decides not to make the full employer contribution to the pension fund after July 1, 1995, it shall notify an affected part-time teacher of that decision in writing within 30 days of the employer's decision. A teacher receiving this notice who wishes to return to work full-time must notify the employer of intent to return to full-time employment within 30 days of receiving notice from the employer and must return to full-time employment by the beginning of the next school year.

Sec. 2. Minnesota Statutes 1994, section 136.90, is amended to read:

136.90 [EMPLOYER-PAID HEALTH INSURANCE.]

(a) This section applies to a person who:

(1) retires from the state university system or the community college system, or from a successor system employing state university or community college faculty, with at least ten years of combined service credit in ~~the~~ a system ~~from which the person retires~~ under the jurisdiction of the higher education board;

(2) was employed on a full-time basis immediately preceding retirement as a state university or community college faculty member or as an unclassified administrator in one of these systems;

(3) begins drawing an annuity from the teachers retirement association; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than $35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer and the employee. The employer may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The employer shall determine the time of year the employee shall work.

(c) For a person eligible under paragraphs (a) and (b), the employing board shall make the same employer contribution for hospital, medical, and dental benefits as would be made if the person were employed full time.

(d) For work under paragraph (a), a person must receive a percentage of the person's salary at the time of retirement that is equal to the percentage of time the person works compared to full-time work.

(e) If a collective bargaining agreement covering a person provides for an early retirement incentive that is based on age, the incentive provided to the person must be based on the person's age at the time employment under this section ends. However, the salary used to determine the amount of the incentive must be the salary that would have been paid if the person had been employed full time for the year immediately preceding the time employment under this section ends.

Sec. 3. Minnesota Statutes 1994, section 352.01, subdivision 13, is amended to read:

Subd. 13. [SALARY.] "Salary" means ~~the periodical~~ wages, or other periodic compensation paid to ~~any~~ an employee before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs. ~~It also means wages and includes net income from fees.~~ Lump sum sick leave payments, severance payments, lump sum annual leave payments and overtime payments made at the time of separation from state service, payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to an employee with single coverage, and payments made as an employer-paid fringe benefit ~~and~~, workers' compensation payments, employer contributions to a deferred compensation or tax sheltered annuity program, and amounts contributed under a benevolent vacation and sick leave donation program are not salary.

Sec. 4. Minnesota Statutes 1994, section 354.445, is amended to read:

354.445 [NO ANNUITY REDUCTION.]

(a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply to a person who:

(1) retires from the state university system or the community college system, or from a successor system employing state university or community college faculty, with at least ten years of combined service credit in ~~the system from which the person retires~~ a system under the jurisdiction of the higher education board;

(2) was employed on a full-time basis immediately preceding retirement as a state university or community college faculty member or as an unclassified administrator in one of these systems;

(3) begins drawing an annuity from the teachers retirement association; and

(4) returns to work on not less than a one-third time basis and not more than a two-thirds time basis in the system from which the person retired under an agreement in which the person may not earn a salary of more than $35,000 in a calendar year from employment after retirement in the system from which the person retired.

(b) Initial participation, the amount of time worked, and the duration of participation under this section must be mutually agreed upon by the employer and the employee. The employer may require up to one-year notice of intent to participate in the program as a condition of participation under this section. The employer shall determine the time of year the employee shall work.

(c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a) and (b) may not earn further service credit in the teachers retirement association and is not eligible to participate in the individual retirement account plan or the supplemental retirement plan established in chapter 354B as a result of service under this section. No employer or employee contribution to any of these plans may be made on behalf of such a person.

(d) For a person eligible under paragraphs (a) and (b) who earns more than $35,000 in a calendar year from employment after retirement in the system from which the person retired, the annuity reduction provisions of section 354.44, subdivision 5, apply only to income over $35,000.

Sec. 5. Minnesota Statutes 1994, section 354.66, subdivision 4, is amended to read:

Subd. 4. [RETIREMENT CONTRIBUTIONS.] Notwithstanding any provision to the contrary in this chapter relating to the salary figure to be used for the determination of contributions or the accrual of service credit, a teacher assigned to a part-time position under this section shall continue to make employee contributions to and to accrue allowable service credit in the retirement fund during the period of part-time employment on the same basis and in the same amounts as would have been paid and accrued if the teacher had been employed on a full-time basis provided that, prior to June 30 each year, or within 30 days after notification by the association of the amount due, whichever is later, the member and the employing board make that portion of the required employer contribution to the retirement fund, in any proportion which they may agree upon, that is based on the difference between the amount of compensation that would have been paid if the teacher had been employed on a full-time basis and the amount of compensation actually received by the teacher for the services rendered in the part-time assignment. The employing unit shall make that portion of the required employer contributions to the retirement fund on behalf of the teacher that is based on the amount of compensation actually received by the teacher for the services rendered in the part-time assignment in the manner described in section 354.43, subdivision 3. ~~If the teacher has 20 years or more of allowable service in the fund or 20 years or more of full-time teaching service, the employer shall make the full employer contribution to the fund based on the compensation that would have been paid if the teacher had been employed on a full-time basis.~~ The employee and employer contributions shall be based upon the rates of contribution prescribed by section 354.42. Full accrual of allowable service credit and employee contributions for part-time teaching service pursuant to this section and section 354A.094 shall not continue for a period longer than ten years.

Sec. 6. Minnesota Statutes 1994, section 354A.094, subdivision 4, is amended to read:

Subd. 4. [RETIREMENT CONTRIBUTIONS.] Notwithstanding any provision to the contrary in this chapter or the articles of incorporation or bylaws of an association relating to the salary figure to be used for the determination of contributions or the accrual of service credit, a teacher assigned to a part-time position under this section shall continue to make employee contributions to and to accrue allowable service credit in the applicable association during the period of part-time employment on the same basis and in the same amounts as would have been paid and accrued if the teacher had been employed on a full-time basis provided that, prior to June 30 each year the member and the employing board make that portion of the required employer contribution to the applicable association in any proportion which they may agree upon, that is based on the difference between the amount of compensation that would have been paid if the teacher had been employed on a full-time basis and the amount of compensation actually received by the teacher for services rendered in the part-time assignment. The employer contributions to the applicable association on behalf of the teacher shall be based on the amount of compensation actually received by the teacher for the services rendered in the part-time assignment in the manner described in section 354.43, subdivision 3. ~~If the teacher has 20 years or more of allowable service in the association or 20 years or more of full-time teaching service, the employer shall make the full employer contribution to the fund, based on the compensation that would have been paid if the teacher had been employed on a full-time basis.~~ The employee and employer contributions shall be based upon the rates of contribution prescribed by section 354A.12. Full membership, accrual of allowable service credit and employee contributions for part-time teaching service by a teacher pursuant to this section and section 354.66 shall not continue for a period longer than ten years.

Sec. 7. Minnesota Statutes 1994, section 354B.05, subdivision 2, is amended to read:

Subd. 2. [PURCHASE OF CONTRACTS.] The ~~state university board and the community college~~ higher education board shall arrange for the purchase of annuity contracts, fixed, variable, or a combination of fixed and variable, or custodial accounts from financial institutions selected by the state board of investment under subdivision 3, to provide retirement benefits to members of the plan. The contracts or accounts must be purchased with contributions under section 354B.04 or money or assets otherwise provided by law or by authority of the ~~state university board or community college~~ higher education board and acceptable by the financial institutions from which the contracts or accounts are purchased.

Sec. 8. Minnesota Statutes 1994, section 354B.05, subdivision 3, is amended to read:

Subd. 3. [SELECTION OF FINANCIAL INSTITUTIONS.] The supplemental investment fund

administered by the state board of investment is one of the investment options for the plan. The state board of investment may select up to five other financial institutions to provide annuity products. In making their selections, the board shall consider at least these criteria:

(1) the experience and ability of the financial institution to provide retirement and death benefits suited to the needs of the covered employees;

(2) the relationship of the benefits to their cost; and

(3) the financial strength and stability of the institution.

The state board of investment must periodically review at least every three years each financial institution selected by the state board of investment. The state board of investment may retain consulting services to assist in the periodic review, may establish a budget for its costs in the periodic review process, and may charge a proportional share of those costs to each financial institution selected by the state board of investment. All contracts must be approved by the state board of investment before execution by the ~~state university board and the community college~~ higher education board. The state board of investment shall also establish policies and procedures under section 11A.04, clause (2), to carry out this subdivision.

The chancellor of the ~~state university system and the chancellor of the state community college~~ higher education system shall redeem all shares in the accounts of the Minnesota supplemental investment fund held on behalf of personnel in the supplemental plan who elect an investment option other than the supplemental investment fund, except that shares in the fixed interest account attributable to any guaranteed investment contract as of July 1, 1994, must not be redeemed until the expiration dates for the guaranteed investment contracts. The ~~chancellors~~ chancellor shall transfer the cash realized to the financial institutions selected by the ~~state university board and the community college~~ board under this section ~~354B.05~~.

Sec. 9. Minnesota Statutes 1994, section 354B.07, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT AND ELIGIBILITY.] (a) [REGULAR UNCLASSIFIED EMPLOYEES.] The supplemental retirement plan for personnel employed by the state university board, the state board for community colleges, the higher education board, and ~~effective July 1, 1995,~~ the technical colleges, who are in the unclassified service of the state commencing July 1 following the completion of the second year of their full-time contract is governed by this section. Once a person qualifies for participation in the supplemental plan, all subsequent service by the person as an unclassified employee of the state university board, the state board for community colleges, the higher education board, or the technical colleges is covered by the supplemental plan.

(b) [CETA UNCLASSIFIED EMPLOYEES.] An unclassified employee employed by the state university board or the state board for community colleges in subsidized on-the-job training, work experience, or public service employment as an enrollee under the federal Comprehensive Employment and Training Act is not included in the supplemental retirement plan provided for in this section after March 30, 1978, unless the unclassified employee has as of the later of March 30, 1978, or the date of employment sufficient service credit in the retirement fund providing primary retirement coverage to meet the minimum vesting requirements for a deferred retirement annuity, or the board agrees in writing to make the employer contribution required by this section on account of that unclassified employee from revenue sources other than funds provided under the federal Comprehensive Employment and Training Act, or the unclassified employee agrees in writing to make the employer contribution required by this section in addition to the member contribution.

Sec. 10. Minnesota Statutes 1994, section 354B.07, subdivision 2, is amended to read:

Subd. 2. [REDEMPTIONS.] The chancellor of the ~~state university system and the chancellor of the state community college~~ higher education system shall redeem all shares in the accounts of the Minnesota supplemental investment fund held on behalf of personnel in the supplemental plan who elect an investment option other than the supplemental investment fund, except that shares in the fixed interest account attributable to any guaranteed investment contract as of July 1, 1994, may not be redeemed until the expiration dates for the guaranteed investment contracts. The ~~chancellors~~ chancellor shall transfer the cash realized to the financial institutions selected by the ~~state university board and the community college~~ board under section 354B.05.

Sec. 11. Minnesota Statutes 1994, section 354B.08, subdivision 2, is amended to read:

Subd. 2. [ADMINISTRATION.] (a) The chancellor of the ~~state university system and the chancellor of the state community college~~ higher education system shall administer the supplemental retirement plan for their employees. The ~~chancellors~~ chancellor shall invest contributions made under this section, less amounts used for administrative expenses, as authorized by law. The retirement contributions and death benefits provided by annuity contracts or custodial accounts purchased by the ~~chancellors~~ chancellor are owned by the plan and must be paid in accordance with the annuity contracts or custodial accounts.

(b) Effective July 1, 1995, administration of the plan must transfer to the higher education board.

Sec. 12. Minnesota Statutes 1994, section 356.30, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY; COMPUTATION OF ANNUITY.] (1) Notwithstanding any provisions to the contrary of the laws governing the funds enumerated in subdivision 3, a person who has met the qualifications of clause (2) may elect to receive a retirement annuity from each fund in which the person has at least six months allowable service, based on the allowable service in each fund, subject to the provisions of clause (3).

(2) A person may receive upon retirement a retirement annuity from each fund in which the person has at least six months allowable service, and augmentation of a deferred annuity calculated under the laws governing each public pension plan or fund named in subdivision 3, from the date the person terminated all public service if:

(a) the person has allowable service totaling an amount that allows the person to receive an annuity in any two or more of the enumerated funds; and

(b) the person has not begun to receive an annuity from any enumerated fund or the person has made application for benefits from all funds and the effective dates of the retirement annuity with each fund under which the person chooses to receive an annuity are within a one-year period.

(3) The retirement annuity from each fund must be based upon the allowable service in each fund, except that:

(a) The laws governing annuities must be the law in effect on the date of termination from the last period of public service under a covered fund with which the person earned a minimum of one-half year of allowable service credit during that employment.

(b) The "average salary" on which the annuity from each covered fund in which the employee has credit in a formula plan shall be based on the employee's highest five successive years of covered salary during the entire service in covered funds.

(c) The formula percentages to be used by each fund must be those percentages prescribed by each fund's formula as continued for the respective years of allowable service from one fund to the next, recognizing all previous allowable service with the other covered funds.

(d) Allowable service in all the funds must be combined in determining eligibility for and the application of each fund's provisions in respect to actuarial reduction in the annuity amount for retirement prior to normal retirement.

(e) The annuity amount payable for any allowable service under a nonformula plan of a covered fund must not be affected but such service and covered salary must be used in the above calculation.

(f) This section shall not apply to any person whose final termination from the last public service under a covered fund is prior to May 1, 1975.

(g) For the purpose of computing annuities under this section the formula percentages used by any covered fund, except the basic program of the teachers retirement association, the public employees police and fire fund, ~~must~~ may not exceed 2-1/2 percent per year of service for any year of service or fraction ~~thereof~~ of a year. The formula percentage used by the public employees

police and fire fund ~~must~~ may not exceed 2.65 percent per year of service for any year of service or fraction ~~thereof~~ of a year. The formula percentage used by the teachers retirement association may not exceed 2.63 percent per year of basic program service for any year of basic program service or fraction of a year.

(h) Any period of time for which a person has credit in more than one of the covered funds ~~must~~ may be used only once for the purpose of determining total allowable service.

(i) If the period of duplicated service credit is more than six months, or the person has credit for more than six months with each of the funds, each fund shall apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all funds for the period.

(j) If the period of duplicated service credit is less than six months, or when added to other service credit with that fund is less than six months, the service credit must be ignored and a refund of contributions made to the person in accord with that fund's refund provisions.

Sec. 13. [356.305] [PARTIAL PAYMENT OF PENSION PLAN REFUND.]

(a) Notwithstanding any provision of law to the contrary, a member of a pension plan listed in section 356.30, subdivision 3, with at least two years of forfeited service taken from a single pension plan, may repay a portion of all refunds. A partial refund repayment must comply with this section.

(b) The minimum portion of a refund repayment is one-third of the total service credit period of all refunds taken from a single plan.

(c) The cost of the partial refund repayment is the product of the cost of the total repayment multiplied by the ratio of the restored service credit to the total forfeited service credit. The total repayment amount includes interest at the annual rate of 8.5 percent, compounded annually, from the refund date to the date repayment is received.

(d) The restored service credit is allocated based on the relationship the restored service bears to the total service credit period for all refunds taken from a single pension plan.

(e) This section does not authorize a public pension plan member to repay a refund if the law governing the plan does not authorize the repayment of a refund of member contributions.

Sec. 14. Minnesota Statutes 1994, section 356.611, is amended to read:

356.611 [LIMITATION ON PUBLIC EMPLOYEE SALARIES FOR PENSION PURPOSES.]

Subdivision 1. [STATE SALARY LIMITATIONS.] (a) Notwithstanding any provision of law, bylaws, articles ~~or~~ of incorporation, retirement and disability allowance plan agreements, or retirement plan contracts to the contrary, the covered salary for pension purposes for a plan participant of a covered retirement fund under section 356.30, subdivision 3, may not exceed 95 percent of the salary established for the governor under section 15A.082 at the time the person received the salary.

(b) This section does not apply to a salary paid:

(1) to the governor;

(2) to an employee of a political subdivision in a position that is excluded from the limit as specified under section 43A.17, subdivision 9; or

(3) to a state employee in a position for which the commissioner of employee relations has approved a salary rate that exceeds 95 percent of the governor's salary.

(c) The limited covered salary determined under this section must be used in determining employee and employer contributions and in determining retirement annuities and other benefits under the respective covered retirement fund and under this chapter.

Subd. 2. [FEDERAL COMPENSATION LIMITS.] For members first contributing to a pension plan covered under section 356.30, subdivision 3, on or after July 1, 1995, compensation in excess of the limitation set forth in section 401(a)(17) of the Internal Revenue Code may not be included for contribution and benefit computation purposes. The compensation limit set forth in section 401(a)(17) of the Internal Revenue Code on June 30, 1993, applies to members first contributing before July 1, 1995.

Sec. 15. [RETROACTIVE PROVISIONS.]

(a) A teacher who had at least three years of allowable service credit under Minnesota Statutes, chapter 354 or 354A, on July 1, 1994, and who worked part-time between July 1, 1994, and June 30, 1995, may be allowed to make contributions to and accrue allowable service credit in the applicable retirement fund as if the teacher had been working full-time, as provided in Minnesota Statutes, sections 354.66, subdivision 4, and 354A.094, subdivision 4, for service after July 1, 1994, and before June 30, 1995. If a teacher described in this paragraph wishes to obtain allowable service credit as if the teacher had been working full-time for the period from July 1, 1994, to June 30, 1995, the teacher must:

(1) make a lump-sum payment to the applicable pension fund within 60 days after the effective date of this section of the difference between the amount of the employer and employee contributions to the pension fund that would have been paid if the teacher had been working full-time, and that amount that was actually paid for part-time service during that period; and

(2) submit to the association a letter or other document from the board of the teacher's employing district stating that the board would have agreed to the teacher's participation in the part-time mobility program during the 1994-1995 school year but for the requirement then in effect that the district make the full employer contribution to the retirement fund for teachers with 20 or more years of service, based on the compensation that would have been paid if the teacher had been employed on a full-time basis.

(b) An employer of a teacher covered by paragraph (a) shall notify the teacher of the option available under paragraph (a) in writing within 30 days of the effective date of this section.

Sec. 16. [EARLY RETIREMENT INCENTIVE.]

The metropolitan council, a metropolitan agency as defined by Minnesota Statutes, section 473.121, subdivision 5a, or the Minnesota historical society may offer its eligible employees the early retirement incentive provided in sections 16 to 24.

Sec. 17. [ELIGIBILITY.]

An employee of a public employer specified in section 16 is eligible to receive the early retirement incentive if the employee:

(1) has at least 25 years of combined service credit in any covered fund or funds listed in Minnesota Statutes, section 356.30, subdivision 3, or for purposes of the incentive in section 18, subdivision 2 only, is at least 65 years old and has at least one year of combined service credit in these covered funds;

(2) upon retirement is immediately eligible for a retirement annuity from a defined benefit plan, if the person is a member of a defined benefit plan;

(3) is at least 55 years of age; and

(4) retires on or after May 23, 1995, and before January 31, 1996.

Sec. 18. [EARLY RETIREMENT INCENTIVE.]

Subdivision 1. [CHOICE.] An eligible employee may not choose both the incentive in subdivision 2 and the incentive in subdivision 3. The public employers specified in section 16 that choose to offer the early retirement incentive must offer included employees eligible for both incentives a choice between the incentive in subdivision 2 or 3.

Subd. 2. [FORMULA INCREASE OPTION.] For an employee covered by a retirement plan established in Minnesota Statutes, section 352.115, 352.116, 353.29, or 353.30, or chapter 354 or 422A, who selects the incentive under this subdivision, the multiplier percentage used to calculate the retirement annuity must be increased for each year of service credit up to 30 years. The amount of the increase is:

(1) .25 for each year of service credit calculated under Minnesota Statutes, section 352.115, 352.116, 353.29, or 353.30, or chapter 422A; and

(2) .10 for each year of service credit calculated under Minnesota Statutes, chapter 354 or 354A.

If an employee has more than 30 years of service credit, the increased multiplier applies only to the first 30 years.

Subd. 3. [INSURANCE OPTION.] For an employee who selects the incentive under this subdivision, the employer must pay for hospital, medical, and dental insurance under the following conditions and limitations. An employee is eligible for this employer-paid insurance only if the person:

(1) is eligible for employer-paid insurance under a collective bargaining agreement or personnel plan in effect on the day before the effective date of sections 16 to 24;

(2) has at least as many months of service with the current employer as the number of months younger than age 65 the person is at the time of retirement; and

(3) is under age 65.

Sec. 19. [LIMIT ON REHIRING.]

A public employer may not rehire an employee who retires under sections 16 to 24.

Sec. 20. [RETIREMENT.]

For purposes of sections 16 to 24, an employee retires when the employee terminates active employment and applies for retirement benefits.

Sec. 21. [CONDITIONS; INSURANCE COVERAGE.]

A retired employee is eligible for single and dependent insurance coverages and employer payments to which the employee was entitled immediately before retirement, subject to any changes in coverage and employer and employee payments through collective bargaining or personnel plans for employees in positions equivalent to the position from which the employee retired. The retired employee is not eligible for employer-paid life insurance. Eligibility ceases when the retired employee reaches age 65, chooses not to receive the retirement benefits for which the employee has applied, or becomes eligible for employer-paid health insurance from a new employer. Coverages must be coordinated with relevant health insurance benefits provided through the federally sponsored Medicare program.

Sec. 22. [INCLUSION.]

A public employer that offers incentives under sections 16 to 24 shall designate the positions or group of positions affected by downsizing or restructuring that will qualify for participation in its early retirement plan and may exclude otherwise eligible employees.

Sec. 23. [PAYMENT OF COST OF EARLY RETIREMENT INCENTIVE.]

(a) A public employer referenced in section 16 that offers an early retirement incentive under section 18 must make an additional employer contribution to the applicable retirement plan from which an employee retired under the incentive program.

(b) The additional employer contribution is an amount equal to the difference in the amount of the reserve transfer under Minnesota Statutes, section 11A.18, or 422A.06, subdivision 8, with the early retirement incentive under section 18, and without the early retirement incentive. The

additional employer contribution must be paid before July 1, 1997. The public employer shall also pay compound interest on the additional employer contribution at an annual rate of 8.5 percent from the effective date of the retirement to the date of the payment of the additional employer contribution.

Sec. 24. [APPLICATION OF OTHER LAWS.]

Unilateral implementation of sections 16 to 24 by a public employer is not an unfair labor practice for purposes of Minnesota Statutes, chapter 179A. The requirement in sections 16 to 24 for an employer to pay health insurance coverage costs for certain retired employees is not subject to the limits in Minnesota Statutes, section 179A.20, subdivision 2a.

Sec. 25. [REPEALER.]

Minnesota Statutes 1994, sections 3A.10, subdivision 2, and 352.021, subdivision 5, are repealed.

Sec. 26. [EFFECTIVE DATE.]

(a) Sections 1, 9, and 14 are effective on July 1, 1995.

(b) Sections 3 and 15 are effective on the day following final enactment.

(c) Sections 5 and 6 are effective on July 1, 1995, and apply to teaching service rendered after that date.

(d) Section 12 is effective retroactively to May 16, 1994.

(e) Sections 16 to 24 are effective on the day after final enactment.

(f) Section 25 is effective on July 1, 1995, and is not intended to reduce the service credit of a legislator for service recorded by the Minnesota state retirement system before July 1, 1995.

ARTICLE 2

LOCAL GENERAL EMPLOYEE PENSION PLAN

BENEFIT AND RELATED MODIFICATIONS

Section 1. Minnesota Statutes 1994, section 124.916, subdivision 3, is amended to read:

Subd. 3. [RETIREMENT LEVIES.] (1) In addition to the excess levy authorized in 1976 any district within a city of the first class which was authorized in 1975 to make a retirement levy under Minnesota Statutes 1974, section 275.127 and chapter 422A may levy an amount per pupil unit which is equal to the amount levied in 1975 payable 1976, under Minnesota Statutes 1974, section 275.127 and chapter 422A, divided by the number of pupil units in the district in 1976-1977.

(2) In 1979 and each year thereafter, any district which qualified in 1976 for an extra levy under clause (1) shall be allowed to levy the same amount as levied for retirement in 1978 under this clause reduced each year by ten percent of the difference between the amount levied for retirement in 1971 under Minnesota Statutes 1971, sections 275.127 and 422.01 to 422.54 and the amount levied for retirement in 1975 under Minnesota Statutes 1974, section 275.127 and chapter 422A.

(3) In 1991 and each year thereafter, a district to which this subdivision applies may levy an additional amount required for contributions to the Minneapolis employees retirement fund as a result of the maximum dollar amount limitation on state contributions to the fund imposed under section 422A.101, subdivision 3. The additional levy shall not exceed the most recent amount certified by the board of the Minneapolis employees retirement fund as the district's share of the contribution requirement in excess of the maximum state contribution under section 422A.101, subdivision 3.

(4) For taxes payable in 1994 and thereafter, special school district No. 1, Minneapolis, and independent school district No. 625, St. Paul, may levy for the increase in the employer retirement

fund contributions, under Laws 1992, chapter 598, article 5, section 1. Notwithstanding section 121.904, the entire amount of this levy may be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under section 124.155.

(5) If the employer retirement fund contributions under section 354A.12, subdivision 2a, are increased for fiscal year 1994 or later fiscal years, special school district No. 1, Minneapolis, and independent school district No. 625, St. Paul, may levy in payable 1994 or later an amount equal to the amount derived by applying the net increase in the employer retirement fund contribution rate of the respective teacher retirement fund association between fiscal year 1993 and the fiscal year beginning in the year after the levy is certified to the total covered payroll of the applicable teacher retirement fund association. Notwithstanding section 121.904, the entire amount of this levy may be recognized as revenue for the fiscal year in which the levy is certified. This levy shall not be considered in computing the aid reduction under section 124.155. If an applicable school district levies under this paragraph, ~~they~~ it may not levy under paragraph (4).

(6) In addition to the levy authorized under paragraph (5), special school district No. 1, Minneapolis, may also levy, payable in 1996 or later, an amount equal to the supplemental contributions under section 354A.12, subdivision 2c, and may also levy ~~in~~ payable in 1994 or later an amount equal to the state aid contribution under section 354A.12, subdivision 3b. Notwithstanding section 121.904, the entire amount of ~~this levy~~ these levies may be recognized as revenue for the fiscal year in which the levy is certified. ~~This levy shall~~ These levies may not be considered in computing the aid reduction under section 124.155.

Sec. 2. Minnesota Statutes 1994, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] The contribution required to be paid by each member of a teachers retirement fund association ~~shall~~ may not be less than the percentage of total salary specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth teachers retirement association	
old law and new law coordinated programs	~~4.5~~ 5.5 percent
Minneapolis teachers retirement association	
basic program	8.5 percent
coordinated program	4.5 percent
St. Paul teachers retirement association	
basic program	8 percent
coordinated program	4.5 percent

Contributions shall be made by deduction from salary and must be remitted directly to the respective teachers retirement fund association at least once each month.

Sec. 3. Minnesota Statutes 1994, section 354A.12, subdivision 2, is amended to read:

Subd. 2. [RETIREMENT CONTRIBUTION LEVY DISALLOWED.] Except as provided in ~~subdivision~~ subdivisions 2c and 3b, paragraph (d), with respect to the city of Minneapolis and special school district No. 1, notwithstanding any law to the contrary, levies for teachers retirement fund associations in cities of the first class, including levies for any employer social security taxes for teachers covered by the Duluth teachers retirement fund association or the

Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association, are disallowed.

Sec. 4. Minnesota Statutes 1994, section 354A.12, is amended by adding a subdivision to read:

Subd. 2c. [SCHOOL DISTRICT SUPPLEMENTAL CONTRIBUTIONS TO MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.] (a) Beginning in fiscal year 1996, and annually in subsequent years, special school district No. 1 shall pay supplemental contributions in the following amounts to the Minneapolis teachers retirement fund association to reduce the unfunded actuarial accrued liability of the Minneapolis teachers retirement fund association according to the actuarial valuation of the fund prepared by the commission-retained actuary under section 356.215:

(1) an amount equal to the difference between the total 1995 financial requirements and the total current year financial requirements of the Minneapolis employees retirement fund payable by the city of Minneapolis under section 422A.101, subdivision 1a, determined according to the most recent actuarial valuation of the Minneapolis employees retirement fund prepared by the actuary retained by the legislative commission on pensions and retirement; and

(2) an amount equal to the difference between the total 1995 employer contributions and the total current year employer contributions payable under section 422A.101, subdivision 2, paragraph (c), on behalf of employees of special school district No. 1 who are covered by the Minneapolis employees retirement fund, determined according to the most recent actuarial valuation of the Minneapolis employees retirement fund prepared by the actuary retained by the legislative commission on pensions and retirement.

(b) Special school district No. 1 may levy for supplemental contributions to the Minneapolis teachers retirement fund association under this subdivision only to the extent permitted by section 124.916, subdivision 3.

Sec. 5. Minnesota Statutes 1994, section 354A.12, subdivision 3b, is amended to read:

Subd. 3b. [SPECIAL DIRECT ~~STATE~~ MATCHING AND STATE AID TO THE MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.] (a) Special school district No. 1 may make an additional employer contribution to the Minneapolis teachers retirement fund association. The city of Minneapolis may make a contribution to the Minneapolis teachers retirement fund association. This contribution may be made by a levy of the board of estimate and taxation of the city of Minneapolis, and the levy, if made, is classified as that of a special taxing district for purposes of sections 275.065 and 276.04, and for all other property tax purposes.

(b) For every $1,000 contributed in equal proportion by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association under paragraph (a), the state shall pay to the Minneapolis teachers retirement fund association $1,000, but not to exceed $2,500,000 in total in fiscal year 1994. The total amount available for each subsequent fiscal year must be increased at the same rate as the increase in the general education revenue formula allowance under section 124A.22, subdivision 2, in subsequent fiscal years. The superintendent of special school district No. 1, the mayor of the city of Minneapolis, and the executive director of the Minneapolis teachers retirement fund association shall jointly certify to the commissioner of finance the total amount that has been contributed by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association. Any certification to the commissioner of education must be made quarterly. If the total certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of direct state matching aid payable to the Minneapolis teachers retirement fund association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of finance.

(c) The commissioner of finance may prescribe the form of the certifications required under paragraph (b).

(d) In addition to the direct matching aid payable under paragraph (b), the state shall pay direct

state aid to the Minneapolis teachers retirement fund association annually an amount equal to the difference between $11,005,000 and the state contribution to the Minneapolis employees retirement fund under sections 356.865 and 422A.101, subdivision 3, for the current fiscal year. Payments under this paragraph must be made in four equal installments on March 15, July 15, September 15, and November 15 annually.

Sec. 6. Minnesota Statutes 1994, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. [TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND DIRECT ~~STATE~~ MATCHING AND STATE AID.] (a) The supplemental contributions payable to the Minneapolis teachers retirement fund association by special school district No. 1 under subdivision 2c, the direct state aid under subdivision 3a to the St. Paul teachers retirement association, and the direct matching and state aid under subdivision 3b to the Minneapolis teachers retirement fund association terminates for the respective fund at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained by the legislative commission on pensions and retirement, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the teachers retirement association by the actuary retained by the legislative commission on pensions and retirement.

(b) If the direct matching or state aid is terminated for the St. Paul teachers retirement fund association or the Minneapolis teachers retirement fund association under paragraph (a), it may not again be received by that fund.

Sec. 7. Minnesota Statutes 1994, section 354A.27, subdivision 1, is amended to read:

354A.27 [DULUTH TEACHERS RETIREMENT FUND ASSOCIATION; ~~LUMP-SUM~~ POSTRETIREMENT ADJUSTMENT MECHANISM.]

Subdivision 1. [~~ELIGIBILITY~~ POSTRETIREMENT ADJUSTMENT MODIFICATION.] ~~A person receiving a retirement annuity, disability benefit, or surviving spouse benefit or annuity from the Duluth teachers retirement fund association who has received the annuity or benefit for at least one year may be entitled to receive a lump sum postretirement adjustment under subdivision 2, in the discretion of the board of trustees under subdivision 3.~~ Any postretirement adjustment payable from the Duluth teachers retirement fund association must be computed and paid according to this section.

Sec. 8. Minnesota Statutes 1994, section 354A.27, is amended by adding a subdivision to read:

Subd. 5. [CALCULATION OF POSTRETIREMENT ADJUSTMENTS.] (a) Annually, after June 30, the board of trustees shall determine the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 6.

(b) Each person who has been receiving an annuity or benefit under the articles of incorporation, bylaws, or this section for at least 12 months as of the date of the postretirement adjustment is eligible for a postretirement adjustment. The postretirement adjustment is payable each January 1. The postretirement adjustment must be equal to two percent of the annuity or benefit to which the person is entitled one month before the payment of the postretirement adjustment.

Sec. 9. Minnesota Statutes 1994, section 354A.27, is amended by adding a subdivision to read:

Subd. 6. [ADDITIONAL INCREASE.] (a) In addition to the postretirement increases granted under subdivision 5, an additional percentage increase must be computed and paid under this subdivision.

(b) The board of trustees shall determine the number of annuitants or benefit recipients who have been receiving an annuity or benefit for at least 12 months as of the current June 30. These recipients are entitled to receive the surplus investment earnings additional postretirement increase.

(c) Annually, as of each June 30, the board shall determine the five-year annualized rate of return attributable to the assets of the Duluth teachers retirement fund association under the formula or formulas specified in section 11A.04, clause (11).

(d) The board shall determine the amount of excess five-year annualized rate of return over the preretirement interest assumption as specified in section 356.215.

(e) The additional percentage increase must be determined by multiplying the quantity one minus the rate of contribution deficiency, as specified in the most recent actuarial report of the actuary retained by the legislative commission on pensions and retirement, times the rate of return excess as determined in paragraph (d).

(f) The additional increase is payable to all eligible annuitants or benefit recipients on the following January 1.

Sec. 10. [354A.281] [MODIFICATION OF MINNEAPOLIS TEACHERS RETIREMENT FUND ADJUSTMENT.]

The additional percentage increase determined under section 354A.28, subdivision 9, must be reduced by multiplying the percentage increase determined under that subdivision by the accrued liability funding ratio as determined in the actuarial report of the actuary retained by the legislative commission on pensions and retirement for the previous July 1.

Sec. 11. Minnesota Statutes 1994, section 354A.31, subdivision 4, is amended to read:

Subd. 4. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; MINNEAPOLIS AND ST. PAUL FUNDS.] (a) This subdivision applies to the coordinated programs of the Minneapolis teachers retirement fund association and the St. Paul teachers retirement fund association.

(b) The normal coordinated retirement annuity shall be an amount equal to a retiring coordinated member's average salary multiplied by the retirement annuity formula percentage. Average salary for purposes of this section shall mean an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit, but which shall not in any event include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of service credit if this service credit is less than five years.

~~(b)~~ (c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph ~~(c)~~ (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph ~~(c)~~ (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is one percent per year for each year of coordinated service for the first ten years and 1.5 percent for each year of coordinated service thereafter.

~~(c)~~ (d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph ~~(b)~~ (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is 1.5 percent for each year of coordinated service.

Sec. 12. Minnesota Statutes 1994, section 354A.31, is amended by adding a subdivision to read:

Subd. 4a. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; DULUTH FUND.] (a) This subdivision applies to the new law coordinated program of the Duluth teachers retirement fund association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary multiplied by the retirement annuity formula percentage. Average salary for purposes of this section means an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit, but may not in any event include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of service credit if this service credit is less than five years.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a

member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is 1.16 percent per year for each year of coordinated service for the first ten years and 1.66 percent for each subsequent year of coordinated service.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is 1.66 percent for each year of coordinated service.

Sec. 13. Minnesota Statutes 1994, section 422A.05, is amended by adding a subdivision to read:

Subd. 8. [HEALTH INSURANCE.] The retirement board may authorize the executive director or the executive director's designee to:

(1) offer the beneficiaries of the fund the option of having their health insurance premiums deducted automatically from their monthly benefit amounts and paid to a designated insurer; and

(2) provide beneficiaries information about available group health insurance plan options.

Sec. 14. Minnesota Statutes 1994, section 422A.09, subdivision 2, is amended to read:

Subd. 2. The contributing class shall consist of all employees not included in the exempt class, who become prospective beneficiaries of the fund created by sections 422A.01 to 422A.25.

A member of the contributing class who is granted a leave of absence without pay by the member's employer to serve as an employee or agent of a labor union ~~primarily~~ representing members of the contributing class may continue as a member of the contributing class during the period of such leave of absence by depositing each month with the fund the amount of the contribution of the employee as required by sections 422A.01 to 422A.25 which amount shall be the normal employee contribution.

The contributions referred to in this subdivision shall be based on the salary for the position or its equivalent held by the member immediately prior to such leave of absence subject to any adjustment thereof during the period of such leave.

Sec. 15. Minnesota Statutes 1994, section 422A.101, subdivision 1a, is amended to read:

Subd. 1a. [CITY CONTRIBUTIONS.] Prior to August 31 of each year, the retirement board shall prepare an itemized statement of the financial requirements of the fund payable by the city for the succeeding fiscal year, and a copy of the statement shall be submitted to the board of estimate and taxation and to the city council by September 15. The financial requirements of the fund payable by the city shall be calculated as follows:

(a) a regular employer contribution of an amount equal to the percentage rounded to the nearest two decimal places of the salaries and wages of all employees covered by the retirement fund which equals the difference between the level normal cost plus administrative cost as reported in the annual actuarial valuation prepared by the commission-retained actuary and the employee contributions provided for in section 422A.10 less any amounts contributed toward the payment of the balance of the normal cost not paid by employee contributions by any city owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than real estate taxes, any public corporation, any employing unit of metropolitan government, or by special school district No. 1 pursuant to subdivision 2;

(b) an additional employer contribution of an amount equal to the percent specified in section 353.27, subdivision 3a, clause (a), multiplied by the salaries and wages of all employees covered by the retirement fund less any amounts contributed toward amortization of the unfunded actuarial accrued liability by June 30, 2020, attributable to their respective covered employees by any city owned public utility, improvement project, other municipal activities supported in whole or in part

by revenues other than real estate taxes, any public corporation, any employing unit of metropolitan government, or by special school district No. 1 pursuant to subdivision 2; and

(c) a proportional share of an additional employer amortization contribution of an amount equal to $3,900,000 annually until June 30, 2020, based upon the share of the fund's unfunded actuarial accrued liability attributed to the city as disclosed in the annual actuarial valuation prepared by the commission-retained actuary.

The city council shall, in addition to other taxes levied by the city, annually levy a tax equal to the amount of the financial requirements of the fund which are payable by the city for fiscal year 1995. The tax, when levied, shall be extended upon the county lists and shall be collected and enforced in the same manner as other taxes levied by the city. If the city does not levy a tax sufficient to meet the requirements of this subdivision, the retirement board shall submit the tax levy statement directly to the county auditor, who shall levy the tax. The tax, when levied, shall be extended upon the county lists and shall be collected and paid into the city treasury ~~to the credit of the retirement fund. Any amount to the credit of the retirement fund~~, and shall constitute a special fund ~~and shall~~ to be used only for the payment of obligations authorized pursuant to section 354A.12, subdivision 2c, and this chapter. In 1996 and succeeding years, the amount of the special fund equal to the annual financial requirements of the fund that are payable by the city under this subdivision must be credited to the retirement fund, and the excess must be paid to special school district No. 1.

Sec. 16. [INITIAL ADJUSTMENT.]

Subdivision 1. [LUMP-SUM POSTRETIREMENT ADJUSTMENT TRANSITION.] For all annuitants and beneficiaries of the association who previously received a lump-sum postretirement adjustment, before calculation of the first postretirement adjustment under sections 7 and 8, the annual retirement annuity or benefit must be permanently increased by the amount of the previous lump-sum postretirement adjustment.

Subd. 2. [ANNUITIZED POSTRETIREMENT ADJUSTMENT TRANSITION.] For all annuitants and beneficiaries of the association who chose to annuitize previous lump-sum postretirement adjustments, before calculation of the first postretirement adjustment under sections 7 and 8, the annual retirement annuity or benefit must include the benefits supported by the accumulated annuitized value due to annuitizing the previous lump-sum postretirement adjustments.

Sec. 17. [DULUTH OLD PLAN BYLAWS; AUTHORITY GRANTED TO INCREASE FORMULAS.]

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the Duluth teachers retirement fund association to amend its articles of incorporation or bylaws by increasing the formula percentage used in computing annuities for old law coordinated program members in the Duluth teachers retirement fund association to 1.41 percent for each year of service.

Sec. 18. [DULUTH OLD PLAN BYLAWS.]

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, the Duluth teachers retirement fund association shall amend its articles of incorporation or bylaws to conform to sections 2, 7, 8, 9, and 15.

Sec. 19. [REPEALER.]

Minnesota Statutes 1994, section 354A.27, subdivisions 2, 3, and 4, are repealed.

Sec. 20. [EFFECTIVE DATE.]

(a) Sections 1, 3, 4, 5, 6, and 14 are effective upon approval of those sections by both the Minneapolis city council and the board of special school district No. 1, and upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by both groups.

(b) Section 2 is effective on the first day of the first payroll period beginning after July 1, 1995.

(c) Sections 7, 8, 9, 15, 17, and 18 are effective November 1, 1995.

(d) Sections 11 and 16 are effective May 15, 1995.

(e) Sections 12 and 13 are effective on the day following final enactment.

(f) Section 10 is effective on the day following final enactment and applies to any postretirement adjustment payable after that date.

ARTICLE 3

PUBLIC SAFETY EMPLOYEE PENSION PLAN

BENEFIT AND RELATED MODIFICATIONS

Section 1. Minnesota Statutes 1994, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. [MEMBER CONTRIBUTIONS.] Each member shall pay a sum equal to ~~8.5~~ 8.92 percent of the member's salary, which shall constitute the member contribution to the fund.

Sec. 2. Minnesota Statutes 1994, section 352B.08, subdivision 2, is amended to read:

Subd. 2. [NORMAL RETIREMENT ANNUITY.] The annuity must be paid in monthly installments. The annuity shall be equal to the amount determined by multiplying the average monthly salary of the member by ~~2 1/2~~ 2.65 percent for each year and pro rata for completed months of service.

Sec. 3. Minnesota Statutes 1994, section 352B.10, subdivision 1, is amended to read:

Subdivision 1. [INJURIES, PAYMENT AMOUNTS.] Any member who becomes disabled and physically or mentally unfit to perform duties as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, shall receive disability benefits while disabled. The benefits must be paid in monthly installments equal to the member's average monthly salary multiplied by ~~50~~ 53 percent, plus an additional ~~2 1/2~~ 2.65 percent for each year and pro rata for completed months of service in excess of 20 years, if any.

Sec. 4. Minnesota Statutes 1994, section 353.651, subdivision 4, is amended to read:

Subd. 4. [EARLY RETIREMENT.] Any police officer or firefighter member who has become at least 50 years old and who has at least three years of allowable service is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced ~~so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity from the day the annuity begins to accrue until the member attains age 55~~ by two-tenths of one percent for each month that the member is under age 55 at the time of retirement.

Sec. 5. Minnesota Statutes 1994, section 353A.083, is amended to read:

353A.083 [PERA-P&F BENEFIT PLAN APPLICABLE TO PRE-1993 CONSOLIDATIONS.]

Subdivision 1. [PRE-1993 CONSOLIDATIONS.] For any consolidation account in effect on May 24, 1993, the public employee police and fire fund benefit plan applicable to consolidation account members who have elected or will elect that benefit plan coverage under section 353A.08 is the pre-July 1, 1993, public employees police and fire fund benefit plan unless the applicable municipality approves the extension of the post-June 30, 1993, public employees police and fire fund benefit plan to the consolidation account.

Subd. 2. [PRE-1995 CONSOLIDATIONS.] For any consolidation account in effect on July 1, 1995, the public employee police and fire fund benefit plan applicable to consolidation account members who have elected or will elect that benefit plan coverage under section 353A.08 is the pre-July 1, 1995, public employees police and fire fund benefit plan unless the applicable municipality approves the extension of the post-June 30, 1995, public employees police and fire fund benefit plan to the consolidation account.

Sec. 6. Minnesota Statutes 1994, section 356.30, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY; COMPUTATION OF ANNUITY.] (1) Notwithstanding any provisions to the contrary of the laws governing the funds enumerated in subdivision 3, a person who has met the qualifications of clause (2) may elect to receive a retirement annuity from each fund in which the person has at least six months allowable service, based on the allowable service in each fund, subject to the provisions of clause (3).

(2) A person may receive upon retirement a retirement annuity from each fund in which the person has at least six months allowable service, and augmentation of a deferred annuity calculated under the laws governing each public pension plan or fund named in subdivision 3, from the date the person terminated all public service if:

(a) the person has allowable service totaling an amount that allows the person to receive an annuity in any two or more of the enumerated funds; and

(b) the person has not begun to receive an annuity from any enumerated fund or the person has made application for benefits from all funds and the effective dates of the retirement annuity with each fund under which the person chooses to receive an annuity are within a one-year period.

(3) The retirement annuity from each fund must be based upon the allowable service in each fund, except that:

(a) The laws governing annuities must be the law in effect on the date of termination from the last period of public service under a covered fund with which the person earned a minimum of one-half year of allowable service credit during that employment.

(b) The "average salary" on which the annuity from each covered fund in which the employee has credit in a formula plan shall be based on the employee's highest five successive years of covered salary during the entire service in covered funds.

(c) The formula percentages to be used by each fund must be those percentages prescribed by each fund's formula as continued for the respective years of allowable service from one fund to the next, recognizing all previous allowable service with the other covered funds.

(d) Allowable service in all the funds must be combined in determining eligibility for and the application of each fund's provisions in respect to actuarial reduction in the annuity amount for retirement prior to normal retirement.

(e) The annuity amount payable for any allowable service under a nonformula plan of a covered fund must not be affected but such service and covered salary must be used in the above calculation.

(f) This section shall not apply to any person whose final termination from the last public service under a covered fund is prior to May 1, 1975.

(g) For the purpose of computing annuities under this section the formula percentages used by any covered fund, except the public employees police and fire fund and the state patrol retirement fund, must not exceed 2-1/2 percent per year of service for any year of service or fraction thereof. The formula percentage used by the public employees police and fire fund and the state patrol retirement fund must not exceed 2.65 percent per year of service for any year of service or fraction thereof.

(h) Any period of time for which a person has credit in more than one of the covered funds must be used only once for the purpose of determining total allowable service.

(i) If the period of duplicated service credit is more than six months, or the person has credit for more than six months with each of the funds, each fund shall apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all funds for the period.

(j) If the period of duplicated service credit is less than six months, or when added to other

service credit with that fund is less than six months, the service credit must be ignored and a refund of contributions made to the person in accord with that fund's refund provisions.

Sec. 7. Laws 1994, chapter 499, section 2, is amended to read:

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective on the first of the month next following:

(1) receipt of an affirmative written determination from the ~~Secretary of the federal Department of Health and Human Services~~ Social Security Administration of ineligibility for coverage under the federal old age, survivors, and disability insurance; and

(2) approval by the Hennepin county board and compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, except that, for section 1 to be deemed approved, a certificate of approval must be filed within the year following receipt of the written affirmative determination from the Social Security Administration, or before January 1, 1998, whichever is earlier.

Sec. 8. [EFFECTIVE DATE.]

(a) Section 1 is effective on the first day of the first full pay period occurring after July 1, 1995.

(b) Sections 2, 3, 4, 5, and 6 are effective on July 1, 1995.

(c) Section 7 is effective on the day following final enactment.

ARTICLE 4

ADDITIONAL POLICE AND FIRE AMORTIZATION AID

Section 1. Minnesota Statutes 1994, section 353.65, subdivision 7, is amended to read:

Subd. 7. [EXCESS CONTRIBUTIONS HOLDING ACCOUNT.] (a) The excess contributions holding account is established in the public employees retirement association. Excess contributions established by section 69.031, subdivision 5, paragraphs (2), clauses (b) and (c), and (3) must be deposited in the account. These contributions and all investment earnings associated with them must be regularly transferred as provided in paragraph (b).

(b) From the amount of the excess contributions and associated investment earnings:

(1) $1,000,000 must be transferred annually to the ambulance service personnel longevity award and incentive suspense account established by section 144C.03, subdivision 2; and

(2) any remaining balance, after deduction of the police officer stress reduction program appropriation under paragraph (c) and after deduction of the additional amortization aid allocation, if any, under paragraph (d), must be transferred to the general fund.

(c) If a law is enacted creating a police officer stress reduction program, and money is appropriated for the program, an amount equal to the appropriation must be transferred from the excess contributions holding account to the stress reduction program before money is ~~transferred to the general fund~~ allocated under paragraph (b), clause (2).

(d) On October 1, 1996, the balance of money in the excess contributions holding account under paragraph (b), clause (2), collected during the period July 1, 1995, through June 30, 1996, must be allocated by the commissioner of revenue to all local police or salaried firefighter relief associations governed by and in full compliance with section 69.77 that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of December 31, 1995, and to all local police or salaried firefighter consolidation accounts governed by chapter 353A that have an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, if the effective date of the consolidation preceded May 24, 1993, on the basis of the relief association or consolidation account's proportional share of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, or June 30, 1994, whichever applies.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective on the day following enactment.

ARTICLE 5

HIGHER EDUCATION SYSTEM EARLY RETIREMENT

EMPLOYER-PAID HEALTH INSURANCE PREMIUM INCENTIVE

Section 1. [STATE COLLEGE AND UNIVERSITY EARLY RETIREMENT INCENTIVES.]

Subdivision 1. [INTENT.] To avoid the disruptive effects of employee layoffs due to campus consolidations, mergers, and budget reductions resulting in downsizing within the Minnesota state colleges and universities and the higher education coordinating board, an employer-funded early retirement incentive is made available in this section to employees of the state universities, community colleges, technical colleges, the existing system central offices, and the higher education coordinating board.

Subd. 2. [EMPLOYER PARTICIPATION.] The early retirement incentives provided in this section may be offered to eligible employees in the state university, community college, technical college systems, the higher education board, and the higher education coordinating board. The incentives apply to personnel in any state university, community college, or technical college department being downsized or where a reduction in force has been declared by the president of the institution. In the case of personnel in the chancellor's office, a reduction in force must be declared by the chancellor or the chancellor's designee or the executive director of the higher education coordinating board. Positions that are not assigned to a specific department or support positions that are assigned campus-wide or to a specific department are considered to be campus-wide in jurisdiction and eligible for this incentive as part of the reduction-in-force declaration.

Subd. 3. [ELIGIBILITY.] A person identified in subdivision 2 is eligible to receive the incentives if the person:

(1) has at least 15 years of combined service credit in any Minnesota public pension plans governed by Minnesota Statutes, section 356.30, subdivision 3, and the plan governed by Minnesota Statutes, chapter 354B;

(2) upon retirement is immediately eligible for a retirement annuity from a defined benefit plan if the person is a member of a defined benefit plan;

(3) is at least 55 years of age; and

(4) retires before January 31, 1996.

Subd. 4. [INCENTIVE.] Persons who retire under this section are eligible to receive employer-paid hospital, medical, and dental insurance, subject to the conditions in subdivision 5 and at the level and under conditions existing at the time of retirement.

Subd. 5. [LIMITS ON REHIRING.] Persons retiring under the provisions of this section may not be reemployed by the state or hired under a professional technical contract in any capacity except:

(1) under conditions of a stated emergency, and then only if the rehire or contract is approved by the higher education board or the higher education coordinating board under procedures adopted by the boards; and

(2) if rehired as adjunct faculty as defined in the appropriate bargaining agreement, or, if rehired by another executive branch agency of state government, if the retired employee works only on a seasonal, temporary, or intermittent basis as defined in Minnesota Statutes, section 43A.02, subdivision 23, or 179A.03, subdivision 14, clause (f), for no more than 1,044 hours in any consecutive 12-month period.

Subd. 6. [CONDITIONS; INSURANCE COVERAGE.] A retired employee is eligible for

single and dependent insurance coverages and employer payments to which the person was entitled immediately before retirement, subject to any changes in coverage and employer and employee payments through collective bargaining or personnel plans for employees in positions equivalent to the position from which the employee retired. The retired employee is not eligible for employer-paid life insurance. Eligibility ceases when the retired employee reaches age 65, when the person chooses not to receive the retirement benefits for which the person has applied, or when the person is eligible for employer-paid health insurance from a new employer. Coverages must be coordinated with relevant health insurance benefits provided through the federally sponsored Medicare program.

Subd. 7. [APPLICATION OF OTHER LAWS.] Unilateral implementation of this section by a public employer is not an unfair labor practice for the purposes of Minnesota Statutes, chapter 179A. The requirement in this section for an employer to pay health insurance costs for certain retired employees is not subject to the limits in Minnesota Statutes, section 179A.20, subdivision 2a.

Sec. 2. [NOTIFICATION OF SUBSEQUENT HEALTH COVERAGE: PENALTY FOR NOTIFICATION FAILURE.]

(a) An employee who accepts the early retirement incentive benefit under section 1 agrees as a condition of receipt of the incentive to notify the higher education board or the higher education coordinating board within 30 days of the event that the person is eligible for employer-paid health insurance from subsequent employment.

(b) Failure to make the notification required in paragraph (a) obligates the person to reimburse the higher education board or the higher education coordinating board for any insurance premiums that it paid since the person became eligible for the subsequent employment health insurance coverage.

Sec. 3. [EFFECTIVE DATE.]

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

Delete the title and insert:

"A bill for an act relating to retirement; providing various benefit increases and related modifications; amending Minnesota Statutes 1994, sections 124.916, subdivision 3; 136.90; 352.01, subdivision 13; 352B.02, subdivision 1a; 352B.08, subdivision 2; 352B.10, subdivision 1; 353.65, subdivision 7; 353.651, subdivision 4; 353A.083; 354.445; 354.66, subdivision 4; 354A.094, subdivision 4; 354A.12, subdivisions 1, 2, 3b, 3c, and by adding a subdivision; 354A.27, subdivision 1, and by adding subdivisions; 354A.31, subdivision 4, and by adding a subdivision; 354B.05, subdivisions 2, and 3; 354B.07, subdivisions 1, and 2; 354B.08, subdivision 2; 356.30, subdivision 1; 356.611; 422A.05, by adding a subdivision; 422A.09, subdivision 2; 422A.101, subdivision 1a; Laws 1994, chapter 499, section 2; proposing coding for new law in Minnesota Statutes, chapters 125; 354A; and 356; repealing Minnesota Statutes 1994, sections 3A.10, subdivision 2; 352.021, subdivision 5; and 354A.27, subdivisions 2, 3, and 4."

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.

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was referred

S.F. No. 561: A bill for an act relating to retirement; teachers retirement association; making various changes in administrative and benefits practices; amending Minnesota Statutes 1994, sections 354.05, subdivisions 5, 35, and 40; 354.06, subdivision 4; and 354.52, subdivision 4a; repealing Minnesota Statutes 1994, section 354A.05, subdivision 4.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

SUSPENSION OR FORFEITURE OF CERTAIN SURVIVOR BENEFITS IN THE EVENT OF CERTAIN FELONIOUS DEATHS

Section 1. [356.305] [LOSS OF ENTITLEMENT TO BENEFITS FOR SURVIVOR CAUSING DEATH OF PENSION PLAN MEMBER.]

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

(b) "Public pension plan" means a retirement plan or fund listed in section 356.20, subdivision 2, or 356.30, subdivision 3, a relief association governed by section 69.77 or sections 69.771 to 69.775, a retirement plan governed by chapter 354B or 354C, the Hennepin County supplemental retirement plan governed by sections 383B.46 to 383B.52, or a housing and redevelopment authority retirement plan.

(c) "Public pension plan member" means a participant covered by a public pension plan; a former participant of a public pension plan who has sufficient service to be entitled to receive a future retirement annuity or service pension; a recipient of a retirement annuity, service pension, or disability benefit from a public pension plan; or a former participant of a public pension plan who has member or employee contributions to the former participant's credit in the public pension plan.

(d) "Survivor" means the surviving spouse, a surviving former spouse, a surviving child, a joint annuitant, a designated recipient of a second or remainder portion of an optional annuity form, a beneficiary, or the estate of a deceased public pension plan member, as those terms are commonly understood or defined in the benefit plan document of the public pension plan.

(e) "Survivor benefit" means a surviving spouse benefit, surviving child benefit, second or remainder portion of an optional annuity form, a death benefit, a funeral benefit, or a refund of member or employee contributions payable on account of the death of a public pension plan member as provided for in the benefit plan document of the public pension plan.

Subd. 2. [SURVIVOR CAUSING DEATH OF MEMBER.] A survivor of a public pension plan member is not entitled to a survivor benefit otherwise payable from the plan if the survivor has been convicted of a felony that caused the death of the member, of criminal liability for the felony, or of conspiracy to commit the felony. The conviction of one survivor, however, does not affect the entitlement of another survivor to a survivor benefit. A survivor benefit may not be paid to a survivor charged with the commission of a felony that caused the death of a member, criminal liability for the felony, or conspiracy to commit the felony, but an amount equal to the survivor benefit due the survivor must be set aside and paid to the survivor in the event that the survivor is not convicted of the charge.

Subd. 3. [RECOVERY OF CERTAIN BENEFITS.] If a survivor benefit has already been paid to a survivor who is later charged or convicted of a felony listed in subdivision 2, the executive director or chief administrative officer of the public pension plan shall attempt to recover the amounts paid. Payment may be made to the next beneficiary or survivor only in an amount equal to the amount recovered and in the amount of any future payments that would legally accrue to another survivor under the laws governing the retirement plan.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment and applies to felony charges pending on that date.

ARTICLE 2

INDIVIDUAL AND SMALL GROUP PENSION ACCOMMODATIONS

Section 1. [PURCHASE OF FULL-SERVICE CREDIT FOR SABBATICAL LEAVE.]

Subdivision 1. [ELIGIBILITY.] Notwithstanding Minnesota Statutes, section 354.092, subdivision 3, a member of the teachers retirement association described in subdivision 2 may make a direct payment under subdivision 3 to the association to receive service credit for a period of uncovered service due to a sabbatical leave during the 1975-1976 school year for which the member failed to make employee payments on the difference between salary during the leave and the salary for a comparable period during the year immediately preceding the leave.

Subd. 2. [APPLICATION.] Subdivision 1 applies to a member who was on a sabbatical leave of absence during the 1975-1976 school year, whose additional payment permitted for that fiscal year was $313.46, who was attending an institute of higher education outside Minnesota during the period of the leave, and whose original payment deadline was June 30, 1977.

Subd. 3. [PURCHASE PAYMENT AMOUNT.] (a) To purchase credit for prior service under this section, there must be paid to the teachers retirement association an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity obtained by the purchase of the additional service credit. Calculation of this amount must be made by the executive director of the teachers retirement association using the applicable preretirement interest rate of the association specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the association. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must also assume the person's actual salary and a future salary history that includes annual salary increases at the applicable rate for the fund or association specified in Minnesota Statutes, section 356.215, subdivision 4d. In order to purchase the service credit, the individual must establish in the records of the association proof of the sabbatical leave for which the purchase of prior service applies. The manner of proof must be in accordance with procedures prescribed by the executive director of the association.

(b) Payment must be made in one lump sum before July 1, 1995.

(c) Payment of the amount calculated under this subdivision must be made by the member. However, the current or former employer of the member may, at its discretion, pay all or any portion of the payment amount that exceeds $313.46 plus interest at the rate of eight and one-half percent a year compounded annually from June 30, 1977, to the date on which the payment is made. If the employer agrees to payments under this paragraph, the employee must make the employee payments required under this paragraph before July 1, 1995. If that employee payment is made, the employing unit payment under this paragraph must be remitted to the executive director of the teachers retirement association within 30 days of receipt by the executive director of the employee payments specified under this paragraph.

Subd. 4. [SERVICE CREDIT GRANT.] Service credit for the purchase period or periods must be granted to the account of the eligible person upon receipt of the purchase payment amount specified in subdivision 3.

Sec. 2. [CERTAIN CITY ATTORNEY; ANNUITY COMPUTATION.]

A retired member of the public employees retirement association who terminated a contract for employment as city attorney for the city of West St. Paul on January 30, 1994, but who continued to perform legal services for the city as an independent contractor until the city retained a successor legal counsel on May 9, 1994, may be deemed to have terminated public service on January 30, 1994, and is eligible for the increased accrual rate retirement incentive provided by Laws 1993, chapter 192, section 108, subdivision 3, notwithstanding the fact that there was no interruption of legal service for 30 days after January 30, 1994.

Sec. 3. [TEACHERS RETIREMENT ASSOCIATION; PURCHASE OF PRIOR SERVICE CREDIT.]

Subdivision 1. [ELIGIBILITY; MANKATO STATE UNIVERSITY PROFESSOR.] (a) Notwithstanding any provision of Minnesota Statutes, section 354.094, to the contrary, an eligible

person described in paragraph (b) is entitled to purchase allowable service credit in the teachers retirement association for the period described in paragraph (c) by paying the amount specified in subdivision 3.

(b) An eligible person is a person who was granted an extended leave of absence from employment by Mankato state university on June 19, 1991, for the period September 11, 1991, through June of 1994, which was erroneously characterized as an educational leave.

(c) The period for service credit purchase is the period from September 11, 1991, through June 1994.

Subd. 2. [PURCHASE PAYMENT AMOUNT.] (a) To purchase credit under subdivision 1, there must be paid to the teachers retirement association an amount equal to the present value on the date of payment, of the amount of the additional retirement annuity obtained by purchase of the additional service credit.

(b) Calculation of this amount must be made by the executive director of the teachers retirement association using the applicable preretirement interest rate specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the coordinated program of the retirement association. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the retirement association for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must also assume a future salary history that includes annual salary increases at the rate specified in Minnesota Statutes, section 356.215, subdivision 4d.

(c) The eligible person must establish in the records of the association proof of the leave of absence for which the purchase of service credit is requested. The manner of the proof must be in accordance with procedures prescribed by the executive director of the retirement association.

(d) The portion of the total cost of the purchase payable by the eligible person is specified in subdivision 3. The remaining portion of total cost is to be paid by the employing unit as specified in subdivision 4.

Subd. 3. [ELIGIBLE PERSON PAYMENT.] (a) To receive credit for the period of service credit purchase specified in subdivision 1, paragraph (c), the eligible person specified in subdivision 1, paragraph (b), must pay a member contribution equivalent amount.

(b) The member contribution equivalent amount is an amount equal to the applicable employee contribution rate specified in Minnesota Statutes, section 354.42, applied to the person's actual salary rate in the year immediately preceding the extended leave, plus 8.5 percent annually compounded interest from June 30 of each year of the leave until payment is made. Payment must be made in a lump sum. Authority to make the member contribution equivalent amount expires 90 days after the effective date of this section or at the time of retirement, whichever is earlier.

Subd. 4. [MANDATORY EMPLOYING UNIT PAYMENT.] (a) Within 30 days of the receipt by the executive director of the teachers retirement association of the payment from the eligible person under subdivision 3, the employer employing the eligible person described in subdivision 1, paragraph (b), immediately before the leave described in subdivision 1, shall pay the difference between the amounts specified in subdivisions 2 and 3.

(b) The mandatory employing unit payment amount is payable by the governmental employing unit in a lump sum.

Subd. 5. [SERVICE CREDIT GRANT.] Service credit for the purchase period must be granted to the account of the eligible person upon receipt of the purchase payment amount specified in subdivision 2.

Sec. 4. [PURCHASE OF PRIOR SERVICE CREDIT.]

Subdivision 1. [ELIGIBILITY.] (a) Notwithstanding Minnesota law to the contrary, an employee of Swift county who is a current coordinated member of the public employees

retirement association, who was born in 1948, who first had sufficient salary to meet minimum statutory salary thresholds for association membership on March 1, 1990, but who was not reported for membership until January 1991, may purchase allowable service credit in the public employees retirement association for the periods of uncovered service during which the employee had sufficient salary to meet minimum statutory salary thresholds for public employees retirement association membership.

(b) In order to purchase the service credit, the individual must establish in the records of the association proof of the service for which the purchase of prior service applies, and proof that the individual had sufficient salary during all or part of that period to meet minimum statutory salary thresholds for public employees retirement association membership. Payments may not be made if the executive director determines that the member was eligible for coverage during this period by another Minnesota public pension plan other than a volunteer fire plan covered by Minnesota Statutes, section 69.771, subdivision 1. The manner of proof must be in accordance with procedures prescribed by the executive director of the association.

Subd. 2. [PURCHASE PAYMENT AMOUNT.] (a) To purchase credit for prior service under this section, there must be paid to the public employees retirement association an amount equal to the present value, on the date of payment, of the amount of the additional retirement annuity obtained by the purchase of the additional service credit. Calculation of this amount must be made by the executive director of the public employees retirement association using the applicable preretirement interest rate of the association specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the association. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must also assume the person's actual salary and a future salary history that includes annual salary increases at the applicable rate for the fund or association specified in Minnesota Statutes, section 356.215, subdivision 4d.

(b) Payment must be made in one lump sum before July 1, 1996.

(c) Payment of the amount calculated under this subdivision must be made by the member. However, the current or former employer of the member may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of eight and one-half percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this paragraph, the employee must make the employee payments required under this paragraph before July 1, 1996. If that employee payment is made, the employing unit payment under this paragraph must be remitted to the executive director of the public employees retirement association within 60 days of receipt by the executive director of the employee payments specified under this paragraph.

Subd. 3. [SERVICE CREDIT GRANT.] Service credit for the purchase period or periods must be granted to the account of the eligible person upon receipt of the purchase payment amount specified in subdivision 2.

Sec. 5. [EFFECTIVE DATE.]

(a) Section 1 is effective the day following final enactment.

(b) Section 2 is effective the day following final enactment and the annuity payable under section 2 must be recalculated and paid retroactively to the date that the annuity was first paid to the retiree.

(c) Section 3 is effective July 1, 1995.

(d) Section 4 is effective the day following final enactment.

ARTICLE 3

PENSION PLAN ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 1994, section 352.12, subdivision 1, is amended to read:

Subdivision 1. [DEATH BEFORE TERMINATION OF SERVICE.] If an employee dies before state service has terminated and neither a survivor annuity nor a reversionary annuity is payable, or if a former employee who has sufficient service credit to be entitled to an annuity dies before the benefit has become payable, the director shall make a refund to the last designated beneficiary or, if there is none, to the surviving spouse or, if none, to the employee's surviving children in equal shares or, if none, to the employee's surviving parents in equal shares or, if none, to the representative of the estate in an amount equal to the accumulated employee contributions plus interest at the rate of six percent per annum compounded annually. Interest must be computed as provided in section 352.22, subdivision 2, to the first day of the month in which the refund is processed ~~and based on fiscal year balances~~. Upon the death of an employee who has received a refund that was later repaid in full, interest must be paid on the repaid refund only from the date of repayment. If the repayment was made in installments, interest must be paid only from the date installment payments began. The designated beneficiary, surviving spouse, or representative of the estate of an employee who had received a disability benefit is not entitled to interest upon any balance remaining to the decedent's credit in the fund at the time of death, unless death occurred before any payment could be negotiated.

Sec. 2. Minnesota Statutes 1994, section 352.12, subdivision 2, is amended to read:

Subd. 2. [SURVIVING SPOUSE BENEFIT.] (a) If an employee or former employee has credit for at least three years allowable service and dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund with interest under subdivision 1, an annuity equal to the joint and 100 percent survivor annuity which the employee or former employee could have qualified for ~~had the employee terminated service~~ on the date of death.

(b) If the employee was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If the employee was under age 55 and has credit for at least three years of allowable service credit on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the full early retirement reduction under section 352.116, subdivision 1 or 1a, to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

The surviving spouse eligible for ~~surviving spouse~~ benefits under paragraph (a) may apply for the annuity at any time after the date on which the ~~deceased~~ employee or former employee would have attained the required age for retirement based on the ~~employee's~~ allowable service earned. The surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for the annuity at any time after the employee's death. The annuity must be computed under sections 352.115, subdivisions 1, 2, and 3, and 352.116, subdivisions 1, 1a, and 3. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision. The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse, or upon expiration of a term certain benefit payment to a surviving spouse under subdivision 2a. An amount equal to the excess, if any, of the accumulated contributions credited to the account of the deceased employee in excess of the total of the benefits paid and payable to the surviving spouse must be paid to the deceased employee's or former employee's last designated beneficiary or, if none, as specified under subdivision 1.

Any employee or former employee may request in writing that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

Sec. 3. Minnesota Statutes 1994, section 352.12, subdivision 2a, is amended to read:

Subd. 2a. [SURVIVING SPOUSE COVERAGE TERM CERTAIN.] In lieu of the 100 percent optional annuity under subdivision 2, or refund under subdivision 1, the surviving spouse of a deceased employee or former employee may elect to receive survivor coverage in a term certain of five, ten, 15, or 20 years, but monthly payments must not exceed 75 percent of the average high-five monthly salary of the deceased employee or former employee. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 2.

If a survivor elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Sec. 4. Minnesota Statutes 1994, section 352.12, subdivision 6, is amended to read:

Subd. 6. [DEATH AFTER SERVICE TERMINATION.] Except as provided in subdivision 1, if a former employee covered by the system dies and has not received an annuity, a retirement allowance, or a disability benefit, a refund must be made to the last designated beneficiary or, if there is none, to the surviving spouse or, if none, to the employee's surviving children in equal shares or, if none, to the employee's surviving parents in equal shares or, if none, to the representative of the estate in an amount equal to accumulated employee contributions. The refund must include interest at the rate of six percent per year compounded annually. The interest must be computed ~~to the first day of the month in which the refund is processed and be based on fiscal year balances~~ as provided in section 352.22, subdivision 2.

Sec. 5. Minnesota Statutes 1994, section 352B.105, is amended to read:

352B.105 [TERMINATION OF DISABILITY BENEFITS.]

Disability benefits payable under section 352B.10 shall terminate at the end of the month the beneficiary becomes ~~55~~ 65 years old. If the beneficiary is still disabled when the beneficiary becomes ~~55~~ 65 years old, the beneficiary shall be deemed to be a retired member and, if the beneficiary had chosen an optional annuity under section 352B.10, subdivision 5, shall receive an annuity in accordance with the terms of the optional annuity previously chosen. If the beneficiary had not chosen an optional annuity under section 352B.10, subdivision 5, the beneficiary may choose to receive either a normal retirement annuity computed under section 352B.08, subdivision 2, or an optional annuity as provided in section 352B.08, subdivision 3. An optional annuity must be chosen within 90 days of attaining age 65 or reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. If an optional annuity is chosen, the optional annuity shall begin to accrue the first of the month following attainment of age 65 or the five-year anniversary of the effective date of the disability benefit, whichever is later.

Sec. 6. Minnesota Statutes 1994, section 354.05, subdivision 5, is amended to read:

Subd. 5. [MEMBER OF ~~FUND~~ ASSOCIATION.] "Member of ~~fund~~ association" means every teacher who ~~joins and~~ contributes to the teachers retirement fund as provided in this chapter who has not retired, except a teacher covered by section 354B.02, subdivision 2 or 3, who elects to participate in the individual retirement account plan under chapter 354B, or a teacher who exercises an option to elect coverage under another public pension plan enumerated in section 356.30, subdivision 3. Any former member of the ~~fund~~ association who is retired and subsequently resumes teaching service is a member of the ~~fund~~ association only for purposes of social security coverage.

Sec. 7. Minnesota Statutes 1994, section 354.05, subdivision 35, is amended to read:

Subd. 35. [SALARY.] (a) "Salary" means the compensation, upon which member contributions are required and made, that is paid to a teacher before employee-paid fringe benefits, tax sheltered annuities, deferred compensation, or any combination of these employee-paid items are deducted.

(b) "Salary" does not mean:

(1) lump sum annual leave payments;

(2) lump sum wellness and sick leave payments;

(3) payments in lieu of any employer-paid group insurance coverage;

(4) payments for the difference between single and family premium rates that may be paid to a member with single coverage;

(5) employer-paid fringe benefits including, but not limited to, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or automobile allowances and expenses;

(6) any form of payment made in lieu of any other employer-paid fringe benefit or expense;

(7) any form of severance payments;

(8) workers' compensation payments;

(9) disability insurance payments including self-insured disability payments;

(10) payments to school principals and all other administrators for services in addition to the normal work year contract if these additional services are performed on an extended duty day, Saturday, Sunday, holiday, annual leave day, sick leave day, or any other nonduty day;

(11) payments under section 356.24, subdivision 1, clause (4)~~(ii)~~; and

(12) payments made under section 125.12, subdivision 7, except for payments for sick leave accumulated under the provisions of a uniform school district policy that applies equally to all similarly situated persons in the district.

Sec. 8. Minnesota Statutes 1994, section 354.05, subdivision 40, is amended to read:

Subd. 40. [TIMELY RECEIPT.] An application, payment, return, claim, or other document that is not personally delivered to the association on or before the applicable due date is considered to be a timely receipt if officially postmarked on or before the due date or delivered or filed under section 645.151.

Sec. 9. Minnesota Statutes 1994, section 354.06, subdivision 4, is amended to read:

Subd. 4. [~~TREASURER; DUTIES~~ BOARD; EXPENSES.] All members of the board shall serve without compensation. A member ~~shall~~ must receive necessary expenses to attend meetings of the board and its committees~~,~~ and association functions and presentations authorized by the board. The necessary expenses must be paid out of the fund. Members of the board shall suffer no loss of compensation from their employing units by reason of service on or for the association, the board, or any committee authorized by the board. Necessary expenses may include the salary of any substitute teacher which the employing unit is required to hire in the absence of the board member. The board may reimburse the employing unit for the cost of the substitute teacher.

Sec. 10. Minnesota Statutes 1994, section 354.44, is amended by adding a subdivision to read:

Subd. 9. [DETERMINING APPLICABLE LAW.] An employee who returns to covered service following a termination and who is not receiving a retirement annuity under this section must have earned at least 85 days of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to that termination.

Sec. 11. Minnesota Statutes 1994, section 354.52, subdivision 4a, is amended to read:

Subd. 4a. [MEMBER DATA REPORTING REQUIREMENTS.] (a) An employing unit shall initially provide the following member data or any of that data not previously provided to the association for payroll warrants dated after June 30, 1995, in a format prescribed by the executive director. Data changes and the dates of those changes must be reported to the association on an ongoing basis for the payroll cycle in which they occur with the data under subdivision 4b. Data on the member includes:

(1) legal name, address, date of birth, association member number, employer-assigned employee number, and social security number;

(2) association status, including, but not limited to, basic, coordinated, exempt annuitant, exempt technical college teacher, and exempt independent contractor or consultant;

(3) employment status, including, but not limited to, full time, part time, intermittent, substitute, or part-time mobility;

(4) employment position, including, but not limited to, teacher, superintendent, principal, administrator, or other;

(5) employment activity, including, but not limited to, hire, termination, resumption of employment, disability, or death;

(6) leaves of absence;

(7) county district number assigned by the association for the employing unit;

(8) data center identification number, if applicable; and

(9) other information as may be required by the executive director.

Sec. 12. Minnesota Statutes 1994, section 354A.12, subdivision 3d, is amended to read:

Subd. 3d. [SUPPLEMENTAL ADMINISTRATIVE EXPENSE ASSESSMENT.] (a) The active and retired membership of the Minneapolis teachers retirement fund association and of the St. Paul teachers retirement fund association is responsible for defraying supplemental administrative expenses other than investment expenses of the respective teacher retirement fund association.

(b) Investment expenses of the teachers retirement fund association are those expenses incurred by or on behalf of the retirement fund in connection with the investment of the assets of the retirement fund other than investment security transaction costs. Other administrative expenses are all expenses incurred by or on behalf of the retirement fund for all other retirement fund functions other than the investment of retirement fund assets. Investment and other administrative expenses must be accounted for using generally accepted accounting principles and in a manner consistent with the comprehensive annual financial report of the teachers retirement fund association for the immediately previous fiscal year under section 356.20.

(c) Supplemental administrative expenses other than investment expenses of a first class city teacher retirement fund association are those expenses for the fiscal year that exceed the amount computed by applying the most recent percentage of pay administrative expense amount, other than investment expenses, for the teachers retirement association governed by chapter 354 to the covered payroll of the respective teachers retirement fund association for the fiscal year.

(d) The board of trustees of each first class city teachers retirement fund association shall allocate the total dollar amount of supplemental administrative expenses other than investment expenses among the various active and retired membership groups of the teachers retirement fund association and shall assess the various membership groups their respective share of the supplemental administrative expenses other than investment expenses, in amounts determined by the board of trustees. The supplemental administrative expense assessments must be paid by the membership group in a manner determined by the board of trustees of the respective teachers retirement association. Supplemental administrative expenses payable by the active members of the pension plan must be picked up by the employer in accordance with section 356.62.

(e) With respect to the St. Paul teachers retirement fund association, the supplemental administrative expense assessment must be fully disclosed to the various active and retired membership groups of the teachers retirement fund association. The chief administrative officer of the association shall prepare a supplemental administrative expense assessment disclosure notice, which must include the following:

(1) the total amount of administrative expenses of the association, the amount of the investment expenses of the association, and the net remaining amount of administrative expenses of the association;

(2) the amount of administrative expenses for the association that would be equivalent to the teachers retirement association noninvestment administrative expense level described in paragraph (c);

(3) the total amount of supplemental administrative expenses required for assessment calculated under paragraph (c);

(4) the portion of the total amount of the supplemental administrative expense assessment allocated to each membership group and the rationale for that allocation;

(5) the manner of collecting the supplemental administrative expense assessment from each membership group, the number of assessment payments required during the year, and the amount of each payment or the procedure used to determine each payment; and

(6) any other information that the chief administrative officer determines is necessary to fairly portray the manner in which the supplemental administrative expense assessment was determined and allocated.

(f) The disclosure notice must be provided annually in the annual report of the association.

(g) The supplemental administrative expense assessments must be deposited in the applicable teachers retirement fund upon receipt.

~~(f)~~ (h) Any omitted active membership group assessments that remain undeducted and unpaid to the teachers retirement fund association for 90 days must be paid by the respective school district. The school district may recover any omitted active membership group assessment amounts that it has previously paid. The teachers retirement fund association shall deduct any omitted retired membership group assessment amounts from the benefits next payable after the discovery of the omitted amounts.

Sec. 13. Minnesota Statutes 1994, section 354A.31, is amended by adding a subdivision to read:

Subd. 8. [DETERMINING APPLICABLE LAW.] An employee who returns to covered service following a termination and who is not receiving a retirement annuity under this section must have earned at least 85 days of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to that termination.

Sec. 14. Minnesota Statutes 1994, section 356.215, subdivision 4d, is amended to read:

Subd. 4d. [INTEREST AND SALARY ASSUMPTIONS.] (a) For funds governed by chapters ~~352,~~ 352B~~, 353,~~ and 353C, and ~~354~~ by sections 352.90 to 352.951 and 353.63 to 353.68, the actuarial valuation must use a preretirement interest assumption of 8.5 percent, a postretirement interest assumption of five percent, and a future salary increase assumption of 6.5 percent.

(b) For funds governed by chapter 354A, the actuarial valuation must use preretirement and postretirement assumptions of 8.5 percent and a future salary increase assumption of 6.5 percent, but the actuarial valuation must reflect the payment of postretirement adjustments to retirees, based on the methods specified in the bylaws of the fund as approved by the legislature. For a fund governed by chapter 422A, the actuarial valuation shall use a preretirement interest assumption of six percent, a postretirement interest assumption of five percent, and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.04 multiplied by the salary for the preceding year.

(c) For all other funds not specified in paragraph (a), (b), ~~or~~ (d), or (e), the actuarial valuation must use a preretirement interest assumption of five percent, a postretirement interest assumption of five percent, and a future salary increase assumption of 3.5 percent.

(d) For funds governed by chapters 3A, 352C, and 490, the actuarial valuation must use a preretirement interest assumption of 8.5 percent, a postretirement interest assumption of five percent, and a future salary increase assumption of 6.5 percent in each future year in which the salary amount payable is not determinable from section 3.099, 15A.081, subdivision 6, or

15A.083, subdivision 1, whichever applies, or from applicable compensation council recommendations under section 15A.082.

(e) For funds governed by sections 352.01 to 352.86, 353.01 to 353.46, and chapter 354, the actuarial valuation must use a preretirement interest assumption of 8.5, a postretirement interest assumption of five percent, and a graded rate future salary increase assumption as follows:

age	general state employees retirement plan	general public employees retirement plan	teachers retirement plan
16	7.2500%	8.71%	7.25%
17	7.2500	8.71	7.25
18	7.2500	8.70	7.25
19	7.2500	8.70	7.25
20	7.2500	7.70	7.25
21	7.1454	7.70	7.25
22	7.1094	7.70	7.25
23	7.0725	7.70	7.20
24	7.0363	7.70	7.15
25	7.0000	7.60	7.10
26	7.0000	7.51	7.05
27	7.0000	7.39	7.00
28	7.0000	7.30	7.00
29	7.0000	7.20	7.00
30	7.0000	7.20	7.00
31	7.0000	7.10	7.00
32	7.0000	7.10	7.00
33	7.0000	7.00	7.00
34	7.0000	7.00	7.00
35	7.0000	6.90	7.00
36	6.9019	6.80	7.00
37	6.8074	6.70	7.00
38	6.7125	6.60	6.90
39	6.6054	6.50	6.80
40	6.5000	6.40	6.70
41	6.3540	6.30	6.60
42	6.2087	6.30	6.50
43	6.0622	6.30	6.35
44	5.9048	6.20	6.20
45	5.7500	6.20	6.05
46	5.6940	6.09	5.90

47	5.6375	6.00	5.75
48	5.5822	5.90	5.70
49	5.5405	5.80	5.65
50	5.5000	5.70	5.60
51	5.4384	5.70	5.55
52	5.3776	5.70	5.50
53	5.3167	5.70	5.45
54	5.2826	5.70	5.40
55	5.2500	5.70	5.35
56	5.2500	5.70	5.30
57	5.2500	5.70	5.25
58	5.2500	5.70	5.25
59	5.2500	5.70	5.25
60	5.2500	5.00	5.25
61	5.2500	5.00	5.25
62	5.2500	5.00	5.25
63	5.2500	5.00	5.25
64	5.2500	5.00	5.25
65	5.2500	5.00	5.25
66	5.2500	5.00	5.25
67	5.2500	5.00	5.25
68	5.2500	5.00	5.25
69	5.2500	5.00	5.25
70	5.2500	5.00	5.25

Sec. 15. Minnesota Statutes 1994, section 356.215, subdivision 4g, is amended to read:

Subd. 4g. [AMORTIZATION CONTRIBUTIONS.] (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation must contain an exhibit indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability. For funds governed by chapters 3A, 352, 352B, 352C, 353, 353C, 354, 354A, and 490, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared. For funds governed by chapter 3a, sections 352.90 to 352.951, chapter 352B, chapter 352C, sections 353.63 to 353.68, chapter 353C, chapter 354A, and chapter 490, the level percent additional contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds governed by sections 352.01 to 352.86 and chapter 354, the level percent additional contribution must be calculated assuming an annual payroll growth of five percent. For the fund governed by sections 353.01 to 353.46, the level percent additional contribution must be calculated assuming an annual payroll growth of six percent. For all other funds, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any fund other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the

established date for full funding for the first actuarial valuation made after June 1, 1989, and each successive actuarial valuation is the first actuarial valuation date occurring after June 1, 2020.

(c) For any fund or plan other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the fund must be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect before an applicable change;

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must be calculated using the interest assumption specified in subdivision 4d in effect before the change;

(iii) the unfunded actuarial accrued liability of the fund must be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 4d in effect after any applicable change;

(v) the level annual dollar or level percentage amortization contribution under item (iv) must be added to the level annual dollar amortization contribution or level percentage calculated under item (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 4d in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

(vii) the period determined under item (vi) must be added to the date as of which the actuarial valuation was prepared and the date obtained is the new established date for full funding.

(d) For the Minneapolis employees retirement fund, the established date for full funding is June 30, 2020.

(e) For the public employees retirement association police and fire fund, an excess of valuation assets over actuarial accrued liability will be amortized in the same manner over the same period as an unfunded actuarial accrued liability but will serve to reduce the required contribution instead of increasing it.

Sec. 16. Minnesota Statutes 1994, section 356.24, subdivision 1, is amended to read:

Subdivision 1. [RESTRICTION; EXCEPTIONS.] (a) It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a

supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;

(2) to a plan that provides solely for group health, hospital, disability, or death benefits~~.~~;

(3) to the individual retirement account plan established by sections 354B.01 to 354B.05;

~~(3)~~ (4) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

~~(4)~~ (5) for employees other than personnel employed by the state university board or the community college board and covered by section 354B.07, subdivision 1, ~~to:~~

~~(i) the state of Minnesota deferred compensation plan under section 352.96; or~~

~~(ii) payment of the applicable portion of the premium on a tax sheltered annuity contract qualified under section 403(b) of the federal Internal Revenue Code, purchased from a qualified insurance company;~~ if provided for in a personnel policy of the public employer or in the collective bargaining agreement ~~of~~ between the public employer ~~with~~ and the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of $2,000 a year per employee:

(i) to the state of Minnesota deferred compensation plan under section 352.96; or

(ii) in payment of the applicable portion of the premium on a tax-sheltered annuity contract qualified under section 403(b) of the Internal Revenue Code, if purchased from a qualified insurance company, and if the employing unit has complied with any applicable pension plan provisions of the Internal Revenue Code with respect to the tax-sheltered annuity program during the preceding calendar year; or

~~(5)~~ (6) for personnel employed by the state university board or the community college board and covered by sections 352D.02, subdivision 1a, and 354B.07, subdivision 1, to the supplemental retirement plan under sections 354B.07 to 354B.09, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of $2,000 a year for each employee.

(b) A qualified insurance company is a company that:

(1) meets the definition in section 60A.02, subdivision 4;

(2) is licensed to engage in life insurance or annuity business in the state;

(3) is determined by the commissioner of commerce to have a rating within the top two rating categories by a recognized national rating agency or organization that regularly rates insurance companies; and

(4) is determined by the state board of investment to be among the ten applicant insurance companies with competitive options and investment returns on annuity products. The state board of investment determination must be made on or before January 1, 1993, and must be reviewed periodically. The state board of investment may retain actuarial services to assist it in this determination and in its periodic review. The state board of investment may annually establish a budget for its costs in any determination and periodic review processes. The state board of investment may charge a proportional share of all costs related to the periodic review to those companies currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids in a determination process to each company selected by the state board of investment. All contracts must be approved before execution by the state board of

investment. The state board of investment shall establish policies and procedures under section 11A.04, clause (2), to carry out this paragraph.

(c) A personnel policy for unrepresented employees or a collective bargaining agreement may establish limits on the number of vendors under paragraph (b), clause ~~(4)~~ (5), that it will utilize and conditions under which the vendors may contact employees both during working hours and after working hours.

Sec. 17. Minnesota Statutes 1994, section 383B.48, is amended to read:

383B.48 [PURCHASE OF SHARES IN MINNESOTA SUPPLEMENTAL INVESTMENT FUND.]

At the time a person becomes eligible for coverage and elects to obtain coverage by the Hennepin county supplemental retirement program and ~~prior to July~~ before November 1 of each subsequent year, a participant in the Hennepin county supplemental retirement program shall indicate in writing on a form provided by the county of Hennepin the account of the Minnesota supplemental investment fund in which the participant wishes salary deductions and county matching contributions attributable to salary deductions to be invested for ~~that fiscal year~~ the subsequent 12-month period. For that ~~fiscal year~~ 12-month period the county of Hennepin shall purchase with the salary deductions and county matching funds attributable to the salary deductions shares in the appropriate account of the Minnesota supplemental investment fund in accordance with the indicated preferences of the participant. However, the county of Hennepin has the authority to determine which accounts of the Minnesota supplemental investment fund will be available for participant investment. The shares purchased ~~shall~~ must stand in the name of the county of Hennepin. A record ~~shall~~ must be kept by the county of Hennepin indicating the number of shares in each account of the Minnesota supplemental investment fund purchased with the salary deductions and county matching funds attributable to the salary deductions of each participant. The record ~~shall~~ must be known as the "participant's share account record." The participant's share account record ~~shall~~ must show, in addition to the number of shares ~~therein~~ in the account, any cash balance of salary deductions or county matching funds attributable to those deductions which stand uninvested in shares. At the option of the county of Hennepin, and subject to any terms and conditions established and communicated in writing by the county to a participant, the participant may designate no more often than once each ~~fiscal year~~ calendar quarter that prior salary deductions and county matching contributions attributable to the salary deductions ~~from prior fiscal years~~, together with any interest earned, be reinvested in another account of the Minnesota supplemental investment fund made available by the county of Hennepin.

Sec. 18. Minnesota Statutes 1994, section 383B.49, is amended to read:

383B.49 [SUPPLEMENTAL RETIREMENT BENEFITS; REDEMPTION OF SHARES.]

When requested to do so, in writing, on forms provided by the county, by a participant, surviving spouse, a guardian of a surviving child or ~~an estate~~ a personal representative, whichever is applicable, the county of Hennepin shall redeem shares in the accounts of the Minnesota supplemental investment fund standing in a participant's share account record under the following circumstances and in accordance with the laws and regulations governing the Minnesota supplemental investment fund:

(1) A participant who is no longer employed by the county of Hennepin ~~shall be~~ is entitled to receive the cash realized on the redemption of the shares to the credit of the participant's share account record of the person. The participant may request the redemption of all or a portion of the shares in the participant's share account record of the person, but may not request more than one redemption in any one calendar year. If only a portion of the shares in the participant's share account record is requested to be redeemed the person may request to redeem not less than 20 percent of the shares in any one calendar year and the redemption must be completed in no more than five years. An election is irrevocable except that a participant may request an amendment of the election to redeem all of the person's remaining shares. All requests under this paragraph are subject to application to and approval of the Hennepin county board, in its sole discretion.

(2) In the event of the death of a participant leaving a surviving spouse, the surviving spouse

~~shall be~~ is entitled to receive the cash realized on the redemption of all or a portion of the shares in the participant's share account record of the deceased spouse, but in no event may the spouse request more than one redemption in each calendar year. If only a portion of the shares in the participant's share account record is requested to be redeemed, the surviving spouse may request the redemption of not less than 20 percent of the shares in any one calendar year. Redemption must be completed in no more than five years. An election is irrevocable except that the surviving spouse may request an amendment of the election to redeem all of the participant's remaining shares. All requests under this paragraph are subject to application to and approval of the Hennepin county board, in ~~their~~ its sole discretion. Upon the death of the surviving spouse, any shares remaining in the participant's share account record ~~shall~~ must be redeemed by the county of Hennepin and the cash realized ~~therefrom~~ from the redemption distributed to the estate of the surviving spouse.

(3) In the event of the death of a participant leaving no surviving spouse, but leaving a minor surviving child or minor surviving children, the guardianship estate of the minor child is, or the guardianship estates of the minor children ~~shall be~~ are, entitled to receive the cash realized on the redemption of all shares to the credit of the participant's share account record of the deceased participant. In the event of minor surviving children, the cash realized ~~shall~~ must be paid in equal shares to the guardianship estates of the minor surviving children.

(4) In the event of the death of a participant leaving no surviving spouse and no minor surviving children, the estate of the deceased participant ~~shall be~~ is entitled to receive the cash realized on the redemption of all shares to the credit of the participant's share account record of the deceased participant.

Sec. 19. [FIRST CLASS CITY TEACHER PLANS; DETERMINING APPLICABLE LAW.]

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, the Minneapolis teachers retirement fund association, the St. Paul teachers retirement fund association, and the Duluth teachers retirement fund association shall amend the articles of incorporation or bylaws of the respective association. This authorization is to provide that an employee who has service credit in the basic plan of the Minneapolis teachers retirement fund association or the St. Paul teachers retirement fund association, or an employee with service credit in the Duluth teachers retirement fund association old law plan, who returns to covered service following a termination and who is not receiving a retirement annuity from the respective plan, must have earned at least 85 days of credited service following the return to covered service to be eligible for improved benefits resulting from any law change enacted subsequent to the termination.

Sec. 20. [INSTRUCTION TO REVISOR.]

In the next and subsequent issues of Minnesota Statutes, the revisor of statutes shall substitute "association" for "fund" in every instance where reference is to the teachers retirement organization in chapters 354 and 356. For purposes of this section, "organization" means the entity that administers the plans under chapter 354. The revisor shall substitute "fund" for "association" in every instance where reference is to the fund which receives contributions and is used to accumulate and invest assets to meet liabilities created by benefits offered under terms of the plan.

Sec. 21. [EFFECTIVE DATE.]

(a) Sections 1 to 9, 11, 12, 14, 15, and 20 are effective the day following final enactment.

(b) Sections 10, 13, and 19 are effective July 1, 1995.

(c) Section 16 is effective the day following final enactment and applies to tax-sheltered annuity programs receiving employer matching contributions in operation at any time during the 1995 calendar year.

ARTICLE 4

IRAP RECODIFICATION AND MODIFICATIONS

Section 1. Minnesota Statutes 1994, section 11A.23, subdivision 4, is amended to read:

Subd. 4. [COVERED RETIREMENT FUNDS AND PLANS.] The provisions of this section shall apply to the following retirement funds and plans:

(1) ~~State university and state community college~~ higher education board supplemental retirement plan established ~~pursuant to sections 354B.07 to 354B.09~~ under chapter 354C;

(2) state employees retirement fund established pursuant to chapter 352;

(3) correctional employees retirement plan established pursuant to chapter 352;

(4) state patrol retirement fund established pursuant to chapter 352B;

(5) unclassified employees retirement plan established pursuant to chapter 352D;

(6) public employees retirement fund established pursuant to chapter 353;

(7) public employees police and fire fund established pursuant to chapter 353;

(8) teachers' retirement fund established pursuant to chapter 354;

(9) judges' retirement fund established pursuant to chapter 490; and

(10) any other funds required by law to be invested by the board.

Sec. 2. Minnesota Statutes 1994, section 352D.02, subdivision 1, is amended to read:

Subdivision 1. [COVERAGE.] (a) Employees enumerated in paragraph (b), if they are in the unclassified service of the state or metropolitan council and are eligible for coverage under the general state employees retirement plan under chapter 352, are participants in the unclassified program under this chapter unless the employee gives notice to the executive director of the Minnesota state retirement system within one year following the commencement of employment in the unclassified service that the employee desires coverage under the general state employees retirement plan. For the purposes of this chapter, an employee who does not file notice with the executive director is deemed to have exercised the option to participate in the unclassified plan.

(b) Enumerated employees are:

(1) an employee in the office of the governor, lieutenant governor, secretary of state, state auditor, state treasurer, attorney general, or an employee of the state board of investment;

(2) the head of a department, division, or agency created by statute in the unclassified service, an acting department head subsequently appointed to the position, or an employee enumerated in section 15A.081, subdivision 1 or 15A.083, subdivision 4;

(3) a permanent, full-time unclassified employee of the legislature or a commission or agency of the legislature or a temporary legislative employee having shares in the supplemental retirement fund as a result of former employment covered by this chapter, whether or not eligible for coverage under the Minnesota state retirement system;

(4) a person ~~other than an employee of the state board of technical colleges~~ who is employed in a position established under section 43A.08, subdivision 1, clause (3), ~~or subdivision 1a,~~ or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;

(5) the regional administrator, or executive director of the metropolitan council, general counsel, division directors, operations managers, and other positions as designated by the council, all of which may not exceed 27 positions at the council~~;~~ and the chair, provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations may be made without approval of the board of directors of the Minnesota state retirement system;

(6) the executive director, associate executive director, and not to exceed nine positions of the higher education coordinating board in the unclassified service, as designated by the higher education coordinating board before January 1, 1992, or subsequently redesignated with the approval of the board of directors of the Minnesota state retirement system, unless the person has elected coverage by the individual retirement account plan under chapter 354B;

(7) the clerk of the appellate courts appointed under article VI, section 2, of the Constitution of the state of Minnesota;

(8) the chief executive officers of correctional facilities operated by the department of corrections and of hospitals and nursing homes operated by the department of human services;

(9) an employee whose principal employment is at the state ceremonial house;

(10) an employee of the Minnesota educational computing corporation;

(11) an employee of the world trade center board; and

(12) an employee of the state lottery board who is covered by the managerial plan established under section 43A.18, subdivision 3;

~~(13) an employee of the state board of technical colleges employed in a position established under section 43A.08, subdivision 1, clause (3), or 1a, unless the person has elected coverage by the individual retirement account plan under chapter 354B; and~~

~~(14) an employee of the higher education board in a position established under section 136E.04, subdivision 2, unless the person has elected coverage by the individual retirement account plan under chapter 354B.~~

Sec. 3. Minnesota Statutes 1994, section 354.05, subdivision 2a, is amended to read:

Subd. 2a. [EXCEPTIONS.] (a) Notwithstanding subdivision 2, a person specified in paragraph (b) is not a member of the fund except for purposes of social security coverage unless ~~(1) the person is covered by section 354B.02, subdivision 2, and remains a member of the fund for all purposes or, (2)~~ the person is covered by section ~~354B.02, subdivision 1 or 5, or 354B.035~~ 354B.21, and elects coverage by the teachers retirement association.

(b) A teacher is excluded from fund membership other than social security coverage under paragraph (a) if ~~first employed as:~~

~~(1) a teacher in the state university system after June 30, 1989;~~

~~(2) a teacher in the state community college system after June 30, 1989; or~~

~~(3) a teacher in a technical college authorized under chapter 136C or 136D after June 30, 1995~~ the person is covered by the individual retirement account plan established under chapter 354B.

Sec. 4. Minnesota Statutes 1994, section 354A.011, subdivision 27, is amended to read:

Subd. 27. [TEACHER.] "Teacher" means any person who renders service in a public school district located in the corporate limits of one of the cities of the first class which was so classified on January 1, 1979, as any of the following:

(a) a full-time employee in a position for which a valid license from the state department of education is required;

(b) an employee of the teachers retirement fund association located in the city of the first class unless the employee has exercised the option pursuant to Laws 1955, chapter 10, section 1, to retain membership in the Minneapolis employees retirement fund established pursuant to chapter 422A;

(c) a part-time employee in a position for which a valid license from the state department of education is required; or

(d) a part-time employee in a position for which a valid license from the state department of education is required who also renders other nonteaching services for the school district unless the board of trustees of the teachers retirement fund association determines that the combined employment is on the whole so substantially dissimilar to teaching service that the service shall not be covered by the association.

The term shall not mean any person who renders service in the school district as any of the following:

(1) an independent contractor or the employee of an independent contractor;

(2) an employee who is a full-time teacher covered by another teachers retirement fund association established pursuant to this chapter or chapter 354;

(3) an employee exempt from licensure pursuant to section 125.031; ~~or~~

(4) an employee who is a teacher in a technical college located in a city of the first class unless the person elects coverage by the applicable first class city teacher retirement fund association under section ~~354B.02~~ 354B.21, subdivision ~~1, or 354B.035~~ 2; or

(5) an employee who is a part-time teacher in a technical college in a city of the first class and who has elected coverage by the applicable first class city teacher retirement fund association under section 354B.21, subdivision 2, but (1) the teaching service is incidental to the regular nonteaching occupation of the person; (2) the applicable technical college stipulates annually in advance that the part-time teaching service will not exceed 300 hours in a fiscal year; and (3) the part-time teaching actually does not exceed 300 hours in the fiscal year to which the certification applies.

Sec. 5. [354B.20] [DEFINITIONS.]

Subdivision 1. [IN GENERAL.] Unless the content or subject matter indicates otherwise, as used in this chapter, the terms in this section have the meanings given them.

Subd. 2. [BOARD.] "Board" means the higher education board.

Subd. 3. [CHANCELLOR.] "Chancellor" means the chancellor of the board.

Subd. 4. [COVERED EMPLOYMENT.] (a) "Covered employment" means employment by a person eligible for coverage by this retirement program under section 354B.21 in a faculty position or in an eligible unclassified administrative position.

(b) "Covered employment" does not mean employment specified in paragraph (a) by a faculty member employed in a state university or a community college if the person's initial appointment is specified as constituting less than 25 percent of a full academic year, exclusive of summer session, for the applicable institution.

Subd. 5. [COVERED SALARY.] (a) "Covered salary" means the periodic compensation paid to the participant before deductions for deferred compensation, supplemental retirement coverage, or other voluntary salary reduction program.

(b) "Covered salary" does not mean lump sum sick leave payments, severance payments, payments in lieu of employer-paid group insurance coverage, payments based on differences between single employer-paid group insurance coverage and insurance coverage including dependents, or workers' compensation payment.

Subd. 6. [ELIGIBLE UNCLASSIFIED ADMINISTRATIVE POSITION.] "Eligible unclassified administrative position" means the following:

(1) the chancellor of the board;

(2) a president of a state college or university; or

(3) an excluded administrator employed in a state university or college by the board or by the higher education coordinating board.

Subd. 7. [EMPLOYING UNIT.] "Employing unit," if the agency employs any persons covered by the individual retirement account plan under section 354B.21, means:

(1) the board;

(2) the higher education coordinating board; and

(3) the higher education facilities authority.

Subd. 8. [FACULTY.] "Faculty" means an employment position that meets the definition of either section 354.05, subdivision 2, or 354A.011, subdivision 27.

Subd. 9. [FIRST CLASS CITY TEACHER RETIREMENT FUND ASSOCIATION.] "First class city teacher retirement fund association" means a retirement plan, fund, and plan administration established under chapter 354A.

Subd. 10. [GENERAL STATE EMPLOYEES RETIREMENT PLAN.] "General state employees retirement plan" means the retirement plan administered by the Minnesota state retirement system and governed by sections 352.01 to 352.73.

Subd. 11. [HIGHER EDUCATION BOARD.] "Higher education board" means the governing board for the state universities, the community colleges, and the technical colleges established by section 136E.01.

Subd. 12. [PARTICIPANT.] "Participant" means a person who is employed in covered employment by the board and who elects coverage by the plan under section 354B.21.

Subd. 13. [PLAN.] "Plan" means the individual retirement account plan established by this chapter.

Subd. 14. [PLAN ADMINISTRATOR.] "Plan administrator" means the board employee or an independent contract agent designated by the board to perform the primary administrative functions relating to the plan.

Subd. 15. [SABBATICAL LEAVE.] "Sabbatical leave" means a sabbatical leave as specified in the applicable collective bargaining agreement or personnel policy of the board for its employees.

Subd. 16. [STATE UNCLASSIFIED EMPLOYEES RETIREMENT PROGRAM.] "State unclassified employees retirement program" means the retirement program established by chapter 352D.

Subd. 17. [SUPPLEMENTAL PLAN.] "Supplemental plan" means the retirement program established by chapter 354C.

Subd. 18. [TEACHERS RETIREMENT PLAN.] "Teachers retirement plan" means the retirement plan established by chapter 354.

Sec. 6. [354B.21] [COVERAGE.]

Subdivision 1. [ELIGIBILITY.] The following persons are eligible to have coverage by the individual retirement account plan and to be participants in the plan:

(1) employees of the board who are employed as faculty in an employment classification included in the state university instructional unit, the community college instructional unit, or the technical college instructional unit under section 179A.10, subdivision 2;

(2) the chancellor and employees of the board in eligible unclassified administrative positions;

(3) the employees in eligible unclassified administrative positions in the state universities;

(4) the employees in eligible unclassified administrative positions in the technical colleges; and

(5) the employees in eligible unclassified administrative positions of the higher education coordinating board or of the community colleges.

Subd. 2. [COVERAGE; ELECTION.] (a) An eligible person is entitled to elect coverage by the plan. If the eligible person does not make a timely election of coverage by the plan, the person has the coverage specified in subdivision 3.

(b) For eligible persons who were employed by the former state university system or the former community college system before May 1, 1995, the person has the retirement coverage that the person had for employment immediately before May 1, 1995.

(c) For all other eligible persons, the election of coverage must be made within 90 days of the date of enactment of this act or 90 days of the start of covered employment, whichever occurs later.

Subd 3. [DEFAULT COVERAGE.] If an eligible person fails to elect coverage by the plan under subdivision 2 or if the person fails to make a timely election, the following retirement coverage applies:

(1) for employees of the board who are employed in faculty positions in the state universities or in the community colleges, the retirement coverage is by the plan established by this chapter;

(2) for employees of the board who are employed in faculty positions in the technical colleges, the retirement coverage is by the teachers retirement association established under chapter 354, unless the employee was a member of a first class city teacher retirement fund established under chapter 354A on June 30, 1995, and then the retirement coverage is by the Duluth teachers retirement fund association if the person was a member of that plan on June 30, 1995, or the Minneapolis teachers retirement fund association if the person was a member of that plan on June 30, 1995, or the St. Paul teachers retirement fund association if the person was a member of that plan on June 30, 1995; and

(3) for employees of the board who are employed in eligible unclassified administrative positions, the retirement coverage is by the plan established by this chapter.

Subd. 3a. [CONTINUATION OF PLAN COVERAGE IN CERTAIN INSTANCES.] For a person with retirement coverage by a first class city teacher retirement fund association instead of the individual retirement account plan under subdivision 3, clause (2), coverage by the retirement fund association continues for the duration of the person's employment by the higher education board unless, within 90 days of a change in employment within the Minnesota state colleges and universities system, the person elects the individual retirement account plan for all future employment by the higher education board.

Subd. 3b. [COVERAGE OF CERTAIN FORMER TECHNICAL COLLEGE FACULTY MEMBERS.] A person who was employed as a teacher by a technical college before July 1, 1995, and who subsequently is reclassified into a different employment position while continuing to perform the same or essentially the same employment duties and consequently shifts from the technical college instructional collective bargaining unit to another state collective bargaining unit retains coverage by the teachers retirement association or the applicable first class city teachers retirement fund association, whichever applies.

Subd. 3c. [ELECTION OF TRA COVERAGE IN CERTAIN INSTANCES.] (a) A person who was employed as a teacher by a technical college before July 1, 1995, and who has retirement coverage for that technical college teacher employment by a first class city teacher retirement fund association under chapter 354A may elect to have future higher education system teacher employment retirement coverage by the teacher retirement association governed by chapter 354.

(b) The election to transfer prospective retirement coverage under paragraph (a) must be made by the technical college teacher by October 1, 1995, or within 90 days of initially being employed by the higher education system, whichever is later. The election must be made in writing on a form prescribed by the executive director of the teachers retirement association. The election, once filed with the executive director of the teachers retirement association, is irrevocable.

(c) An election to transfer prospective retirement coverage under paragraph (a) does not affect prior allowable service credit under section 354A.011, subdivision 4. The transfer of prospective retirement coverage does not make the person eligible for a refund of member contributions during the course of the person's employment by the higher education system.

Subd. 4. [COVERAGE IN THE EVENT OF ACTING, INTERIM, OR TEMPORARY APPOINTMENTS.] (a) A person previously employed by the board and subsequently appointed

by the board to an acting, interim, or temporary faculty or eligible unclassified administrative position by the board retains the retirement coverage that the person had in the prior board position. If the participant's status becomes permanent, the participant has the option to make an election of retirement coverage appropriate to the retirement plan in which the employment position should have retirement coverage consistent with subdivision 2.

(b) A person who is appointed to an acting, interim, or temporary faculty position by the board and who was not employed in a faculty position by the board immediately before that appointment must elect coverage as provided in subdivision 2.

Subd. 5. [PAYMENT FOR CERTAIN PRIOR UNCOVERED SERVICE.] (a) A person employed in a faculty position by the board who was initially excluded from participation in the individual retirement account plan coverage, who was not covered by any other Minnesota public pension plan for that service, and who is subsequently eligible to participate in the individual retirement account plan may make member contributions for that period of prior uncovered teaching employment or eligible unclassified administrative employment with the board.

(b) The member contributions for prior uncovered board service are the amount that the person would have paid if the prior service had been covered employment. The payment must be made to the individual retirement account plan administrator and may be made only by payroll deduction. The payment must be made by the later of:

(1) 45 days of the start of covered employment; or

(2) the end of the fiscal year in which covered employment began.

(c) The board must contribute an amount to match any contribution made by a plan participant under this subdivision.

(d) Payments of contributions for prior uncovered board service under this subdivision must be invested in the same manner as the regular contributions made by or on behalf of the plan participant.

Subd. 6. [CONTINUATION OF COVERAGE.] Once a person is employed in a position that qualifies for participation in the individual retirement account plan and elects to participate in the plan, all subsequent service by the person as a faculty member employed by the board or other employing unit is covered by the individual retirement account plan.

Sec. 7. [354B.22] [IRAP COVERAGE IN ADDITION TO SOCIAL SECURITY COVERAGE.]

Subdivision 1. [SOCIAL SECURITY COVERAGE.] (a) An employee of the board or other employing unit who elects coverage by this chapter is a member of the teachers retirement association solely for purposes of coverage by the federal old age, survivors, disability and health insurance program, and is covered by the agreement made under section 355.02.

(b) A person with federal social security coverage through teachers retirement association membership under paragraph (a) is not a member of the teachers retirement association for any other purpose while employed as a teacher by the board, and membership in the teachers retirement association for this limited purpose conveys no rights or benefit entitlement under chapter 354.

Subd. 2. [PUBLIC PENSION COVERAGE AS CONDITION OF EMPLOYMENT.] Coverage by a public pension plan under section 354B.21 is a condition of initial employment or continued employment as a faculty member or eligible unclassified administrative position by the board or other employing unit.

Sec. 8. [354B.23] [CONTRIBUTIONS.]

Subdivision 1. [MEMBER CONTRIBUTION RATE.] (a) Except as provided in paragraph (b), the member contribution rate for participants in the individual retirement account plan is 4.5 percent of salary.

(b) For participants in the individual retirement account plan who were otherwise eligible to elect retirement coverage in the state unclassified employees retirement program, the member contribution rate is the rate specified in section 352D.04, subdivision 2, paragraph (a).

Subd. 2. [MEMBER CONTRIBUTION METHOD.] Member contributions must be made by payroll deduction each pay period.

Subd. 3. [EMPLOYER CONTRIBUTION RATE.] The employer contribution rate on behalf of participants in the individual retirement account plan is six percent of salary.

Subd. 4. [EMPLOYER CONTRIBUTION METHOD.] The employer contribution must be made by the employing unit of a plan participant during each pay period. The employer contribution must be made from the available revenue sources of the employing unit.

Subd. 5. [OMITTED MEMBER DEDUCTIONS.] (a) If the employing unit that employs a plan participant fails to deduct the member contribution from the participant's salary and a period of less than 60 days from the date on which the deduction should have been made has elapsed, the employing unit must obtain the omitted member deduction by an additional payroll deduction during the pay period next following the discovery of the omission.

(b) If the employing unit of a plan participant fails to deduct the member contribution from the participant's salary and that omission continues for at least 60 days from the date on which the deduction should have been made, the employing unit must pay the amount representing the omitted member contribution and the full required employer contribution, plus compound interest at an annual rate of 8.5 percent. The contributions and any interest must be made within one year of the date on which the omission was discovered.

Subd. 6. [TRANSFER OF CERTAIN TRA MEMBER CONTRIBUTION AMOUNTS TO IRAP.] (a) Notwithstanding any provisions of chapter 354 to the contrary, a former member of the teachers retirement association who has less than three years of allowable service credit under section 354.05, subdivision 13, and who is a member of the individual retirement account plan may elect to transfer to the plan an amount equal to the refund that the person could have received under section 354.49, subdivision 2, if the person had been eligible to receive a refund.

(b) The transfer must be made from the teachers retirement association directly to the individual retirement account plan and credited to the appropriate account.

(c) No amount under this subdivision may be paid directly to the former teachers retirement association member.

(d) The election of this transfer must be made on a form prescribed by the executive director of the teachers retirement association, after consultation with the plan administrator.

Sec. 9. [354B.24] [SABBATICAL LEAVE.]

Subdivision 1. [CONTINUATION OF COVERAGE.] A person who is a participant in the individual retirement plan and who goes on an approved sabbatical leave remains a participant in the plan for any period during which the person receives a salary from the board or during which the person makes an optional contribution provided for in subdivision 3.

Subd. 2. [MANDATORY CONTRIBUTIONS.] (a) From the salary paid to the person during the course of an approved sabbatical leave, the employing unit must deduct a member contribution as required under section 354B.23, subdivision 1.

(b) The employing unit must make the employer contribution on behalf of the plan participant as provided in section 354B.23, subdivision 3.

Subd. 3. [OPTIONAL ADDITIONAL CONTRIBUTIONS.] (a) A plan participant on an approved sabbatical leave may make an optional additional member contribution. The optional additional member may not exceed the applicable member contribution rate specified in section 354B.23, subdivision 1, applied to the difference between the amount of salary actually received during the sabbatical leave and the amount of salary actually received for a comparable period of an identical length to the sabbatical leave that occurred during the fiscal year immediately preceding the sabbatical leave.

(b) Any optional additional member contribution must be made before the last day of the fiscal year following the fiscal year in which the sabbatical leave terminates. The optional additional member contribution may not include interest.

(c) When an optional additional member contribution is made, the employing unit must make the employer contribution at the rate specified in section 354B.23, subdivision 3, on the salary that was the basis for the optional additional member contribution under paragraph (a).

(d) An employer contribution required under this section must be made no later than 60 days after the date on which the optional additional member contribution was made.

Subd. 4. [REINSTATEMENT RIGHTS.] Notwithstanding the provisions of any sabbatical leave agreements, regular and optional additional member contributions and employer contributions under this section are permissible only if the plan participant retains the right to full reinstatement to an employment position with the applicable employing unit both during and at the conclusion of the sabbatical leave.

Sec. 10. [354B.25] [INDIVIDUAL RETIREMENT ACCOUNT PLAN ADMINISTRATION.]

Subdivision 1. [GENERAL GOVERNANCE.] The individual retirement account plan is the administrative responsibility of the higher education board. The higher education board may administer the plan directly or may contract out for administrative services with a qualified third-party plan administrative entity.

Subd. 2. [ANNUITY CONTRACTS AND CUSTODIAL ACCOUNTS.] (a) The plan administrator shall arrange for the purchase of fixed annuity contracts, variable annuity contracts, a combination of fixed and variable annuity contracts, or custodial accounts from financial institutions that have been selected by the state board of investment under subdivision 3 as the investment vehicle for the retirement coverage of plan participants and to provide retirement benefits to plan participants. Custodial accounts from financial institutions must include open-end investment companies registered under the federal Investment Company Act of 1940, as amended.

(b) The annuity contracts or accounts must be purchased with contributions under section 354B.23 or with money or assets otherwise provided by law by authority of the board and deemed acceptable by the applicable financial institution.

(c) In addition to contracts and accounts from financial institutions, the Minnesota supplemental investment fund established under section 11A.17 and administered by the state board of investment is one of the investment options for the individual retirement account plan.

Subd. 3. [SELECTION OF FINANCIAL INSTITUTIONS.] (a) The state board of investment shall select the financial institutions provided for under subdivision 2. Financial institutions include open-end investment companies registered under the federal Investment Company Act of 1940, as amended.

(b) The state board of investment may select up to five financial institutions to provide annuity contracts, custodial accounts, or a combination as investment options for the individual retirement account plan in addition to the Minnesota supplemental investment fund. In making its selection, at a minimum, the state board of investment shall consider at least the following:

(1) the experience and ability of the financial institution to provide retirement and death benefits that are suited to meet the needs of plan participants;

(2) the relationship of those retirement and death benefits provided by the financial institution to their cost; and

(3) the financial strength and stability of the financial institution.

(c) After selecting a financial institution, the state board of investment shall periodically review each financial institution selected under paragraph (b). The periodic review must occur at least every three years. The state board of investment may retain appropriate consulting services to assist it in its periodic review, may establish a budget for the cost of the periodic review process, and may charge a proportional share of these costs to the reviewed financial institution.

(d) Contracts with financial institutions under this section must be executed by the board and must be approved by the state board of investment before execution.

(e) The state board of investment shall also establish policies and procedures under section 11A.04, clause (2), to carry out the provisions of this subdivision.

Subd. 4. [BENEFIT OWNERSHIP.] The retirement benefits provided by the annuity contracts and custodial accounts of the individual retirement account plan are held for the benefit of plan participants and must be paid according to this chapter and of the plan document.

Subd. 5. [INDIVIDUAL RETIREMENT ACCOUNT PLAN ADMINISTRATIVE EXPENSES.] (a) The reasonable and necessary administrative expenses of the individual retirement account plan must be paid by plan participants in the following manner:

(1) from plan participants with amounts invested in the Minnesota supplemental investment fund, the plan administrator may charge an administrative expense assessment as provided in section 11A.17, subdivisions 10a and 14; and

(2) from plan participants with amounts through annuity contracts and custodial accounts purchased under subdivision 2, paragraph (a), the plan administrator may charge an administrative expense assessment of a designated amount, not to exceed two percent of member and employer contributions, as those contributions are made.

(b) Any administrative expense charge that is not actually needed for the administrative expenses of the individual retirement account plan must be refunded to member accounts.

Sec. 11. [354B.26] [DEFERRED ANNUITY ENTITLEMENT FOR CERTAIN FORMER TRA MEMBERS.]

Notwithstanding any provision of chapter 354 to the contrary, a person covered by this chapter who had less than three years of prior allowable service credit in the teachers retirement association is entitled to a deferred annuity and augmentation under section 354.55, subdivision 11.

Sec. 12. [354B.30] [PROHIBITION ON LOANS OR PRETERMINATION DISTRIBUTIONS.]

(a) No participant may obtain a loan from the plan or obtain any distribution from the plan before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, are subject to state estate tax, or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.611.

Sec. 13. [354C.10] [SUPPLEMENTAL PLAN.]

The supplemental retirement plan for certain employees of the higher education board is the continuation of the plan established by Laws 1967, chapter 808, sections 1 to 6, as amended.

Sec. 14. [354C.11] [COVERAGE.]

Personnel employed by the higher education board who are in the unclassified service of the state and who have completed at least two years of employment by the board or a predecessor board with a full-time contract are participants in the supplemental retirement plan, effective on the following July 1, if the person is employed in an eligible unclassified administrative position as defined in section 354B.20, subdivision 6, or is employed in an employment classification included in one of the following collective bargaining units under section 179A.10, subdivision 2:

(1) the state university instructional unit;

(2) the community college instructional unit;

(3) the technical college instructional unit; or

(4) the state university administrative unit.

Sec. 15. [354C.12] [SALARY DEDUCTIONS AND MATCHING EMPLOYER CONTRIBUTIONS.]

Subdivision 1. [BASIC CONTRIBUTIONS AND DEDUCTIONS.] (a) The employer of personnel covered by the supplemental retirement plan as provided in section 354C.11 shall deduct a sum equal to five percent of the annual salary of the person between $6,000 and $15,000.

(b) The basic contribution deduction must be made in the same manner as other retirement deductions are made from the salary of the person under section 352.04, subdivision 4; 352D.04, subdivision 2; 354.42, subdivision 2; or 354A.12, whichever applies.

(c) The employer shall also make a contribution to the supplemental retirement plan on behalf of covered personnel equal to the salary deduction made under paragraph (a).

Subd. 2. [OMITTED DEDUCTIONS.] If the employer of personnel covered by the supplemental retirement plan as provided in section 354C.11 fails to deduct the member basic contribution from the covered employee's salary and a period of less than 60 days from the date on which the deduction should have been made has elapsed, the employer shall obtain the omitted member deduction by an additional payroll deduction during the pay period following the discovery of the omission. If the employer fails to deduct the member basic contribution from the covered employee's salary and that omission continues for at least 60 days from the date on which the member basic contribution deduction should have been made, the employer shall pay the amount representing the omitted member basic contribution and the full required omitted employer basic contribution, plus compound interest at an annual rate of 8.5 percent. The contributions must be made within one year of the date on which the omission was discovered.

Subd. 3. [ADDITIONAL DEDUCTIONS AND CONTRIBUTIONS.] If an agreement is made under section 356.24 for an additional employee deduction and an additional matching employer contribution, an amount equal to the additional employee contribution must be deducted from the employee's salary above $15,000. The employer must match the additional employee contribution deduction.

Subd. 4. [ADMINISTRATIVE EXPENSES.] The higher education board is authorized to pay the necessary and reasonable administrative expenses of the supplemental retirement plan. The administrative fees or charges must be paid by participants in the following manner:

(1) from participants whose contributions are invested with the state board of investment, the plan administrator may recover administrative expenses in the manner provided by section 11A.17, subdivisions 10a and 14; or

(2) from participants where contributions are invested through contracts purchased from any other authorized source, the plan administrator may assess an amount of up to two percent of the employee and employer contributions.

Any recovered or assessed amounts that are not needed for the necessary and reasonable administrative expenses of the plan must be refunded to member accounts.

Sec. 16. [354C.13] [ADMINISTRATION.]

The higher education board shall administer the supplemental retirement plan.

Sec. 17. [354C.14] [INVESTMENT OF DEDUCTIONS AND CONTRIBUTIONS.]

(a) The higher education board shall invest the deductions and contributions under section 354C.12, after deduction of administrative expenses under section 354C.12, subdivision 4, in annuity contracts or custodial accounts from financial institutions selected by the state board of investment under section 354B.25, subdivision 3.

(b) The retirement contributions and death benefits provided by annuity contracts or custodial accounts purchased by the higher education board are owned by the supplemental retirement plan and must be paid in accordance with those annuity contracts or custodial account agreements.

Sec. 18. [354C.15] [REDEMPTION OF SUPPLEMENTAL INVESTMENT FUND SHARES.]

(a) The higher education board shall redeem all shares in the accounts of the Minnesota supplemental investment fund held on behalf of personnel covered by the supplemental retirement plan upon the election by the person of an investment option other than the supplemental investment fund, except as provided in paragraph (b).

(b) The redemption of shares in the fixed interest account attributable to a guaranteed investment contract as of July 1, 1994, may not occur until the expiration date of the applicable guaranteed investment contract.

(c) The higher education board shall transfer the cash realized from a redemption of Minnesota supplemental investment fund shares to the financial institution or institutions selected by the state board of investment under section 354B.25, subdivision 3.

Sec. 19. [354C.16] [PAYMENT OF BENEFITS.]

(a) The withdrawal of member contributions, employer contributions and accrued investment income, or a retirement benefit based on those amounts, is payable immediately upon the death or termination of employment of the employee.

(b) An application by the employee or made on behalf of the employee by an appropriate third party must be filed before any payment of benefits may occur.

Sec. 20. [354C.165] [PROHIBITION ON LOANS OR PRETERMINATION DISTRIBUTIONS.]

(a) No participant may obtain a loan from the plan or obtain any distribution from the plan before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, are subject to state estate tax, or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.611.

Sec. 21. [354C.17] [TAX SHELTER PROVISIONS.]

Subdivision 1. [AGREEMENTS; SALARY ADJUSTMENTS.] For the purpose of permitting participation in a tax shelter for employment income under the applicable pension provisions of the Internal Revenue Code, the higher education board may enter into agreements with its employees to reduce or to adjust downward the salaries for persons covered by the supplemental retirement plan under section 354C.11, and to pay as the employer an amount equivalent to the salary reduction or the salary downward adjustment in the same manner as deductions would have been paid by the employee under section 354C.12, subdivision 1.

Subd. 2. [RULES.] The higher education board may adopt rules and procedures consistent with this chapter to permit, if possible, participation in a tax shelter under the applicable provisions of the Internal Revenue Code.

Sec. 22. [354C.18] [RULES.]

(a) The higher education board may adopt rules to administer this chapter.

(b) The higher education board may deposit member contributions in a nontreasury account established under chapter 136, an account or accounts established under section 11A.17, or other appropriate accounts operated by the state board of investment for investment under procedures established by the state board of investment.

Sec. 23. Minnesota Statutes 1994, section 355.61, is amended to read:

355.61 [SOCIAL SECURITY COVERAGE FOR CERTAIN ~~STATE UNIVERSITY OR COMMUNITY COLLEGE~~ FACULTY MEMBERS EMPLOYED BY THE HIGHER EDUCATION BOARD.]

Plan participants ~~under section 354B.02, subdivision 1,~~ and persons electing participation under section ~~354B.02, subdivision 2 or 3,~~ 354B.21 remain members of the teachers retirement association for purposes of social security coverage only, and remain covered by the applicable agreement entered into under section 355.02, but are not members of the teachers retirement association for any other purpose while employed in covered employment.

Sec. 24. Minnesota Statutes 1994, section 356.24, subdivision 1, is amended to read:

Subdivision 1. [RESTRICTION; EXCEPTIONS.] (a) It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;

(2) to a plan that provides solely for group health, hospital, disability, or death benefits, to the individual retirement account plan established by ~~sections 354B.01 to 354B.05~~ chapter 354B;

(3) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

(4) for employees other than personnel employed by the state university board or the community college board and covered by ~~section 354B.07, subdivision 1~~ the higher education board supplemental retirement plan under chapter 354C, to:

(i) the state of Minnesota deferred compensation plan under section 352.96; or

(ii) payment of the applicable portion of the premium on a tax sheltered annuity contract qualified under section 403(b) of the federal Internal Revenue Code, purchased from a qualified insurance company; if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of $2,000 a year per employee; or

(5) for personnel employed by the state university board or the community college board and not covered by ~~sections 352D.02, subdivision 1a, and 354B.07, subdivision 1~~ clause (4), to the supplemental retirement plan under ~~sections 354B.07 to 354B.09~~ chapter 354C, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of $2,000 a year for each employee.

(b) A qualified insurance company is a company that:

(1) meets the definition in section 60A.02, subdivision 4;

(2) is licensed to engage in life insurance or annuity business in the state;

(3) is determined by the commissioner of commerce to have a rating within the top two rating categories by a recognized national rating agency or organization that regularly rates insurance companies; and

(4) is determined by the state board of investment to be among the ten applicant insurance companies with competitive options and investment returns on annuity products. The state board of investment determination must be made on or before January 1, 1993, and must be reviewed periodically. The state board of investment may retain actuarial services to assist it in this determination and in its periodic review. The state board of investment may annually establish a budget for its costs in any determination and periodic review processes. The state board of investment may charge a proportional share of all costs related to the periodic review to those companies currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids in a determination process to each company selected by the state

board of investment. All contracts must be approved before execution by the state board of investment. The state board of investment shall establish policies and procedures under section 11A.04, clause (2), to carry out this paragraph.

(c) A personnel policy for unrepresented employees or a collective bargaining agreement may establish limits on the number of vendors under paragraph (b), clause (4), that it will utilize and conditions under which the vendors may contact employees both during working hours and after working hours.

Sec. 25. [NO EFFECT ON CURRENT COVERAGE AND PRIOR SERVICE CREDIT AND CONTRIBUTIONS.]

(a) Nothing in sections 5 to 14 is intended to remove any current participant in the individual retirement account plan from future coverage by that plan for continued employment in the same employment position or to add any person to individual retirement account plan coverage or eligibility who was not eligible for that coverage under the laws in effect before July 1, 1995.

(b) Nothing in sections 5 to 14 may be construed to disqualify any period of employment covered by the individual retirement account plan or to disqualify any contributions to the credit of participants in the individual retirement account plan as reflected in plan records as of June 30, 1995.

Sec. 26. [NO EFFECT ON CURRENT COVERAGE AND PRIOR SERVICE CREDIT AND CONTRIBUTIONS.]

(a) Nothing in this recodification article is intended to affect the eligibility for coverage or the coverage by the supplemental retirement plan of any person covered by that plan on June 30, 1995.

(b) Nothing in this recodification article may be construed to disqualify any contributions to the credit of any person covered by the supplemental retirement plan as reflected in plan records as of June 30, 1995.

Sec. 27. [EFFECT OF UNCLASSIFIED PROGRAM COVERAGE CHANGE.]

The change in eligibility for retirement coverage by the unclassified employees retirement program of the Minnesota state retirement system provided for in sections 2; 6, subdivision 3; and 30, paragraph (d), may not be interpreted to disqualify from future retirement coverage by the unclassified employees retirement program any person who is a member of the unclassified employees retirement program on the date of enactment and may not be interpreted to disqualify from eligibility to elect future retirement coverage by the unclassified employees retirement program any person who was employed in state service any time before the date of enactment and who subsequently is employed in an eligible unclassified administrative position under section 5, subdivision 6.

Sec. 28. [INSTRUCTION TO REVISOR.]

In Minnesota Statutes 1995 Supplement and subsequent editions, the revisor of statutes shall correct any references to any provision of Minnesota Statutes, chapter 136E, in this article, replacing the incorrect reference with the appropriate reference.

Sec. 29. [INSTRUCTION TO REVISOR.]

In Minnesota Statutes 1995 Supplement and subsequent editions, the revisor of statutes shall renumber as chapter 354D the professional and supervisory employee individual retirement account law that is currently coded as chapter 354C and shall appropriately revise any statutory cross-references to conform with that recoding.

Sec. 30. [REPEALER.]

(a) Minnesota Statutes 1994, sections 354B.01; 354B.015; 354B.02; 354B.035; 354B.04; 354B.045; 354B.05; and 354B.15, are repealed.

(b) Laws 1990, chapter 570, article 3, sections 10 and 11, as amended by Laws 1992, chapter 420, section 1, and Laws 1993, chapter 239, article 2, section 7; Laws 1993, chapters 192, section 89; and 239, article 5, section 2; and Laws 1994, chapters 508, article 1, section 14; and 572, sections 11 and 12, are repealed.

(c) Minnesota Statutes 1994, sections 354B.06; 354B.07; 354B.08; 354B.085; and 354B.09, are repealed.

(d) Minnesota Statutes 1994, section 352D.02, subdivision 1a, is repealed.

Sec. 31. [EFFECTIVE DATE.]

Sections 1 to 30 are effective July 1, 1995."

Delete the title and insert:

"A bill for an act relating to retirement; various public pension plans; providing for the suspension or forfeiture of certain survivor benefits in the event of certain felonious deaths; making various individual and small group pension accommodations; making various pension plan administrative changes; recodifying the individual retirement account plan and making various other modifications; amending Minnesota Statutes 1994, sections 11A.23, subdivision 4; 352.12, subdivisions 1, 2, 2a, and 6; 352B.105; 352D.02, subdivision 1; 354.05, subdivisions 2a, 5, 35, and 40; 354.06, subdivision 4; 354.44, by adding a subdivision; 354.52, subdivision 4a; 354A.011, subdivision 27; 354A.12, subdivision 3d; 354A.31, by adding a subdivision; 355.61; 356.215, subdivisions 4d and 4g; 356.24, subdivision 1; 383B.48; and 383B.49; proposing coding for new law in Minnesota Statutes, chapters 354B; 354C; and 356; repealing Minnesota Statutes 1994, sections 352D.02, subdivision 1a; 354B.01; 354B.015; 354B.02; 354B.035; 354B.04; 354B.045; 354B.05; 354B.06; 354B.07; 354B.08; 354B.085; 354B.09; and 354B.15; Laws 1990, chapter 570, article 3, sections 10 and 11, as amended; Laws 1993, chapters 192, section 89; and 239, article 5, section 2; and Laws 1994, chapters 508, article 1, section 14; and 572, sections 11 and 12."

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

Ms. Flynn from the Committee on Judiciary, to which was re-referred

S.F. No. 164: A bill for an act relating to insurance; health plans; prohibiting provisions that grant the health carrier a subrogation right, except where the covered person has been fully compensated from another source; proposing coding for new law in Minnesota Statutes, chapter 62A.

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

Page 1, line 18, delete everything after "that"

Page 1, delete lines 19 and 20

Page 1, line 21, delete "other sources" and insert "it applies only after the covered person has received a full recovery from another source"

Page 1, line 23, after "subtraction" insert "for actual monies paid"

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

Ms. Flynn from the Committee on Judiciary, to which was referred

S.F. No. 1407: A bill for an act relating to cooperatives; permitting certain optional voting systems for cooperatives that have other cooperatives as members; amending Minnesota Statutes 1994, sections 308A.131, subdivision 1; 308A.635, subdivision 1; and 308A.641.

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

Page 3, line 17, delete "authorize by the articles or the bylaws"

Page 3, line 18, delete "for" and insert ", by the articles or the bylaws, authorize the delegates elected by"

Page 3, line 22, delete "member" and insert "members in the voting units"

Page 3, line 24, delete "member" and insert "members of the voting units"

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

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was referred

H.F. No. 528: A bill for an act relating to telecommunications; restricting eligibility for communication device for communication-impaired person in a residential care facility when the facility already provides or is required to provide comparable telephone service; amending Minnesota Statutes 1994, section 237.53, subdivision 2.

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 1994, section 237.52, subdivision 3, is amended to read:

Subd. 3. [COLLECTION.] Every telephone company ~~providing local service~~ or communications carrier that provides service capable of originating a telecommunications relay call, including cellular communications and other nonwire access services, in this state shall collect the charges established by the commission under subdivision 2 and transfer amounts collected to the commissioner of administration in the same manner as provided in section 403.11, subdivision 1, paragraph (c). The commissioner of administration must deposit the receipts in the fund established in subdivision 1.

Sec. 2. Minnesota Statutes 1994, section 237.53, subdivision 2, is amended to read:

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

(1) ~~at least five years of age~~ able to benefit from and use the equipment for its intended purpose;

(2) communication impaired;

(3) a resident of the state;

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

(5) a resident in a household that has telephone service or that has made application for service and has been assigned a telephone number; or a resident in a residential care facility, such as a nursing home or group home where telephone service is not included as part of overall service provision."

Delete the title and insert:

"A bill for an act relating to telecommunications; imposing TACIP fee on cellular telephone users; requiring that a person must be able to use a communication device to be eligible to get it; restricting eligibility for communication device for communication-impaired person in a residential care facility when the facility already provides or is required to provide comparable telephone service; amending Minnesota Statutes 1994, sections 237.52, subdivision 3; and 237.53, subdivision 2."

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

Mr. Lessard from the Committee on Environment and Natural Resources, to which was referred

S.F. No. 1444: A bill for an act relating to state lands; providing for the sale of certain tax-forfeited lands in St. Louis county.

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

Page 1, line 9, delete "shall" and insert "may"

Page 1, line 14, delete everything after "(b)"

Page 1, delete lines 15 and 16

Page 1, line 17, delete everything before "The"

Page 2, line 4, delete "the Karakas'" and insert "private" and delete everything after the period

Page 2, delete lines 5 to 7

Page 2, line 8, delete everything before "The"

Page 2, line 12, delete everything after "(c)"

Page 2, delete lines 13 and 14

Page 2, line 26, delete "the Ernsts'" and insert "private" and delete everything after the period

Page 2, delete lines 27 to 29

Page 2, line 30, delete everything before "The"

Page 2, line 34, delete everything after "(d)"

Page 2, delete line 35

Page 2, line 36, delete everything before "The"

Page 3, line 9, delete "feet" and insert "minutes" and delete "inches" and insert "seconds"

Page 3, line 11, delete the first "feet" and insert "minutes" and delete "inches" and insert "seconds"

Page 3, line 12, delete "feet" and insert "minutes" and delete "inches" and insert "seconds"

Page 3, line 13, delete the second "feet" and insert "minutes" and delete "inches" and insert "seconds"

Page 3, line 15, delete the first "feet" and insert "minutes" and delete "inches" and insert "seconds"

Page 3, line 16, delete "feet" and insert "minutes" and delete "inches" and insert "seconds"

Page 3, line 17, delete the second "feet" and insert "minutes" and delete "inches" and insert "seconds"

Page 4, delete lines 7 to 36

Page 5, delete lines 1 to 14

Page 5, line 15, delete "(23)" and insert "(1)"

Page 5, line 17, delete "(24)" and insert "(2)"

Page 5, line 19, delete "(25)" and insert "(3)"

Pages 5 and 6, delete section 3

Page 6, line 6, delete "4" and insert "3"

Page 6, line 7, delete "to 3" and insert "and 2"

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

Mr. Lessard from the Committee on Environment and Natural Resources, to which was referred

S.F. No. 243: A bill for an act relating to state lands; authorizing the sale of certain tax-forfeited lands bordering public waters in Dakota county to the city of Eagan.

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

Delete everything after the enacting clause and insert:

"Section 1. [PRIVATE SALE OF TAX-FORFEITED LAND; DAKOTA COUNTY.]

(a) Notwithstanding Minnesota Statutes, sections 92.45, 103F.535, and 282.018, subdivision 1, paragraph (a), and the public sale provisions of Minnesota Statutes, chapter 282, Dakota county may convey to the city of Eagan, without consideration, the lands bordering public waters that are described in paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 282.

(b) The conveyance must be in a form approved by the attorney general. The conveyance must provide that, except as provided in section 2, the land reverts to the state if it is not used for public park or open space purposes.

(c) The lands that may be conveyed are located in Dakota county, are designated by the Dakota county parcel number contained within the parentheses, and are described as:

(1) (Parcel No. 10-01100-011-75) as:

That part of the East Half of the East Half of the Southeast Quarter of Section 11, Township 27 North, Range 23 West, described as follows:

Commencing at the southeast corner of said Section 11; thence North 0 degrees 04 minutes 54 seconds East assumed bearing, along the east line of the Southeast Quarter of said Section 11, 878.96 feet to the northeast corner of OUTLOT I, GOPHER INDUSTRIAL PARK 2ND ADDITION, record plat and the point of beginning of the tract to be described; thence North 89 degrees 37 minutes 34 seconds West along the north line of said OUTLOT I 660.45 feet to the easterly line of EAGANDALE CENTER INDUSTRIAL PARK NO. 4 record plat; thence North 0 degrees 07 minutes 28 seconds East along the easterly line of said EAGANDALE CENTER INDUSTRIAL PARK NO 4 1406.80 feet to the southerly line of BORCHERT-INGERSOLL, INC. 1ST ADDITION, record plat; thence North 76 degrees 29 minutes 44 seconds East along the southerly line of said BORCHERT-INGERSOLL, INC. 1ST ADDITION 678.38 feet to the east line of the Southeast Quarter of said Section 11; thence South 0 degrees 04 minutes 54 seconds West along the east line of said Southeast Quarter 1569.53 feet to the point of beginning.

Containing 22.54 acres, more or less, subject to a city drainage and utility easement.

(2) (Parcel No. 10-01200-011-50) as:

That part of the West Half of the Southwest Quarter of Section 12, Township 27 North, Range 23 West, described as follows:

Commencing at the southwest corner or said Section 12; thence North 0 degrees 04 minutes 54 seconds East assumed bearing, along the west line of the Southwest Quarter of said Section 12, 878.47 feet to the northwest corner of OUTLOT H, GOPHER EAGAN INDUSTRIAL PARK 2ND ADDITION, record plat and the point of beginning of the tract to be described; thence North

89 degrees 55 minutes 06 seconds East along the north line of OUTLOT H and OUTLOT G, of said GOPHER EAGAN INDUSTRIAL PARK 2ND ADDITION 1321.39 feet to the east line of the West Half of the Southwest Quarter of said Section 12; thence North 0 degrees 02 minutes 16 seconds West along the east line of the West half of said Southwest Quarter 1128.04 feet to the westerly right of way line of the Soo Line Railroad (formerly the Chicago Milwaukee, St. Paul and Pacific Railroad); thence North 37 degrees 55 minutes 59 seconds West along said westerly railroad right of way 804.77 feet to the north line of the West Half of the Southwest Quarter of said Section 12; thence South 89 degrees 56 minutes 35 seconds West along the north line of said West Half of the Southwest Quarter 13.20 feet to the southerly line of BORCHERT-INGERSOLL, INC. 1ST ADDITION, record plat; thence South 76 degrees 29 minutes 44 seconds West along the southerly line of said BORCHERT-INGERSOLL, INC. 1ST ADDITION 833.52 feet to the west line of the Southwest Quarter of said Section 12; thence South 0 degrees 04 minutes 54 seconds West along the west line of said Southwest Quarter 1570.02 feet to the point of beginning.

Containing 48.02 acres, more or less, subject to a city drainage and utility easement.

Sec. 2. [CITY OF EAGAN; AUTHORITY TO EXCHANGE LAND.]

The city of Eagan may exchange a portion of the parcel of land described in section 1, paragraph (c), that does not border public waters with any owner of property within a one-quarter mile radius of the land described in section 1, paragraph (c), for a parcel of land contiguous to the land described in section 1, paragraph (c), and bordering public water. The conveyance of any land acquired by the city of Eagan through the exchange must provide that the land reverts to the state if it is not used for public park or open space purposes.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment."

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

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

H.F. No. 1457 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.
		1457	1583		

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1457 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1457 and insert the language after the enacting clause of S.F. No. 1583, the first engrossment; further, delete the title of H.F. No. 1457 and insert the title of S.F. No. 1583, the first engrossment.

And when so amended H.F. No. 1457 will be identical to S.F. No. 1583, and further recommends that H.F. No. 1457 be given its second reading and substituted for S.F. No. 1583, 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. 1048 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.
1048	846				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1048 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1048 and insert the language after the enacting clause of S.F. No. 846, the first engrossment; further, delete the title of H.F. No. 1048 and insert the title of S.F. No. 846, the first engrossment.

And when so amended H.F. No. 1048 will be identical to S.F. No. 846, and further recommends that H.F. No. 1048 be given its second reading and substituted for S.F. No. 846, 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. 697 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.
697	1647				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 697 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 697 and insert the language after the enacting clause of S.F. No. 1647; further, delete the title of H.F. No. 697 and insert the title of S.F. No. 1647.

And when so amended H.F. No. 697 will be identical to S.F. No. 1647, and further recommends that H.F. No. 697 be given its second reading and substituted for S.F. No. 1647, 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. 853 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.
853	663				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 853 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 853 and insert the language after the enacting clause of S.F. No. 663, the first engrossment; further, delete the title of H.F. No. 853 and insert the title of S.F. No. 663, the first engrossment.

And when so amended H.F. No. 853 will be identical to S.F. No. 663, and further recommends that H.F. No. 853 be given its second reading and substituted for S.F. No. 663, 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. 377 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.
377	390				

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. 1641 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.
1641	1396				

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. 1320 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.
1320	1073				

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. 1602 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.
1602	1420				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1602 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1602 and insert the language after the enacting clause of S.F. No. 1420, the first engrossment; further, delete the title of H.F. No. 1602 and insert the title of S.F. No. 1420, the first engrossment.

And when so amended H.F. No. 1602 will be identical to S.F. No. 1420, and further recommends that H.F. No. 1602 be given its second reading and substituted for S.F. No. 1420, 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. 1442 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.
1442	1417				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1442 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1442 and insert the language after the enacting clause of S.F. No. 1417, the second engrossment; further, delete the title of H.F. No. 1442 and insert the title of S.F. No. 1417, the second engrossment.

And when so amended H.F. No. 1442 will be identical to S.F. No. 1417, and further recommends that H.F. No. 1442 be given its second reading and substituted for S.F. No. 1417, 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. 1460 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.
1460	1374				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1460 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1460 and insert the language after the enacting clause of S.F. No. 1374, the first engrossment; further, delete the title of H.F. No. 1460 and insert the title of S.F. No. 1374, the first engrossment.

And when so amended H.F. No. 1460 will be identical to S.F. No. 1374, and further recommends that H.F. No. 1460 be given its second reading and substituted for S.F. No. 1374, 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. 1402 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.
1402	1163				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1402 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1402 and insert the language after the enacting clause of S.F. No. 1163, the first engrossment; further, delete the title of H.F. No. 1402 and insert the title of S.F. No. 1163, the first engrossment.

And when so amended H.F. No. 1402 will be identical to S.F. No. 1163, and further recommends that H.F. No. 1402 be given its second reading and substituted for S.F. No. 1163, 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. Merriam from the Committee on Finance, to which was re-referred

S.F. No. 1536: A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions.

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

Page 1, line 19, delete "$ 51,990,000" and insert "$ 50,234,000" and delete "$ 50,592,000" and insert "$ 50,190,000" and delete "$102,582,000" and insert "$100,424,000"

Page 1, line 25, delete "813,464,000" and insert "812,513,000" and delete "811,899,000" and insert "811,605,000" and delete "1,625,363,000" and insert "1,624,118,000"

Page 2, line 2, delete "(2,916,000)" and insert "(2,560,000)" and delete "(2,674,000)" and insert "(2,540,000)" and delete "(5,590,000)" and insert "(5,100,000)"

Page 2, line 3, delete "1,262,493,000" and insert "1,260,142,000" and delete "1,269,791,000" and insert "1,269,229,000" and delete "2,532,284,000" and insert "2,529,371,000"

Page 3, delete lines 31 and 32

Page 5, delete lines 2 and 3 and insert:

"These appropriations are for administrative costs as provided in Minnesota Statutes, sections 162.06, subdivision 2; and 162.12, subdivision 2."

Page 5, line 38, delete "department" and insert "commissioner of transportation"

Page 8, lines 31 and 32, delete "any laws to the contrary" and insert "Minnesota Statutes, sections 160.84 to 160.92"

Page 8, line 50, after the period, insert "The project must be completed by June 30, 1997."

Page 9, line 8, delete the paragraph coding

Page 10, line 20, before the period, insert ", except the proceeds of bonds sold to finance capital improvements"

Page 10, line 30, delete "80,555,000" and insert "79,329,000" and delete "80,062,000" and insert "79,493,000"

Page 10, line 32, delete "4,821,000" and insert "4,546,000" and delete "4,777,000" and insert "4,502,000"

Page 10, line 35, delete "64,624,000" and insert "63,673,000" and delete "64,144,000" and insert "63,850,000"

Page 10, line 37, delete "(2,916,000)" and insert "(2,560,000)" and delete "(2,674,000)" and insert "(2,540,000)"

Page 10, line 43, delete "6,286,000" and insert "5,060,000" and delete "5,647,000" and insert "5,078,000"

Page 10, line 45, delete "798,000" and insert "523,000" in both places

Page 11, line 2, delete "5,469,000" and insert "4,518,000" and delete "4,830,000" and insert "4,536,000"

Page 11, delete lines 11 to 41

Page 12, line 26, delete "$1,761,000" and insert "$1,405,000"

Page 12, line 27, delete "$1,517,000" and insert "$1,383,000"

Page 13, delete section 6

Renumber the sections in sequence

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

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

S.F. No. 1123: A bill for an act relating to taxation; changing existing property tax exemptions for housing for technical college students; amending Laws 1992, chapter 511, article 2, sections 45, subdivision 7, and by adding a subdivision; and 46, subdivision 7, 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:

"ARTICLE 1

FEDERAL UPDATE

Section 1. Minnesota Statutes 1994, 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 net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) 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 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.

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, and the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-... shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.

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. 2. [FEDERAL CHANGES.]

The changes made by sections 721, 722, 723, and 744 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465 and section 4 of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-..., which affect the computation of the Minnesota working family credit under Minnesota Statutes, section 290.0671, subdivision 1, and the computation of the substantial understatement of liability penalty of Minnesota Statutes, section 289A.60, subdivision 4, shall become effective at the same time the changes become effective for federal purposes.

Sec. 3. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1986, as amended through April 15, 1995," for the words "Internal Revenue Code of 1986, as amended through December 31, 1993," wherever the phrase occurs in chapters 289A, 290, 290A, 291, 297, 298, and 469, except section 290.01, subdivision 19.

ARTICLE 2

SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 1994, section 216C.01, subdivision 1a, is amended to read:

Subd. 1a. [ALTERNATIVE FUEL.] "Alternative fuel" means natural gas; liquefied petroleum gas; hydrogen; coal-derived liquefied fuels; electricity; methanol, denatured ethanol, and other alcohols; mixtures containing 85 percent or more, or other percentage as may be set by regulation by the Secretary of the United States Department of Energy, by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuels; fuels other than alcohol that are derived from biological materials; and other fuel that the Secretary of the United States Department of Energy determines by regulation to be an alternative fuel within the meaning of section 301(2) of the National Energy Policy Act of 1992 and intended for use in motor vehicles.

Sec. 2. Minnesota Statutes 1994, section 216C.01, subdivision 1b, is amended to read:

Subd. 1b. [ALTERNATIVE FUEL VEHICLE.] "Alternative fuel vehicle" means a dedicated, flexible, or a dual-fuel vehicle operated primarily on an alternative fuel.

Sec. 3. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 5. [ALTERNATIVE FUEL VEHICLE.] "Alternative fuel vehicle" means a dedicated, flexible, or dual-fuel vehicle operated primarily on alternative transportation fuel.

Sec. 4. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 11a. [COMPRESSED NATURAL GAS.] "Compressed natural gas" or CNG means natural gas, primarily methane, condensed under high pressure and stored in specially designed

storage tanks at between 2,000 and 3,600 pounds per square inch. For purposes of this chapter, the energy content of CNG will be considered to be 1,000 BTUs per cubic foot.

Sec. 5. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 15c. [E85.] "E85" means a petroleum product that is a blend of agriculturally derived denatured ethanol and gasoline that typically contains 85 percent ethanol by volume, but at a minimum must contain at least 60 percent ethanol by volume. For the purposes of this chapter, the energy content of E85 will be considered to be 82,000 BTUs per gallon.

Sec. 6. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 23a. [LIQUEFIED NATURAL GAS.] "Liquefied natural gas" or LNG means natural gas, primarily methane, which has been condensed through a cryogenic cooling process and is stored in special pressurized and insulated storage tanks. For purposes of this chapter, the energy content of LNG will be considered to be 69,000 BTUs per gallon.

Sec. 7. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 23b. [LIQUEFIED PETROLEUM GAS.] "Liquefied petroleum gas" or LPG or propane means a product made of short hydrocarbon chains and containing primarily propane and butane that is stored in specialized tanks at moderate pressure. For purposes of this chapter, the energy content of LPG or propane will be considered to be 86,000 BTUs per gallon.

Sec. 8. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 24b. [M85.] "M85" means a petroleum product that is a liquid fuel blend of methanol and gasoline that contains at least 85 percent methanol by volume. For the purposes of this chapter, the energy content of M85 will be considered to be 65,000 BTUs per gallon.

Sec. 9. Minnesota Statutes 1994, section 296.01, subdivision 30, is amended to read:

Subd. 30. [PETROLEUM PRODUCTS.] "Petroleum products" means all of the products defined in subdivisions 2, 7, 8, 10, 13, 14, 15c, ~~and~~ 17 to 22, and 24b.

Sec. 10. Minnesota Statutes 1994, section 296.01, subdivision 34, is amended to read:

Subd. 34. [SPECIAL FUEL.] "Special fuel" means (1) all combustible gases and liquid petroleum products or substitutes therefor including clear diesel fuel, except gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline which are delivered into the supply tank of a licensed motor vehicle or into storage tanks maintained by an owner or operator of a licensed motor vehicle as a source of supply for such vehicle; (2) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline, when delivered to a licensed special fuel dealer or to the retail service station storage of a distributor who has elected to pay the special fuel excise tax as provided in section 296.12, subdivision 3; (3) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are used as aviation fuel; or (4) dyed fuel that is being used illegally in a licensed motor vehicle.

Sec. 11. Minnesota Statutes 1994, section 296.02, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED; EXCEPTION FOR QUALIFIED SERVICE STATION.] There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline, used in producing and generating power for propelling motor vehicles used on the public highways of this state. For purposes of this section, gasoline is defined in section 296.01, subdivisions 10, 15b, 18, 19, 20, and 24a. This tax is payable at the times, in the manner, and by persons specified in this chapter. The tax is payable at the rate specified in subdivision 1b, subject to the exceptions and reductions specified in this section.

(a) Notwithstanding any other provision of law to the contrary, the tax imposed on special fuel sold by a qualified service station may not exceed, or the tax on gasoline delivered to a qualified service station must be reduced to, a rate not more than three cents per gallon above the state tax rate imposed on such products sold by a service station in a contiguous state located within the distance indicated in clause (b).

(b) A "qualifying service station" means a service station located within 7.5 miles, measured by the shortest route by public road, from a service station selling like product in the contiguous state.

(c) A qualified service station shall be allowed a credit by the supplier or distributor, or both, for the amount of reduction computed in accordance with clause (a).

A qualified service station, before receiving the credit, shall be registered with the commissioner of revenue.

Sec. 12. Minnesota Statutes 1994, section 296.02, subdivision 1a, is amended to read:

Subd. 1a. [TRANSIT SYSTEMS AND ALTERNATIVE FUELS EXEMPT.] The provisions of subdivision 1 do not apply to ~~(1)~~ 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 ~~or (2) sales of compressed natural gas or propane for use in vehicles displaying a valid annual alternate fuel permit~~.

Sec. 13. Minnesota Statutes 1994, section 296.02, subdivision 1b, is amended to read:

Subd. 1b. [RATES IMPOSED.] The gasoline excise tax is imposed at the following ~~rate~~ rates:

(1) E85 is taxed at the rate of 14.2 cents per gallon;

(2) M85 is taxed at the rate of 11.4 cents per gallon; and

(3) ~~For the period on and after May 1, 1988,~~ All other gasoline is taxed at the rate of 20 cents per gallon.

Sec. 14. Minnesota Statutes 1994, section 296.025, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] There is hereby imposed an excise tax ~~of the same rate per gallon as the gasoline excise tax~~ on all special fuel at the rates specified in subdivision 1b. For clear diesel fuel, the tax is imposed on the first distributor who received the product in Minnesota. For dyed fuel being used illegally in a licensed motor vehicle, the tax is imposed on the owner or operator of the motor vehicle, or in some instances, on the dealer who supplied the fuel. For dyed fuel used in a motor vehicle but subject to a federal exemption, although no federal tax may be imposed, the fuel is subject to the state tax. For other fuels, including jet fuel, propane, and compressed natural gas, the tax is imposed on the distributor, special fuel dealer, or bulk purchaser. This tax is payable at the time and in the manner specified in this chapter. For purposes of this section, "owner or operator" means the operation of licensed motor vehicles, whether loaded or empty, whether for compensation or not for compensation, and whether owned by or leased to the motor carrier who operates them or causes them to be operated.

Sec. 15. Minnesota Statutes 1994, section 296.025, subdivision 1a, is amended to read:

Subd. 1a. [TRANSIT SYSTEMS AND ALTERNATIVE FUELS EXEMPT.] The provisions of subdivision 1 do not apply to ~~(1)~~ special fuel purchased by a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384 ~~or (2) sales of compressed natural gas or propane for use in vehicles displaying a valid annual alternate fuel permit~~.

Sec. 16. Minnesota Statutes 1994, section 296.025, is amended by adding a subdivision to read:

Subd. 1b. [TAX RATES.] The special fuel excise tax is imposed at the following rates:

(1) Liquefied petroleum gas or propane is taxed at the rate of 15 cents per gallon.

(2) Liquefied natural gas is taxed at the rate of 12 cents per gallon.

(3) Compressed natural gas is taxed at the rate of $1.739 per thousand cubic feet.

(4) All other special fuel is taxed at the same rate as the gasoline excise tax.

Sec. 17. Minnesota Statutes 1994, section 296.0261, is amended by adding a subdivision to read:

Subd. 10. [CREDIT; REFUNDS.] (a) A purchaser of an alternative fuel vehicle permit under subdivisions 1 to 9 prior to July 1, 1995, shall receive a credit for the unused portion of the permit fee. The amount of the credit shall be equal to the original permit fee and prorated to the number of months from July 1, 1995, until the expiration date of the permit. The credit shall reduce the amount of the vehicle's annual motor vehicle registration tax as calculated under section 168.013. The credit shall be applied to the first motor vehicle registration tax payable after July 1, 1995.

(b) If the amount of the credit calculated under paragraph (a) exceeds the amount of motor vehicle registration tax due, the registrar shall pay to the purchaser of the permit a cash refund equal to the difference between the motor vehicle registration tax and the credit due.

Sec. 18. Minnesota Statutes 1994, 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; tree, bush, and shrub pruning, bracing, spraying, and surgery; tree, bush, shrub and stump removal; 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) mixed municipal solid waste ~~collection and disposal~~ management 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, 1992, for educational and social activities for young people primarily age 18 and under.

Sec. 19. Minnesota Statutes 1994, section 297A.01, is amended by adding a subdivision to read:

Subd. 21. [MIXED MUNICIPAL SOLID WASTE MANAGEMENT SERVICES.] "Mixed municipal solid waste management services" or "waste management services" means services relating to the management of mixed municipal solid waste from collection to disposal, including transportation and management at waste facilities. The definitions in section 115A.03 apply to this subdivision.

Sec. 20. Minnesota Statutes 1994, section 297A.135, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] A tax 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, except for a van designed or adapted primarily for transporting property rather than passengers, or a pickup truck as defined in section 168.011, subdivision 29. The tax is imposed at the rate of 6.2 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. 21. Minnesota Statutes 1994, section 297A.15, is amended by adding a subdivision to read:

Subd. 7. [REFUND; APPROPRIATION; ADULT AND JUVENILE CORRECTIONAL FACILITIES.] (a) If construction materials and supplies described in paragraph (b) are purchased by a contractor, subcontractor, or builder as part of a lump-sum contract or similar type of contract with a price covering both labor and materials for use in the project, a refund equal to 20 percent of the taxes paid by the contractor, subcontractor, or builder must be paid to the governmental subdivision. An application must be submitted by the governmental subdivision and must include sufficient information to permit the commissioner to verify the sales taxes paid for the project. The contractor, subcontractor, or builder must furnish to the governmental subdivision a statement of the cost of the construction materials and supplies and the sales taxes paid on them. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

(b) Construction materials and supplies qualify for the refund under this section if: (1) the materials and supplies are for use in a project to construct or improve an adult or juvenile correctional facility in a county, home rule charter city, or statutory city, and (2) the project is mandated by state or federal law, rule, or regulation. The refund applies regardless of whether the materials and supplies are purchased by the city or county, or by a contractor, subcontractor, or builder under a contract with the city or county.

Sec. 22. Minnesota Statutes 1994, section 297A.25, subdivision 9, is amended to read:

Subd. 9. [MATERIALS CONSUMED IN PRODUCTION.] The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of agricultural production animals and horses used in agricultural production are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption.

Sec. 23. Minnesota Statutes 1994, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all

storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Minnesota center for arts education, and school districts are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, educational cooperative service units, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, technical colleges, joint vocational technical districts, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

The sales to and exclusively for the use of libraries of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloging and circulation equipment, and cataloging and circulation software for library use are exempt under this subdivision. For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste ~~collection and disposal~~ management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.394, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

Sec. 24. Minnesota Statutes 1994, section 297A.25, subdivision 59, is amended to read:

Subd. 59. [FARM MACHINERY.] From July 1, 1994, until June 30, ~~1995~~ 1996, the gross receipts from the sale of used farm machinery are exempt.

Sec. 25. [297A.2574] [AGRICULTURE PROCESSING FACILITY MATERIALS; EXEMPTION.]

Subdivision 1. [EXEMPTION; DEFINITION.] Purchases of 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 materials and supplies are used or consumed in constructing an agriculture processing facility that meets the requirements of this section. For purposes of this section, "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.

Subd. 2. [QUALIFICATIONS.] An agricultural processing facility qualifies for the exemption provided under this section if it meets each of the following requirements:

(a) The total investment in the facility must be at least $8,500,000.

(b) The facility must be located in a municipality that has a median household income that does not exceed $18,000 according to the 1990 federal census information on income and poverty status in 1989.

(c) The total investment in the facility must exceed an amount equal to $12,000 per resident of the municipality in which the facility is located.

Subd. 3. [COLLECTION AND REFUND OF TAX.] The tax shall be imposed and collected as if the rates under sections 297A.02, subdivision 1, and 297A.021, applied, and then refunded in the manner provided in section 297A.15, subdivision 5.

Sec. 26. Minnesota Statutes 1994, section 297A.45, is amended to read:

297A.45 [MIXED MUNICIPAL SOLID WASTE ~~COLLECTION AND DISPOSAL~~ MANAGEMENT SERVICES.]

Subdivision 1. [DEFINITIONS.] The definitions in sections 115A.03 and 297A.01 apply to this section.

Subd. 2. [APPLICATION.] The taxes imposed by sections 297A.02 and 297A.021 apply to all public and private mixed municipal solid waste ~~collection and disposal~~ management services.

Notwithstanding section 297A.25, subdivision 11, a political subdivision that purchases ~~collection or disposal~~ waste management services on behalf of its citizens shall pay the taxes.

If a political subdivision provides ~~collection or disposal services~~ a waste management service to its residents at a cost in excess of the total direct charge to the residents for the service, the political subdivision shall pay the taxes based on its cost of providing the service in excess of the direct charges.

A person who transports mixed municipal solid waste generated by that person or by another person without compensation shall pay the taxes at the ~~disposal or resource recovery~~ waste facility based on the disposal charge or tipping fee.

Subd. 3. [EXEMPTIONS.] (a) The cost of a service or the portion of a service to collect and manage recyclable materials separated from mixed municipal solid waste by the waste generator is exempt from the taxes imposed in sections 297A.02 and 297A.021.

(b) The amount of a surcharge or fee imposed under section 115A.919, 115A.921, 115A.923, or 473.843 is exempt from the taxes imposed in sections 297A.02 and 297A.021.

(c) Waste from a recycling facility that separates or processes recyclable materials and that reduces the volume of the waste by at least 85 percent is exempt from the taxes imposed in

sections 297A.02 and 297A.021. To qualify for the exemption under this paragraph, the waste exempted must be ~~collected and disposed of~~ managed separately from other solid waste.

(d) The following costs are exempt from the taxes imposed in sections 297A.02 and 297A.021:

(1) costs of providing educational materials and other information to residents;

(2) costs of managing solid waste other than mixed municipal solid waste, including household hazardous waste; and

(3) costs of regulatory and enforcement activities.

(e) The cost of a waste management service is exempt from the taxes imposed in sections 297A.02 and 297A.021 to the extent that the cost was previously subject to the tax.

Subd. 4. [CITY SALES TAX MAY NOT BE IMPOSED.] Notwithstanding any other law or charter provision to the contrary, a home rule charter or statutory city that imposes a general sales tax may not impose the sales tax on solid waste ~~disposal and collection~~ management services that are subject to the tax under this section. This subdivision does not apply to a tax imposed under section 297A.021.

Subd. 5. [SEPARATE ACCOUNTING.] The commissioner shall account for revenue collected from public and private mixed municipal solid waste ~~collection and disposal~~ management services under this section separately from other tax revenue collected under this chapter.

Sec. 27. Laws 1986, chapter 400, section 44, is amended to read:

Sec. 44. [DOWNTOWN TAXING AREA.]

If a bill is enacted into law in the 1986 legislative session which authorizes the city of Minneapolis to issue bonds and expend certain funds including taxes to finance the acquisition and betterment of a convention center and related facilities, which authorizes certain taxes to be levied in a downtown taxing area, then, notwithstanding the provisions of that law "downtown taxing area" shall mean the geographic area bounded by the portion of the Mississippi River between I-35W and Washington Avenue, the portion of Washington Avenue between the river and I-35W, the portion of I-35W between Washington Avenue and 8th Street South, the portion of 8th Street South between I-35W and Portland Avenue South, the portion of Portland Avenue South between 8th Street South and I-94, the portion of I-94 from the intersection of Portland Avenue South to the intersection of I-94 and the Burlington Northern Railroad tracks, the portion of the Burlington Northern Railroad tracks from I-94 to Main Street and including Nicollet Island, and the portion of Main Street to Hennepin Avenue and the portion of Hennepin Avenue between Main Street and 2nd Street S.E., and the portion of 2nd Street S.E. between Main Street and Bank Street, and the portion of Bank Street between 2nd Street S.E. and University Avenue S.E., and the portion of University Avenue S.E. between Bank Street and I-35W, and by I-35W from University Avenue S.E., to the river. The downtown taxing area excludes the area bounded on the south and west by Oak Grove Street, on the east by Spruce Place, and on the north by West 15th Street.

Sec. 28. Laws 1991, chapter 291, article 8, section 28, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 469.190, 477A.016, or other law, in addition to the tax authorized in Minnesota Statutes, section 469.190, the city of Winona may, by ordinance, impose a tax of up to one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. The city may, by ordinance, impose the tax authorized under this section on the camping site receipts of a municipal campground.

Fifty percent of The proceeds of this tax shall be used to retire the indebtedness of the Julius C. Wilke Steamboat Center ~~and~~. Upon retirement of the debt, 50 percent of the proceeds shall be used as directed in Minnesota Statutes, section 469.190, subdivision 3. The balance ~~shall be used in the manner~~ of the tax proceeds may be used to promote tourist activities, as determined by resolution of the council, for the following purposes:

(1) improvements to the levee, dockage areas, and the adjacent area, including provision of utilities and construction of facilities for ticket and souvenir sales and related office space; or

(2) as directed in Minnesota Statutes, section 469.190, subdivision 3. ~~Upon retirement of the debt, the council shall by ordinance reduce the tax by one half percent or dedicate the entire one percent in the manner directed in Minnesota Statutes, section 469.190, subdivision 3.~~

The tax shall be collected in the same manner as other taxes authorized under Minnesota Statutes, section 469.190.

Sec. 29. [REPEALER.]

(a) Minnesota Statutes 1994, section 296.0261, is repealed.

(b) Minnesota Statutes 1994, section 297A.136, is repealed.

Sec. 30. [EFFECTIVE DATE.]

Sections 1, 2, 3 to 17, and 29, paragraph (a), are effective July 1, 1995.

Section 20 is effective beginning with leases or rentals made after June 30, 1995.

Sections 18, 19, 23, and 26 are effective the day following final enactment.

Section 21 is effective retroactively for sales after May 31, 1992.

Section 22 is effective for sales made after July 1, 1995.

Section 25 is effective for sales made after March 31, 1995.

Section 28 is effective upon compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivision 3.

Section 27 is effective upon compliance by the Minneapolis city council with Minnesota Statutes, section 645.021, subdivision 3.

Section 29, paragraph (b), is effective for sales of 900 information services made after June 30, 1995.

ARTICLE 3

PROPERTY TAX FREEZE

Section 1. Minnesota Statutes 1994, section 6.745, subdivision 1, is amended to read:

Subdivision 1. [CITIES.] Annually, upon adoption of the city budget, the city council of each home rule charter or statutory city shall forward summary budget information to the office of the state auditor. The summary budget information shall be provided on forms prescribed by the state auditor. The office of the state auditor shall work with representatives of city government to develop a budget reporting form that conforms with city budgeting practices and provides the necessary summary budget information to the office of the state auditor. The summary budget data shall be provided to the office of the state auditor no later than ~~December~~ January 31 of ~~the year preceding~~ each budget year.

Sec. 2. Minnesota Statutes 1994, section 134.34, subdivision 4a, is amended to read:

Subd. 4a. [SUPPORT GRANTS.] In state fiscal years 1993, 1994, and 1995, and 1996, a regional library basic system support grant also may be made to a regional public library system for a participating city or county which meets the requirements under paragraph (a) ~~or~~, (b), or (c).

(a) The city or county decreases the dollar amount provided by it for operating purposes of public library service if the amount provided by the city or county is not less than the amount provided by the city or county for such purposes in the second preceding year.

(b)(1) The city or county provided for operating purposes of public library services an amount

exceeding 125 percent of the state average percentage of the adjusted net tax capacity or 125 percent of the state average local support per capita; and

(2) the local government aid distribution for the current calendar year under chapter 477A has been reduced below the originally certified amount for payment in the preceding calendar year, if the dollar amount of the reduction from the previous calendar year in support for operating purposes of public library services is not greater than the dollar amount by which support for operating purposes of public library service would be decreased if the reduction in support were in direct proportion to the local government aid reduction as a percentage of the previous calendar year's revenue base as defined in section 477A.011, subdivision 27. Determination of a grant under paragraph (b) shall be based on the most recent calendar year for which data are available.

(c) In 1996, the city or county maintains the dollar amount provided by it for operating purposes of public library service at least at the same dollar amount it provided in 1995.

The city or county shall file a report with the department of education indicating the dollar amount and percentage of reduction in public library operating funds.

Sec. 3. Minnesota Statutes 1994, section 254B.02, subdivision 3, is amended to read:

Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. ~~The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years.~~ The base level of expenditures for each county is defined as 15 percent of the funds allocated to the county under subdivisions 1 and 2. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2.

Sec. 4. Minnesota Statutes 1994, section 256H.09, subdivision 3, is amended to read:

Subd. 3. [CHILD CARE FUND PLAN.] Effective January 1, 1992, the county will include the plan required under this subdivision in its biennial community social services plan required in this section, for the group described in section 256E.03, subdivision 2, paragraph (h). For the period July 1, 1989, to December 31, 1991, the county shall submit separate child care fund plans required under this subdivision for the periods July 1, 1989, to June 30, 1990; and July 1, 1990, to December 31, 1991. The commissioner shall establish the dates by which the county must submit these plans. The county and designated administering agency shall submit to the commissioner an annual child care fund allocation plan. The plan shall include:

(1) a narrative of the total program for child care services, including all policies and procedures that affect eligible families and are used to administer the child care funds;

(2) the number of families that requested a child care subsidy in the previous year, the number of families receiving child care assistance, the number of families on a waiting list, and the number of families projected to be served during the fiscal year;

(3) the methods used by the county to inform eligible groups of the availability of child care assistance and related services;

(4) the provider rates paid for all children by provider type;

(5) the county prioritization policy for all eligible groups under the basic sliding fee program and AFDC child care program;

(6) a report of all funds available to be used for child care assistance~~, including demonstration of compliance with the maintenance of funding effort required under section 256H.12~~; and

(7) other information as requested by the department to ensure compliance with the child care fund statutes and rules promulgated by the commissioner.

The commissioner shall notify counties within 60 days of the date the plan is submitted whether the plan is approved or the corrections or information needed to approve the plan. The commissioner shall withhold a county's allocation until it has an approved plan. Plans not approved by the end of the second quarter after the plan is due may result in a 25 percent reduction in allocation. Plans not approved by the end of the third quarter after the plan is due may result in a 100 percent reduction in the allocation to the county. Counties are to maintain services despite any reduction in their allocation due to plans not being approved.

Sec. 5. Minnesota Statutes 1994, section 279.09, is amended to read:

279.09 [PUBLICATION OF NOTICE AND LIST.]

The county auditor shall cause the notice and list of delinquent real property to be published once ~~in each of two consecutive weeks~~ in the newspaper designated, the ~~first~~ publication of which shall be made on or before March 20 immediately following the filing of such list with the court administrator of the district court. The auditor shall deliver such list to the publisher of the newspaper designated, at least 20 days before the date upon which the list shall be published ~~for the first time~~.

Sec. 6. Minnesota Statutes 1994, section 279.10, is amended to read:

279.10 [PUBLICATION CORRECTED.]

Immediately after preparing forms for printing such notice and list, and at least five days before the first day for the publication thereof, every such publisher shall furnish proof of the proposed publication to the county auditor for correction. When such copy has been corrected , the auditor shall return the same to the printer, who shall publish it as corrected. On the first day on which such notice and list are published, the publisher shall mail a copy of the newspaper containing the same to the auditor. If during the publication of the notice and list, or within ten days after the last publication thereof, the auditor shall discover that such publication is invalid, the auditor shall forthwith direct the publisher to republish the same as corrected ~~for an additional period of two weeks~~. The publisher, if not neglectful, shall be entitled to the same compensation as allowed by law for the original publication, but shall receive no further compensation therefor if such republication is necessary by reason of the neglect of the publisher.

Sec. 7. Minnesota Statutes 1994, section 281.23, subdivision 3, is amended to read:

Subd. 3. [PUBLICATION.] As soon as practicable after the posting of the notice prescribed in subdivision 2, the county auditor shall cause to be published ~~for two successive weeks~~, in the official newspaper of the county, the notice prescribed by subdivision 2.

Sec. 8. Minnesota Statutes 1994, section 375.169, is amended to read:

375.169 [PUBLICATION OF SUMMARY BUDGET STATEMENT.]

Annually, upon adoption of the county budget, the county board shall cause a summary budget statement to be published in one of the following:

(1) the official newspaper of the county, or if there is none, in a qualified newspaper of general circulation in the county; or

(2) for a county in the metropolitan area as defined in section 473.121, subdivision 2, a county newsletter or other county mailing sent to all households in the city, or as an insert with the truth-in-taxation notice under section 275.065.

If the summary budget statement is published in a county newsletter, it must be the lead story. If the summary budget statement is published through a county newsletter or other county mailing, a copy of the newsletter or mailing shall be sent on request to any nonresident. If the summary budget statement is published by a mailing to households other than a newsletter, the color of the paper on which the summary budget statement is printed must be distinctively different than the paper containing other printed material included in the mailing. The statement shall contain information relating to anticipated revenues and expenditures in a form prescribed by the state auditor. The form prescribed shall be designed so that comparisons can be made between the

current year and the budget year. A note shall be included that the complete budget is available for public inspection at a designated location within the county.

Sec. 9. Minnesota Statutes 1994, section 471.6965, is amended to read:

471.6965 [PUBLICATION OF SUMMARY BUDGET STATEMENT.]

Annually, upon adoption of the city budget, the city council shall publish a summary budget statement in either of the following:

(1) the official newspaper of the city, or if there is none, in a qualified newspaper of general circulation in the city; or

(2) for a city in the metropolitan area as defined in section 473.121, subdivision 2, a city newsletter or other city mailing sent to all taxpayers in the city, or as an insert with the truth-in-taxation notice under section 275.065.

If the summary budget statement is published in a city newsletter, it must be the lead cover story. If the summary budget statement is published by a mailing to taxpayers other than a newsletter, the color of the paper on which the summary budget statement is printed must be distinctively different than the paper containing other printed material included in the mailing.

The statement shall contain information relating to anticipated revenues and expenditures, in a form prescribed by the state auditor. The form prescribed shall be designed so that comparisons can be made between the current year and the budget year. A note shall be included that the complete budget is available for public inspection at a designated location within the city. If the summary budget statement is published through a city newsletter or other city mailing, a copy of the statement must be posted, in a common area, by the property owner of all residential nonhomestead property as defined in section 273.13, subdivision 25, paragraphs (a) and (b), clause (1).

Sec. 10. [EDUCATION FINANCE FOR THE 1996-1997 SCHOOL YEAR.]

Subdivision 1. [ADJUSTED TAX CAPACITY FOR SCHOOL YEAR 1996-1997.] Notwithstanding any other law to the contrary, for purposes of any levy authorized under Minnesota Statutes, chapter 124, 124A, 124B, 136C, or 136D, the adjusted net tax capacity of a school district, education district, intermediate school district, or technical college under Minnesota Statutes, section 124.2131, for the 1996-1997 school year shall equal the adjusted net tax capacity used for computation of its levy limits for the 1995-1996 school year.

Subd. 2. [LOCAL EFFORT TAX RATE AND EQUALIZING FACTOR.] Notwithstanding any other law to the contrary, the local effort tax rates computed under Minnesota Statutes, sections 124.226, subdivision 1, and 124A.23, for the 1996-1997 school year shall equal the local effort tax rates established at the time of levy limit certification for the 1995-1996 school year. Notwithstanding any other law to the contrary, the equalizing factor under Minnesota Statutes, section 124A.02, for the 1996-1997 school year shall equal the equalizing factor for the 1995-1996 school year.

Subd. 3. [COMPUTATION OF PUPIL UNITS FOR LEVY LIMITS.] Notwithstanding Minnesota Statutes, section 124.17, or any other law to the contrary, the number of pupil units and AFDC pupil units for a school district, education district, intermediate school district, or technical college for use in computing the levy limits of the district or technical college for the 1996-1997 school year shall be the pupil units and AFDC pupil units used for the levy limit computation of the school district, education district, intermediate school district, or technical college for the 1995-1996 school year. For purposes of computing the revenue entitlement of a school district under Minnesota Statutes, chapter 124, 124A, 124B, 136C, or 136D, for the 1996-1997 school year, the pupil units or AFDC pupil units shall be as otherwise provided under Minnesota Statutes, section 124.17. If any section of Minnesota Statutes, chapters 124, 124A, and 124B, provides that an aid entitlement is equal to the difference between the revenue entitlement and the authorized levy, then the aid entitlement for the 1996-1997 school year shall equal the difference between the revenue entitlement and authorized levies computed under this section and sections 11 to 71. If any section of Minnesota Statutes, chapters 124, 124A, and 124B, other than sections 124.321 and

124.912, subdivision 2, provide that the aid entitlement will be reduced if a district fails to exercise its full levy authority and the district failed to levy its full authority for the 1995-1996 school year, the commissioner shall assume that, absent the provisions of this act, the district would have elected to exercise the same portion of its levy authority for the 1996-1997 school year as it did in the prior year and determine the district's aid under the applicable section and the prior sentence.

Sec. 11. [TRANSITIONAL LEVIES.]

Notwithstanding Minnesota Statutes, sections 122.247, subdivision 3, and 122.533, a school district's levy under those sections for taxes payable in 1996 shall be no greater than it was for the prior year.

Sec. 12. [TRANSPORTATION AID.]

For purposes of computing transportation aid under Minnesota Statutes, section 124.225, subdivision 8a, for the 1996-1997 school year, levies shall be those computed under the provisions of sections 10 and 13 to 21.

Sec. 13. [TRANSPORTATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 2, a school district's levy for additional transportation costs as the result of leasing a school in another district shall be no greater for the 1996-1997 school year than it was for the prior year.

Sec. 14. [OFF-FORMULA ADJUSTMENT.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 3, a school district's off-formula adjustment for taxes payable in 1996 shall be no less than that computed for taxes payable in the prior year. If the resulting levy reduction is greater than that which would have otherwise occurred under Minnesota Statutes, section 124.226, subdivision 3, the district will receive additional aid equal to the difference.

Sec. 15. [TRANSPORTATION LEVY EQUITY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 3a, a school district's aid reduction for transportation levy equity for the 1996-1997 school year shall be based on levies computed under sections 10 and 13 to 21.

Sec. 16. [NONREGULAR TRANSPORTATION COSTS LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 4, a school district's levy for nonregular transportation costs for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 17. [EXCESS TRANSPORTATION COSTS LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 5, a school district's levy for excess transportation costs for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have been authorized to levy under Minnesota Statutes, section 124.226, subdivision 5, the district shall receive additional aid equal to the difference.

Sec. 18. [BUS PURCHASES; LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 6, a school district's levy to eliminate a projected deficit in its reserved fund balance for bus purchases in its transportation fund as of June 30 of the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 19. [CONTRACTED SERVICES LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 7, a school district's levy for taxes payable in 1996 under that subdivision shall be no greater than it was in the prior year. If the resulting levy is less than the school district would have been authorized to levy under that subdivision, the district will receive additional aid equal to the difference.

Sec. 20. [LEVY FOR POST-SECONDARY TRANSPORTATION.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 8, a school district levy for transportation of secondary students enrolled in courses provided in an agreement authorized by Minnesota Statutes, section 123.33, subdivision 7, for school year 1996-1997 shall be no greater than it was for the prior year.

Sec. 21. [LATE ACTIVITY BUSES LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 9, a school district's levy for late activity buses for the 1995-1996 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have been authorized to levy under Minnesota Statutes, section 124.226, subdivision 9, the school district shall receive additional aid equal to the difference.

Sec. 22. [BONDS.]

(a) Notwithstanding Minnesota Statutes, section 124.239, after March 30, 1995, no school district can sell bonds under that section the debt service payments of which would require a levy first becoming payable in 1996 or authorize a levy under Minnesota Statutes, section 124.239, subdivision 5, clause (b), that is not pursuant to a plan adopted prior to March 30, 1995. This restriction shall not apply to (1) refunding bonds sold to refund bonds originally sold before March 30, 1995, or (2) bonds for which the amount of the levy first becoming due in 1996 would not exceed the amount by which the school district's total levy for debt service on bonds for taxes payable in 1996 prior to issuance of those bonds is less than the municipality's total levy for debt service for bonds for taxes payable in 1995.

(b) For purposes of this section, bonds will be deemed to have been sold before March 30, 1995, if:

(1) an agreement has been entered into between the school district and a purchaser or underwriter for the sale of the bonds by that date;

(2) the issuing school district is a party to a contract or letter of understanding entered into before March 30, 1995, with the federal government that requires the school district to pay for a project, and the project will be funded with the proceeds of the bonds; or

(3) the proceeds of the bonds will be used to fund a project or acquisition with respect to which the school district has entered into a contract with a builder or supplier before March 30. Debt service payments due on bonds described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments must be repaid by the school district to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

Sec. 23. [CAPITAL EXPENDITURE FACILITY LEVY.]

Notwithstanding Minnesota Statutes, sections 124.243 and 124.2442, subdivision 3, a school district's capital expenditures facilities levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 24. [CAPITAL EXPENDITURE EQUIPMENT LEVY.]

Notwithstanding Minnesota Statutes, sections 124.244, subdivision 2, and 124.2442, a school district's capital expenditures equipment levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 25. [LEVY FOR ADULT BASIC EDUCATION AID.]

Notwithstanding Minnesota Statutes, section 124.2601, school districts which did not levy for adult basic education for taxes payable in 1995, may not levy for that purpose for taxes payable in 1996.

Sec. 26. [EARLY CHILDHOOD FAMILY EDUCATION AND HOME VISITATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2711, subdivisions 2a and 5, a school district's levy for early childhood family education and home visitation under Minnesota Statutes, section 124.2711, subdivision 5, for school year 1996-1997 shall be no greater than it was for the prior year.

Sec. 27. [COMMUNITY EDUCATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2713, subdivision 6, 6a, or 6b, the community education levy of a school district for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 28. [LEVY FOR ADDITIONAL COMMUNITY EDUCATION REVENUE.]

Notwithstanding Minnesota Statutes, section 124.2714, a school district's levy under that section for school year 1996-1997 shall be no greater than it was for the prior year.

Sec. 29. [PROGRAMS FOR ADULTS WITH DISABILITIES; LEVY.]

Notwithstanding Minnesota Statutes, section 124.2715, subdivision 3, a school district's levy for community education programs for adults with disabilities for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 30. [EXTENDED DAY LEVY.]

Notwithstanding Minnesota Statutes, section 124.2716, a school district's levy under that section for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 31. [COOPERATION AND COMBINATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2725, subdivisions 3 and 4, a school district's levy for cooperation and combination for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 32. [EARLY RETIREMENT AND SEVERANCE LEVY.]

Notwithstanding Minnesota Statutes, section 124.2725, subdivision 15, a school district's levy for the 1996-1997 school year for severance pay or early retirement incentives for licensed and nonlicensed staff who retire early as the result of combination or cooperation shall be no greater than it was for the prior year.

Sec. 33. [CONSOLIDATION; RETIREMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.2726, subdivision 3, a school district's levy for retirement incentives under Minnesota Statutes, section 122.23, subdivision 20, for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 34. [DISTRICT COOPERATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2727, subdivisions 6b and 9, a school district's levy for district cooperation for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 35. [SPECIAL EDUCATION EQUALIZATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.321, subdivisions 3 and 5, a school district's special education equalization levy for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.321, subdivisions 3 and 5, the district shall receive additional aid equal to the difference.

Sec. 36. [ALTERNATIVE DELIVERY LEVY.]

Notwithstanding Minnesota Statutes, section 124.322, subdivision 4, a school district's levy for alternative delivery of specialized instructional services for the 1996-1997 school year shall be no

greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.322, subdivision 4, the district shall receive additional aid equal to the difference.

Sec. 37. [JOINT POWERS BOARD; EARLY RETIREMENT AND SEVERANCE LEVY.]

Notwithstanding Minnesota Statutes, section 124.4945, a school district's levy for the 1996-1997 school year for severance pay and early retirement incentives to a teacher as defined in Minnesota Statutes, section 125.12, subdivision 1, who is placed on unrequested leave as the result of a cooperative secondary facility agreement shall be no greater than it was for the prior year.

Sec. 38. [FACILITIES DOWN PAYMENT LEVY REFERENDUM.]

Notwithstanding Minnesota Statutes, section 124.82, subdivision 3, no facilities down payment levy referendum held after March 27, 1995, may authorize a levy first becoming payable in 1996.

Sec. 39. [HEALTH AND SAFETY LEVY.]

Notwithstanding Minnesota Statutes, section 124.83, subdivisions 4 and 7, a school district's levy for a health and safety program under Minnesota Statutes, section 124.83, for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.83, subdivisions 4 and 7, the district shall receive additional aid equal to the difference.

Sec. 40. [HANDICAPPED ACCESS AND FIRE SAFETY LEVY.]

Notwithstanding Minnesota Statutes, section 124.84, subdivisions 3 and 4, a school district's levy for purposes of Minnesota Statutes, section 124.84, subdivisions 1 and 2, for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.84, subdivision 3, the district may levy the difference in the subsequent year notwithstanding the five-year limitation in section 124.84, subdivision 3.

Sec. 41. [LEVY TO RENT OR LEASE BUILDING OR LAND.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 1, after March 30, 1995, the commissioner of education shall not authorize any school district to make any additional capital expenditure levy to rent or lease a building or land for instructional purposes if the levy for that purpose first becomes due and payable in 1996 unless the district's capital expenditure levy for taxes payable in 1996, including the levy for the new obligation, would not exceed its levy for that purpose for taxes payable in 1995.

Sec. 42. [LEVY FOR LEASE PURCHASE OR INSTALLMENT BUYS.]

(a) Except as provided in paragraphs (b) and (c), notwithstanding Minnesota Statutes, section 124.91, subdivision 3, after March 30, 1995, no school district may enter into an installment contract or a lease purchase agreement the levy for which would first become payable in 1996 unless the district's total levy for installment contracts and lease purchase agreements for taxes payable in 1996, including the levy for the new obligation, would not exceed its levy for that purpose for taxes payable in 1995.

(b) The limitation in paragraph (a) does not apply to an installment contract entered into before July 1, 1995, if it:

(1) relates to a high school construction project that was approved by the commissioner of education under Minnesota Statutes, section 121.15, before July 1, 1994; and

(2) relates at least in part to bids awarded between September 8, 1994, and February 21, 1995.

Payments due on installment contracts described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments will be repaid by the school district to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

(c) For purposes of this section, installment contracts or lease purchase agreements will be deemed to have been entered into before March 30, 1995, if:

(1) an agreement has been entered into between the school district and a lessor or seller by that date;

(2) the school district is a party to contract or letter of understanding entered into before March 30, 1995, with the federal government that requires the school district to pay for a project, and the project will be funded with the proceeds of the installment contracts or lease purchase agreements; or

(3) the installment contracts or lease purchase agreements will be used to fund a project or acquisition with respect to which the school district has entered into a contract with a builder or supplier before March 30. Payments due on installment contracts or lease purchase agreements described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments must be repaid by the school district to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

Sec. 43. [COOPERATING DISTRICTS; CAPITAL LEVY.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 4, a school district's levy under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 44. [LEVY FOR INTERACTIVE TELEVISION.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 5, a school district's levy for interactive television for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 45. [ENERGY CONSERVATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 6, a school district may not enter into a loan under Minnesota Statutes, sections 216C.37 or 298.292 to 298.298 after March 27, 1995, if the levy for repayment of the loan would first become payable in 1996.

Sec. 46. [LEVY FOR STATUTORY OBLIGATIONS.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 1, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year. To the extent that the portion of the resulting levy for the school district's obligation under Minnesota Statutes, section 268.06, subdivision 25, and section 268.08, is less than the school district would have been otherwise authorized to levy under Minnesota Statutes, section 124.912, subdivision 1, the school district shall receive additional aid equal to the difference. To the extent that the portion of the resulting levy for judgments under Minnesota Statutes, section 127.05, is less than the school district would have been authorized to levy under Minnesota Statutes, section 124.912, subdivision 1, for this purpose, the school district may levy the difference in the subsequent year.

Sec. 47. [DESEGREGATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 2, a school district's levy as otherwise authorized under that subdivision for the 1995-1996 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 48. [RULE COMPLIANCE LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 3, a school district's levy as otherwise authorized under that subdivision for the 1995-1996 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 49. [LEVY FOR CRIME RELATED COSTS.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 6, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 50. [ICE ARENA LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 7, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 51. [OUTPLACEMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 8, the levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 52. [ABATEMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 9, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year. To the extent the portion of the resulting levy otherwise authorized under Minnesota Statutes, section 124.912, subdivision 9, paragraph (a), clause (1), is less than the school district would have been authorized to levy under that clause, the district shall receive additional aid equal to the difference. The remaining portion of the resulting levy that is less than the school district would have been authorized to levy under the remainder of Minnesota Statutes, section 124.912, subdivision 9, may be levied over a four-year period notwithstanding the three-year limitation of Minnesota Statutes, section 124.912, subdivision 9, paragraph (b).

Sec. 53. [OPERATING DEBT LEVIES.]

Notwithstanding Minnesota Statutes, section 122.531, subdivision 4a; 124.914; or Laws 1992, chapter 499, article 7, sections 25 and 26, a school district's levy as otherwise authorized under those sections for the 1996-1997 school year shall be no greater than it was for the prior year. To the extent this prevents a district from amortizing its reorganization operating debt as defined in Minnesota Statutes, section 121.915, clause (1), in five years, the district shall be permitted to levy the remainder in a subsequent year.

Sec. 54. [HEALTH INSURANCE BENEFITS LEVY.]

Notwithstanding Minnesota Statutes, section 124.916, subdivision 1, or Laws 1993, chapter 224, article 8, section 18, a school district's levy for retired employees health insurance as otherwise authorized under those provisions of law for the taxes payable in 1996 shall be no greater than it was for the prior year.

Sec. 55. [RETIREMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.916, subdivision 3, a school district's levy as otherwise authorized under that subdivision for taxes payable in 1996 shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have been authorized to levy under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 56. [MINNEAPOLIS HEALTH INSURANCE SUBSIDY.]

Notwithstanding Minnesota Statutes, section 124.916, subdivision 4, a school district's levy as otherwise authorized under that section for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 57. [LEVY FOR TACONITE PAYMENT.]

Notwithstanding Minnesota Statutes, section 124.918, subdivision 8, a school district's levy reduction as otherwise authorized under that subdivision for the 1996-1997 school year shall be no

less than it was for the prior year. General education aid reduction for the 1996-1997 school year shall be governed by Minnesota Statutes, section 124A.035, subdivision 5, and the levy reduction as dictated by this section.

Sec. 58. [EQUALIZED DEBT SERVICE LEVY.]

Notwithstanding Minnesota Statutes, section 124.95, subdivision 4, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year taxes payable in 1996 shall be based on the actual pupil units in the district for the 1992-1993 school year and the 1993 adjusted net tax of the district.

Sec. 59. [UNEQUALIZED REFERENDUM LEVY.]

Notwithstanding Minnesota Statutes, section 124A.03, subdivision 1i, a school district's unequalized referendum levy for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 60. [REFERENDUM LEVY.]

(a) Except as provided in paragraph (b) or (c), notwithstanding Minnesota Statutes, section 124A.03, subdivision 2 or 2b, or 124B.03, subdivision 2, no referendum conducted after March 30, 1995, under those sections may authorize a levy first becoming payable in 1996.

(b) A referendum may authorize such a levy if the referendum provides for continuation of a referendum levy that terminates beginning with taxes payable in 1996. If the terminated levy had been based on net tax capacity, the referendum relating to taxes payable in 1996 must be based on net tax capacity and the ballot shall state the estimated referendum tax rate based on net tax capacity for taxes levied in 1996, notwithstanding Minnesota Statutes, section 124A.03, subdivisions 2 and 2a. To the extent the referendum relates to taxes payable in 1997 and subsequent years, the levies for those years are subject to Minnesota Statutes, sections 124A.03, subdivision 2a, and 124A.0311, subdivision 3, and the ballot shall also state the estimated referendum tax rate as a percentage of market value for taxes levied in 1997.

(c) A referendum may authorize such a levy if the levy required under the referendum would not result in an increase for taxes payable in 1996 in the total levy for all purposes imposed by the school district over the total levy imposed by the district for taxes payable in 1995.

Sec. 61. [REFERENDUM AUTHORITY; CONVERSION.]

Notwithstanding Minnesota Statutes, section 124A.0311, subdivisions 2 and 3, no school district may convert its referendum authority currently authorized to be levied against net tax capacity to referendum authority authorized to be levied against referendum market value effective for taxes payable in 1996.

Sec. 62. [TRAINING AND EXPERIENCE LEVY.]

Notwithstanding Minnesota Statutes, section 124A.22, subdivision 4a, a school district's training and experience levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 63. [SUPPLEMENTAL LEVY.]

Notwithstanding Minnesota Statutes, section 124A.22, subdivision 8a, a school district's supplemental levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 64. [GENERAL EDUCATION LEVY; OFF-FORMULA DISTRICTS.]

Notwithstanding Minnesota Statutes, section 124A.23, subdivision 3, an off-formula school district's levy for general education for the 1996-1997 school year shall be no greater than it was for the prior year. An off-formula school district's aid reduction for general education levy equity under Minnesota Statutes, section 124A.24, shall be computed using the levy computed under this section. If an off-formula district payments pursuant to Minnesota Statutes, section 124A.035,

subdivision 4, are reduced from that received in the prior school year, the district shall receive additional aid equal to the difference.

Sec. 65. [LEVY REDUCTION.]

Notwithstanding Minnesota Statutes, section 124A.26, subdivision 2, a district's levy reduction for the 1996-1997 school year under that subdivision shall be no less than it was in the prior year. To the extent that the resulting reduction is greater than the school district would have otherwise received under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 66. [STAFF DEVELOPMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124A.292, subdivision 3, a school district's levy for staff development for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 67. [SCHOOL RESTRUCTURING LEVIES.]

Notwithstanding Minnesota Statutes, section 126.019, a school district's levy under that section for taxes payable in 1996 shall be no greater than it was in the prior year. To the extent the resulting levy is less than the district would have otherwise been authorized to levy under that section, the district shall receive additional aid equal to the difference.

Sec. 68. [LEVY FOR LOCAL SHARE OF TECHNICAL COLLEGE CONSTRUCTION.]

Notwithstanding Minnesota Statutes, section 136C.411, the levy as otherwise authorized under that section for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than is necessary for the district to pay its local share of the costs of construction in that year, the joint vocational technical district shall receive additional aid equal to the difference.

Sec. 69. [JOINT VOCATIONAL TECHNICAL DISTRICT TAX LEVY.]

Notwithstanding Minnesota Statutes, section 136C.67, a joint vocational technical district's levy under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 70. [LEVY ADJUSTMENT.]

Notwithstanding any other law to the contrary, any adjustment of a school district's levy authority other than for debt redemption fund excesses under Minnesota Statutes, section 475.61, for taxes payable in 1996 shall not result in a levy that is greater than it was in 1995. If the resulting levy adjustments reduce the district's revenues below that which the district would have otherwise received in the absence of this section, the district will receive additional aid equal to the difference.

Sec. 71. [OTHER LEVY AUTHORITY.]

A school district's levy under any special law or any authority other than that contained in Minnesota Statutes, chapters 124, 124A, and 136C, shall not be greater for taxes payable in 1996 than it was for taxes payable in 1995 except for any debt service on obligations, certificates of indebtedness, capital notes, or other debt instruments issued prior to March 30, 1995, or to make payments on installment purchase contracts or lease purchase agreements entered into prior to March 30, 1995.

Sec. 72. [BENEFIT RATIO FOR RURAL SERVICE DISTRICTS.]

Notwithstanding Minnesota Statutes, section 272.67, subdivision 6, the benefit ratio used for apportioning levies to a rural service district for taxes payable in 1996 shall not be greater than that in effect for taxes payable in 1995.

Sec. 73. [PROHIBITION AGAINST INCURRING NEW DEBT.]

Subdivision 1. [GENERALLY.] (a) After March 30, 1995, no municipality as defined in Minnesota Statutes, section 475.51, or any special taxing district as defined under Minnesota Statutes, section 275.066, may sell obligations, certificates of indebtedness, or capital notes under Minnesota Statutes, chapter 475, section 412.301, or any other law authorizing obligations, certificates of indebtedness, capital notes, or other debt instruments or enter into installment purchase contracts or lease purchase agreements under Minnesota Statutes, section 465.71, or any other law authorizing installment purchase contracts or lease purchase agreements if issuing those debt instruments or entering into those contracts would require a levy first becoming due in 1996. This restriction does not apply to (1) refunding bonds sold to refund bonds originally sold before March 30, 1995, or (2) obligations for which the amount of the levy first becoming due in 1996 would not exceed the amount by which the municipality's total debt service levy for taxes payable in 1996 prior to issuance of those obligations is less than the municipality's total debt service levy for taxes payable in 1995. As used in clause (2), "obligations" includes certificates of indebtedness, capital notes, or other debt instruments or installment purchase contracts or lease purchase agreements.

(b) For purposes of this section, bonds will be deemed to have been sold before March 30, 1995, if:

(1) an agreement has been entered into between the municipality and a purchaser or underwriter for the sale of the bonds by that date;

(2) the issuing municipality is a party to contract or letter of understanding entered into before March 30, 1995, with the federal government or the state government that requires the municipality to pay for a project, and the project will be funded with the proceeds of the bonds; or

(3) the proceeds of the bonds will be used to fund a project or acquisition with respect to which the municipality has entered into a contract with a builder or supplier before March 30. Debt service payments due on bonds described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments must be repaid by the municipality to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

Subd. 2. [EXCEPTION.] Notwithstanding subdivision 1, certificates of indebtedness, capital notes, installment purchase contracts, lease purchase agreements or any other debt instruments, and the debt service levies for the obligations shall, for purposes of this act, be treated as if sold prior to March 30, 1995, if:

(a) The municipality or other governmental authority has satisfied any one of the following conditions prior to March 30, 1995:

(1) it has adopted a resolution or ordinance authorizing the issuance of the obligations;

(2) it has declared official intent to issue the obligations under federal tax laws and regulations; or

(3) it has entered into a binding agreement to design or construct a project or acquire property to be financed with the obligations; and

(b) The municipality makes a finding at the time of the sale of the bonds that no levy will be required for taxes payable in 1996 to pay the debt service on the obligations because sufficient funds are available from nonproperty tax sources to pay the debt service.

Sec. 74. [ASSESSMENT LIMITATIONS.]

Subdivision 1. [1995 ASSESSMENT.] Notwithstanding Minnesota Statutes, section 273.11, or any other law to the contrary, the value of property for the 1995 assessment shall not exceed the lesser of its limited market value determined for the 1994 assessment pursuant to Minnesota Statutes, section 273.11, subdivision 1a, or its market value as otherwise determined for the 1994 assessment provided that any value attributable to new construction or improvements to the extent it does not qualify for deferral under Minnesota Statutes, section 273.11, subdivision 16, shall be added to the prior year's value used to determine its tax capacity. It is further provided that previously tax exempt property that loses its tax exempt status pursuant to Minnesota Statutes,

section 272.02, subdivision 4, shall not have its assessment limited in any way under this subdivision.

Subd. 2. [1996 ASSESSMENT.] The provisions of Minnesota Statutes, section 273.11, subdivision 1a, shall govern in determining the value of property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, or noncommercial seasonal residential for the 1996 assessment provided that "five percent" shall be substituted for "ten percent" in that section.

Sec. 75. [LEVY LIMITATION TAXES PAYABLE IN 1996.]

Subdivision 1. [TAXES PAYABLE IN 1996 PROPOSED LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.065, subdivision 1, in 1995, no taxing authority other than a school district shall certify to the county auditor a proposed property tax levy or in the case of a township, a final property tax levy, greater than the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year except as provided in subdivisions 3, 4, and 5.

Subd. 2. [TAXES PAYABLE IN 1996 FINAL LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.07, subdivision 1, in 1995, no taxing authority other than a school district shall certify to the county auditor a property tax levy greater than the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year except as provided in subdivisions 3 and 4.

Subd. 3. [SCHOOL DISTRICTS.] School district levies shall be governed by sections 10 to 71.

Subd. 4. [DEBT SERVICE EXCEPTION.] If a payable 1996 levy for debt service on obligations, certificates of indebtedness, capital notes, or other debt instruments sold prior to March 30, 1995, or to make payments on installment purchase contracts or lease purchase agreements entered into prior to March 30, 1995, exceeds the levy a taxing authority certified pursuant to Minnesota Statutes, section 275.07, subdivision 1, for taxes payable in 1995 for the same purpose, the excess may be levied notwithstanding the limitations of subdivisions 1 and 2.

Subd. 5. [ANNEXATION EXCEPTION.] The city tax rate for taxes payable in 1996 on any property annexed under chapter 414 may not be increased over the city or township tax rate in effect on the property in 1995, notwithstanding any law, municipal board order, or ordinance to the contrary. The limit on the annexing city's levy under subdivisions 1 and 2 may be increased in excess of that limit by an amount equal to the net tax capacity of the property annexed times the city or township tax rate in effect on that property for taxes payable in 1995. The levy limit of the city or township from which the property was annexed shall be reduced by the same amount.

Sec. 76. [FREEZE ON LOCAL MATCH REQUIREMENTS.]

Notwithstanding any other law to the contrary, the local funding or local match required from any city, town, or county for any state grant or program shall not be increased for calendar year 1996 above the dollar amount of the local funding or local match required for the same grant or program in 1995, regardless of the level of state funding provided; and any new local match or local funding requirements for new or amended state grants or programs shall not be effective until calendar year 1997. Nothing in this section shall affect the eligibility of a city, town, or county, for the receipt of state grants or program funds in 1996 or reduce the amount of state funding a city, town, or county would otherwise receive in 1996 if the local match requirements of the state grant or program were met in 1996.

Sec. 77. [SUSPENSION OF SALARY AND BUDGET APPEAL AUTHORIZATION.]

After April 11, 1995, no county sheriff may exercise the authority granted under Minnesota Statutes, section 387.20, subdivision 7, and no county attorney may exercise the authority granted under Minnesota Statutes, section 388.18, subdivision 6, to the extent that the salary or budget increase sought in the appeal would result in an increase in county expenditures in calendar year 1996.

Sec. 78. [SUSPENSION OF PUBLICATION AND HEARING REQUIREMENTS.]

A local taxing authority is not required to comply with the public advertisement notice of Minnesota Statutes, section 275.065, subdivision 5a, or the public hearing requirement of Minnesota Statutes, section 275.065, subdivision 6, with respect to taxes levied in 1995, payable in 1996, only.

Sec. 79. [LEVY LIMITATION TAXES PAYABLE IN 1997.]

Subdivision 1. [DEFINITION.] The "percentage increase in the implicit price deflator" means the percentage change in the implicit price deflator for state and local governments purchases of goods and services as calculated in Minnesota Statutes, section 477A.03, subdivision 3, provided that the 2.5 percent and five percent limits do not apply and that the increase can not be less than zero percent.

Subd. 2. [TAXES PAYABLE IN 1997 PROPOSED LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.065, subdivision 1, in 1996, no taxing authority other than a school district or a joint vocational technical district shall certify to the county auditor a proposed property tax levy or in the case of a township, a final property tax levy, that is greater than the product of:

(1) the sum of one plus the lesser of (i) three percent, or (ii) the percentage increase in the implicit price deflator; and

(2) the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year, except as provided in subdivisions 4 and 5.

Subd. 3. [TAXES PAYABLE IN 1997 FINAL LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.07, subdivision 1, in 1996, no taxing authority other than a school district or a joint vocational technical district shall certify to the county auditor a property tax levy that is greater than the product of:

(1) the sum of one plus the lesser of (i) three percent, or (ii) the percentage increase in the implicit price deflator; and

(2) the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year, except as provided in subdivisions 4, 5, and 6.

Subd. 4. [REFERENDA.] (a) A taxing authority other than a school district or an education district may increase its levy above the limits provided in subdivisions 2 and 3, by the amount approved by the voters residing in the jurisdiction of the authority at a referendum called for the purpose. The referendum may be called by the governing body or shall be called by the governing body upon written petition of qualified voters of the jurisdiction. The referendum shall be conducted during the calendar year before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. The referendum must be held on the first Tuesday after the first Monday in November. The ballot shall state the maximum amount of the increased levy and the estimated referendum tax rate as a percentage of taxable net tax capacity in the year it is to be levied. The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the levy proposed by (petition to) the governing body of ....., be approved?"

(b) The governing body shall prepare and deliver by first class mail at least 15 days but no more than 30 days prior to the day of the referendum to each taxpayer a notice of the referendum and the proposed levy increase. The governing body need not mail more than once notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners shall be those shown to be owners 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. Every property owner whose name does not appear on the records of the county auditor or the county treasurer shall be deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars and

annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the jurisdiction of the taxing authority.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes."

(c) A petition authorized by paragraph (a) shall be effective if signed by a number of qualified voters in excess of 15 percent of the registered voters of the jurisdiction of the taxing authority on the day the petition is filed with the governing body. A referendum invoked by petition shall be held on the date specified in paragraph (a).

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) A bond authorization under Minnesota Statutes, section 475.59, shall be deemed to meet the requirements of this subdivision provided the ballot includes the information required in paragraph (a) and the notice required in paragraph (b) is distributed.

Subd. 5. [DEBT SERVICE EXCEPTION.] If a payable 1997 levy for debt service on obligations, certificates of indebtedness, capital notes, or other debt instruments sold prior to March 30, 1995, or to make payments on installment purchase contracts or lease purchase agreements entered into prior to March 30, 1995, exceeds the levy a taxing authority certified pursuant to Minnesota Statutes, section 275.07, subdivision 1, for taxes payable in 1996 for the same purpose, or a payable 1997 levy for general obligations exceeds any payable 1997 levy required as a condition for the issuance of such general obligations, the excess may be levied notwithstanding the limitations of subdivisions 2 and 3.

Subd. 6. [LEVY OF TOWN BEING MERGED INTO CITY.] If a town has entered into an agreement to merge with a home rule charter or statutory city, and the merger has been approved by a referendum conducted under Minnesota Statutes, section 465.84, the town's levy for taxes payable in 1997 shall not exceed the greater of (1) the amount determined under subdivisions 1 to 5, or (2) the amount established as a term of the merger agreement with the city.

Sec. 80. [FISCAL DISPARITIES FREEZE.]

Notwithstanding Minnesota Statutes, section 473F.08, subdivision 2, clause (a), the amount to be deducted from a governmental unit's net tax capacity for taxes payable in 1996 under that clause shall equal the amount deducted for taxes payable in 1995. Notwithstanding Minnesota Statutes, section 473F.08, subdivision 2, clause (b), the amount to be added to a governmental unit's net tax capacity for taxes payable in 1996 under that clause shall equal the same amount added for taxes payable in 1995. Notwithstanding Minnesota Statutes, section 473F.08, subdivision 3, the areawide portion of the levy for each governmental unit shall be determined using the local tax rate for the 1993 levy year. Notwithstanding Minnesota Statutes, section 473F.08, subdivision 6, the portion of commercial-industrial property within a municipality subject to the areawide tax rate shall be computed using the amount determined under Minnesota Statutes, sections 473F.06 and 473F.07, for taxes payable in 1995.

Sec. 81. [TAX RATE FREEZE.]

Subdivision 1. [REDUCTION OF LEVY; PAYMENT.] If in the course of determining local tax rates for taxes payable in 1996 after reductions for disparity reduction aid under Minnesota Statutes, section 275.08, subdivisions 1c and 1d, the county auditor finds the local tax rate exceeds that in effect for taxes payable in 1995, the county auditor shall reduce the local government's levy so the local tax rate does not exceed that in effect for taxes payable in 1995. The difference between the levy as originally certified by the local government and the reduced levy shall be certified to the commissioner of revenue at the time the abstracts are submitted under Minnesota Statutes, section 275.29. That amount shall be paid to the local government on or before August 31.

Subd. 2. [APPROPRIATION.] An amount sufficient to pay the aid provided for under this section is appropriated from the general fund to the commissioner of revenue for payment to counties, cities, townships, and special taxing districts. An amount sufficient to pay the aid

provided for under this section is appropriated from the general fund to the commissioner of education for payment to school districts.

Sec. 82. [PENSION LIABILITIES.]

Notwithstanding any other law or charter provision to the contrary, no levy for taxes payable in 1996 for a local police and fire relief association for the purpose of amortizing an unfunded pension liability may exceed the levy for that purpose for taxes payable in 1995.

Sec. 83. [DUTIES OF TOWNSHIP BOARD OF SUPERVISORS.]

Notwithstanding Minnesota Statutes, section 365.10, in 1995 the township board of supervisors shall adjust the levy and in 1996 the township board of supervisors may adjust the expenditures of a township below the level authorized by the electors to adjust for any reduction in the previously authorized levy of the township pursuant to section 75.

Sec. 84. [PROPERTY TAX AND EDUCATION AIDS REFORM.]

Subdivision 1. [RECOMMENDED PROGRAM.] The legislative commission on planning and fiscal policy shall prepare and recommend to the legislature a property tax reform and education aids reform program that includes:

(1) a property tax classification and class rate system;

(2) elementary and secondary education aids and levies; and

(3) aids to local government.

Subd. 2. [STANDARDS.] (a) The recommended program must provide for accountability, equity, revenue adequacy, and efficiency as provided in paragraphs (b) to (e).

(b) The recommended program must provide accountability by being understandable to the taxpayer, by linking the costs of services to the taxes paid for those services, and by correlating the responsibility for raising revenues with the ability to make spending decisions.

(c) The recommended program must provide equity by minimizing large, short-term shifts in tax burdens, and by ensuring that tax burdens and aids are progressive and related to the ability to pay or raise revenue.

(d) The recommended program must provide for adequate revenue by controlling costs and the need for increased revenue, minimizing reductions or shifts in revenues available to local governments to provide needed services, and directing aids to meet needs and fund services based on established funding priorities.

(e) The program must promote efficiency by providing stable predictable property taxes and local government revenues that are competitive with those of other states and areas so that property taxes and aids have minimal impact on the economic decisions of taxpayers.

Subd. 3. [TASK FORCE.] The commission may designate a task force to advise the commission in carrying out its duties under this section. The task force may include legislators, agency and legislative staff, state and local governmental officials, educators, and taxpayers and members of the public. The task force expires on January 1, 1997.

Subd. 4. [SERVICES.] The commission may enter into contracts for the professional and other services necessary to carry out its duties under this section.

Subd. 5. [REPORT.] The commission shall report its recommendations to the legislature on or before January 1, 1997. The report shall include proposed legislation to implement the recommendations of the commission.

Sec. 85. [UNFUNDED MANDATE PROHIBITION.]

Subdivision 1. [DEFINITION.] As used in this section, "state mandates" has the meaning given in Minnesota Statutes, section 3.881.

Subd. 2. [FUNDING OF THE COST OF MANDATES.] If the fiscal note prepared by the commissioner of finance under Minnesota Statutes, section 3.982, indicates that a new or expanded mandate on a political subdivision in a bill introduced in the legislature will impose a statewide cost on counties in excess of $500,000 or a statewide cost on cities or townships in excess of $250,000, the political subdivisions are not required to implement the mandate unless the legislature, by appropriation enacted before the mandate is required to be implemented, provides reimbursement to the political subdivisions for the costs incurred.

Sec. 86. [SAVINGS CLAUSE.]

Notwithstanding the repealers in section 88 or any other provision in this act to the contrary, nothing in this act constitutes an impairment of any obligations, certificates of indebtedness, capital notes, or other debt instruments, including installment purchase contracts or lease purchase agreements, issued before the date of final enactment of this act, by a municipality as defined in Minnesota Statutes, section 469.174, subdivision 6, or a special taxing district as defined in Minnesota Statutes, section 275.066.

Sec. 87. [PIPESTONE COUNTY.]

Subdivision 1. [BOND AUTHORIZATION.] The county of Pipestone may issue its general obligation bonds in a principal amount of not to exceed $598,000 to defray the expense of repair and renovation of the county courthouse and courthouse annex. The bonds shall be issued in accordance with Minnesota Statutes, chapter 475. No further election proceedings are required and Minnesota Statutes, section 275.61, shall not apply.

Subd. 2. [EFFECTIVE DATE.] This section takes effect the day after the county board of Pipestone county complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 88. [REPEALER.]

Subdivision 1. Minnesota Statutes 1994, sections 124.01; 124.05; 124.06; 124.07; 124.76; 124.82; 124.829; 124.83; 124.84; 124.85; 124.86; 124.90; 124.91; 124.912; 124.914; 124.916; 124.918; 124.95; 124.961; 124.962; 124.97; 124A.02, subdivisions 16, 23, and 24; 124A.03, subdivisions 1b, 1c, 1d, 1e, 1f, 1g, 1h, and 1i; 124A.0311; 124A.032; 124A.04; 124A.22, subdivisions 1, 2, 3, 4, 4a, 4b, 6, 6a, 8, and 9; 124A.23; 124A.24; 124A.26, subdivisions 1, 2, and 3; 124A.27; 124A.28; and 124A.29, subdivision 2, are repealed. Laws 1991, chapter 265, article 7, section 35, is repealed.

Subd. 2. Minnesota Statutes 1994, sections 273.13; 273.135; 273.136; 273.1391; 473F.001; 473F.01; 473F.02; 473F.03; 473F.05; 473F.06; 473F.07; 473F.08; 473F.09; 473F.10; 473F.11; 473F.13; 477A.011; 477A.012; 477A.0121; 477A.0122; 477A.013; 477A.0132; 477A.014; 477A.015; 477A.016; 477A.017; 477A.03; 477A.11; 477A.12; 477A.13; 477A.14; and 477A.15, are repealed.

Subd. 3. [REPEALER.] Minnesota Statutes 1994, sections 245.48; and 256H.12, subdivision 3, are repealed.

Sec. 89. [EFFECTIVE DATE.]

Sections 2 to 5 and 85, subdivision 3, are effective July 1, 1995. Section 88, subdivision 2, is effective for taxes payable in 1998, and section 88, subdivision 1, is effective for the 1998-1999 school year, provided that if the legislature does not pass and the governor does not approve legislation by the conclusion of the 1997 session that states in its body that it is replacing the provisions of the repealed chapters and sections in section 88, the repealed chapters and sections are reenacted.

Sections 10 to 71, and section 75, subdivision 3, will not become effective if a bill styled as S.F. No. 944 is enacted during the 1995 session of the legislature and that bill provides for the imposition of levies by school districts for taxes payable in 1996.

ARTICLE 4

PROPERTY TAXES

Section 1. Minnesota Statutes 1994, section 216B.16, is amended by adding a subdivision to read:

Subd. 6d. [WIND ENERGY; PROPERTY TAX.] Contracts for the purchase of electric energy produced by a wind energy conversion system installed after June 1, 1995, and before January 1, 1997, between a public utility and the owner or developer of the system must provide for the public utility to be liable for property taxes imposed on the system. The commission shall permit a public utility that is purchasing electricity produced by a wind energy conversion system installed after June 1, 1995, and before January 1, 1997, to recover in its rates payments made by the public utility for property taxes paid on the system.

Sec. 2. Minnesota Statutes 1994, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

(1) All public burying grounds.

(2) All public schoolhouses.

(3) All public hospitals.

(4) All academies, colleges, and universities, and all seminaries of learning.

(5) All churches, church property, and houses of worship.

(6) Institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clauses (1), (2), and (3), or paragraph (d), other than those that qualify for exemption under clause (25).

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

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

(9) Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic

materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means: (i) land described in section 103G.005, subdivision 18; (ii) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice; or (iii) land in a wetland preservation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause. Upon receipt of an application for the exemption provided in this clause for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 103G.535.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by clause (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body or 30 days have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to individuals, couples, or families. (ii) It has the purpose of reuniting families and enabling parents or individuals to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least three months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is owned and operated or under lease from a unit of government or governmental agency under a property disposition program and operated by one or more organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting power of the stock of the corporation is owned collectively by: (i) the board of regents of the University of Minnesota, (ii) the University of Minnesota Foundation, an organization exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and (iii) a corporation organized under chapter 317A, which by its articles of incorporation is prohibited from providing pecuniary gain to any person or entity other than the regents of the University of Minnesota; which property is used primarily to manage or provide goods, services, or facilities utilizing or relating to large-scale advanced scientific computing resources to the regents of the University of Minnesota and others.

(21) Wind energy conversion systems, as defined in section 216C.06, subdivision 12, ~~installed after January 1, 1991,~~ and used as an electric power source~~.~~ are exempt to the extent provided in items (i) to (iii):

(i) systems installed after January 1, 1991, and before January 1, 1995, are exempt;

(ii) systems installed on or after January 1, 1995, located within the same county and owned by the same owner that produce in aggregate two or less megawatts of electricity, as measured by the nameplate rating, are exempt;

(iii) systems installed on or after January 1, 1995, located within the same county and owned by the same owner that produce in aggregate more than two megawatts of electricity, as measured by the nameplate rating, are taxable to the following extent:

(A) the foundation or pads are taxable upon installation; and

(B) the devices in such a system that convert wind energy to a form of usable energy and any supporting or protective structures are exempt.

(22) Containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C.

(23) Photovoltaic devices, as defined in section 216C.06, subdivision 13, installed after January 1, 1992, and used to produce or store electric power.

(24) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.

(25) A structure that is situated on real property that is used for:

(i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or

(ii) housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended.

In order for a structure to be exempt under (i) or (ii), it must also meet each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this clause.

An exemption under this clause remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

(26) Real and personal property that is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and primarily used to provide recreational opportunities for disabled veterans and their families.

(27) Manure pits and appurtenances, which may include slatted floors and pipes, installed or

operated in accordance with a permit, order, or certificate of compliance issued by the Minnesota pollution control agency. The exemption shall continue for as long as the permit, order, or certificate issued by the Minnesota pollution control agency remains in effect.

(28) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a facility containing a cogeneration system as described in section 216B.166, subdivision 2, paragraph (a), if the cogeneration system has met the following criteria: (i) the system utilizes natural gas as a primary fuel and the cogenerated steam initially replaces steam generated from existing thermal boilers utilizing coal; (ii) the facility developer is selected as a result of a procurement process ordered by the public utilities commission; and (iii) construction of the facility is commenced after July 1, 1994, and before July 1, 1997.

(29) Real property acquired by a home rule charter city, statutory city, county, town, or school district under a lease purchase agreement or an installment purchase contract during the term of the lease purchase agreement as long as and to the extent that the property is used by the city, county, town, or school district and devoted to a public use and to the extent it is not subleased to any private individual, entity, association, or corporation in connection with a business or enterprise operated for profit.

Sec. 3. Minnesota Statutes 1994, 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:

(1) the house is at least 35 years old at the time of the improvement; and

(2) either:

(a) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than $150,000; or

(b) if the estimated market value of the house is over $150,000 market value but is less than $300,000 on January 2 of the current year, the property qualifies if:

(i) it is located in a city or town in which 50 percent or more of the homes were constructed before 1960 based upon the 1990 federal census, and

(ii) the city or town's median family income based upon the 1990 federal census is less than the statewide median family income based upon the 1990 federal census; or

(c) if the estimated market value of the house is over $300,000 on January 2 of the current year, the property qualifies if:

(i) it meets the qualifications of paragraph (b), items (i) and (ii); and

(ii) it is located in a city of the first class within the metropolitan area defined in section 473.121, subdivision 2.

~~Any house which has an estimated market value of $300,000 or more on January 2 of the current year is not eligible to receive any property valuation exclusion under this section.~~ For purposes of determining this eligibility, "house" means land and buildings.

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 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 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 property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. 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 (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis. No abatement of the taxes for qualifying improvements may be granted by a county board unless (1) a building permit was issued prior to commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis.

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 subdivision may result from up to three separate improvements to the homestead. The application shall state, in clear language, that if more than three improvements are made to the qualifying property, a taxpayer may choose which three improvements are eligible, provided that after the taxpayer has made the choice and any valuation attributable to those improvements has been excluded from taxation, no further changes can be made by the taxpayer.

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, increases 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. 4. Minnesota Statutes 1994, 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 and paragraph (f), "relative" means a parent, stepparent, child, stepchild, 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~~ will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this ~~delay~~ prohibition 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, 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 must not 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.

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 qualifying 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. Homestead treatment, in whole or in part, shall not be denied to the spouse of an owner if he or she previously occupied the residence with the owner and the absence of the owner is due to one of the prior four exceptions.

(f) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification and extend full homestead credit. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

Sec. 5. Minnesota Statutes 1994, 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, 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 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 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 deed of record, 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. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the 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 at a location distant from the other spouse's place of employment 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.~~ Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and social security number of the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and social security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

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, or, for purposes of proceeding under the revenue recapture act to recover personal property taxes owing, to the county treasurer.

(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 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, the spouse of the owner, 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, the spouse of 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.

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. In the case of a manufactured home, the amount shall be certified to the current year's tax list for collection.

(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 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. 6. Minnesota Statutes 1994, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. It has a class rate of three percent of the first $100,000 of market value for taxes payable in 1993 and thereafter, and 5.06 percent of the market value over $100,000. In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a reduced class rate on the first $100,000 of market value. In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first $100,000 of market value, except that:

(1) if the market value of the parcel is less than $100,000, and additional parcels are owned by the same person or entity in the same city or town within that county, the reduced class rate shall be applied up to a combined total market value of $100,000 for all parcels owned by the same person or entity in the same city or town within the county;

(2) in the case of grain, fertilizer, and feed elevator facilities, as defined in section 18C.305, subdivision 1, or 232.21, subdivision 8, the limitation to one parcel per owner per county for the reduced class rate shall not apply, but there shall be a limit of $100,000 of preferential value per site of contiguous parcels owned by the same person or entity. Only the value of the elevator portion of each parcel shall qualify for treatment under this clause. For purposes of this subdivision, contiguous parcels include parcels separated only by a railroad or public road right-of-way; and

(3) in the case of property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1993, if the property is used as a business incubator, the limitation to one parcel per owner per county for the reduced class rate shall not apply, provided that the reduced rate applies only to the first $100,000 of value per parcel owned by the organization. As used in this clause, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization.

To receive the reduced class rate on additional parcels under clause (1), (2), or (3), the taxpayer must notify the county assessor that the taxpayer owns more than one parcel that qualifies under clause (1), (2), or (3).

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first $50,000 of market value and 3.6 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the class rate of the first $100,000 of market value and the class rate of the remainder is determined under paragraph (a), unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

(c) Structures which are (i) located on property classified as class 3a, (ii) constructed after January 2, 1995, and (iii) located in a transit zone as defined under section 473.3915, shall have a class rate of four percent on that portion of the market value in excess of $100,000. The four percent rate shall also apply to that portion of any class 3a structure located in a transit zone constructed after January 2, 1995, even if the remainder of the structure was constructed prior to January 2, 1995. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone.

Sec. 7. Minnesota Statutes 1994, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property has a class rate of 3.5 percent of market value for taxes payable in 1992, and 3.4 percent of market value for taxes payable in 1993 and thereafter.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4b property has a class rate of 2.8 percent of market value for taxes payable in 1992, 2.5 percent of market value for taxes payable in 1993, and 2.3 percent of market value for taxes payable in 1994 and thereafter.

(c) Class 4c property includes:

(1) a structure that is:

(i) situated on real property that is used for housing for the elderly or for low- and moderate-income families as defined in Title II, as amended through December 31, 1990, of the National Housing Act or the Minnesota housing finance agency law of 1971, as amended, or rules promulgated by the agency and financed by a direct federal loan or federally insured loan made pursuant to Title II of the Act; or

(ii) situated on real property that is used for housing the elderly or for low- and moderate-income families as defined by the Minnesota housing finance agency law of 1971, as amended, or rules adopted by the agency pursuant thereto and financed by a loan made by the Minnesota housing finance agency pursuant to the provisions of the act.

This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan.

(2) a structure that is:

(i) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended; and

(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter; and

(3) a qualified low-income building as defined in section 42(c)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1990, that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1990; or (ii) meets the requirements of that section and receives public financing, except financing provided under sections 469.174 to 469.179, which contains terms restricting the rents; or (iii) meets the requirements of section 273.1317. Classification pursuant to this clause is limited to a term of 15 years. The public financing received must be from at least one of the following sources: government issued bonds exempt from taxes under section 103 of the Internal Revenue Code of 1986, as amended through December 31, 1993, the proceeds of which are used for the acquisition or rehabilitation of the building; programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act; rental housing program funds under Section 8 of the United States Housing Act of 1937 or the market rate family graduated payment mortgage program funds administered by the Minnesota housing finance agency that are used for the acquisition or rehabilitation of the building; public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from federal community development block grants, HOME block grants, or residential rental bonds issued under chapter 474A; or other rental housing program funds provided by the Minnesota housing finance agency for the acquisition or rehabilitation of the building.

For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents unless the owner of the property elects to have the property assessed under Laws 1991, chapter 291, article 1, section 55. If the owner of the property elects to have the market value determined on the basis of the actual restricted rents, as provided in Laws 1991, chapter 291, article 1, section 55, the property will be assessed at the rate provided for class 4a or class 4b property, as appropriate. Properties described in clauses (1)(ii), (3), and (4) may apply to the assessor for valuation under Laws 1991, chapter 291, article 1, section 55. The land on which these structures are situated has the class rate given in paragraph (b) if the structure contains fewer than four units, and the class rate given in paragraph (a) if the structure contains four or more units. This clause applies only to the property of a nonprofit or limited dividend entity.

(4) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics:

(a) it is a nonprofit corporation organized under chapter 317A;

(b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws;

(c) it limits membership with voting rights to residents of the designated community; and

(d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and

(5) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c also includes commercial use real property used exclusively for recreational

purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The first $100,000 of the market value of the remainder of the cabins or units and a proportionate share of the land on which they are located shall have a class rate of three percent. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(6) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(7) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus; and

(8) manufactured home parks as defined in section 327.14, subdivision 3.

Class 4c property has a class rate of 2.3 percent of market value, except that (i) for each parcel of seasonal residential recreational property not used for commercial purposes under clause (5) ~~has a class rate of 2.2 percent of market value for taxes payable in 1992, and for taxes payable in 1993 and thereafter,~~ the first $72,000 of market value on each parcel has a class rate of two percent and the market value of each parcel that exceeds $72,000 has a class rate of 2.5 percent, and (ii) manufactured home parks assessed under clause (8) have a class rate of two percent ~~for taxes payable in 1993, 1994, and 1995 only~~.

(d) Class 4d property includes:

(1) a structure that is:

(i) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the Farmers Home Administration;

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the Farmers Home Administration. Property is classified under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The class rates in paragraph (c), clauses (1), (2), and (3) and this clause apply to the properties described in them, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. For those properties, 4c or 4d classification is available only for those units meeting the requirements of section 273.1318.

Classification under this clause is only available to property of a nonprofit or limited dividend entity.

In the case of a structure financed or refinanced under any federal or state mortgage insurance or direct loan program exclusively for housing for the elderly or for housing for the handicapped, a unit shall be considered occupied so long as it is actually occupied by an elderly or handicapped person or, if vacant, is held for rental to an elderly or handicapped person.

(2) For taxes payable in 1992, 1993, and 1994, only, buildings and appurtenances, together with the land upon which they are located, leased by the occupant under the community lending model lease-purchase mortgage loan program administered by the Federal National Mortgage Association, provided the occupant's income is no greater than 60 percent of the county or area median income, adjusted for family size and the building consists of existing single family or duplex housing. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. The application must be accompanied by an affidavit or other proof required by the assessor to determine qualification under this clause.

(3) Qualifying buildings and appurtenances, together with the land upon which they are located, leased for a period of up to five years by the occupant under a lease-purchase program administered by the Minnesota housing finance agency or a housing and redevelopment authority authorized under sections 469.001 to 469.047, provided the occupant's income is no greater than 80 percent of the county or area median income, adjusted for family size, and the building consists of two or less dwelling units. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. The administering agency shall verify the occupants income eligibility and certify to the county assessor that the occupant meets the income criteria under this paragraph. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. For purposes of this section, "qualifying buildings and appurtenances" shall be defined as one or two unit residential buildings which are unoccupied and have been abandoned and boarded for at least six months.

Class 4d property has a class rate of two percent of market value except that property classified under clause (3), shall have the same class rate as class 1a property.

(e) Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clauses (1) and (3); paragraph (c), clause (1), (2), (3), or (4), is assessed at the class rate applicable to it under Minnesota Statutes 1988, section 273.13, if it is found to be a substandard building under section 273.1316. Residential rental property that would otherwise be assessed as class 4 property under paragraph (d) is assessed at 2.3 percent of market value if it is found to be a substandard building under section 273.1316.

Sec. 8. Minnesota Statutes 1994, section 273.37, is amended by adding a subdivision to read:

Subd. 3. [WIND ENERGY CONVERSION SYSTEMS.] Taxable wind energy conversion systems, situated upon land owned by another person, which are not in good faith owned, operated, and exclusively controlled by such other person, shall be listed and assessed as personal property in the town or district where situated, in the name of the owner.

Sec. 9. Minnesota Statutes 1994, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of review except in cities whose charters provide for a board of equalization. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting. If at least 25 percent of the net tax capacity of the city or town is noncommercial seasonal recreational residential property classified under section 273.13, subdivision 25, the meeting or, if more than one meeting is scheduled, at least one of the meetings must be held on a Saturday. The Saturday meeting date must be contained on the notice of valuation of real property under section 273.121. The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board of review or the county board of equalization has adjourned; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) If a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

Sec. 10. Minnesota Statutes 1994, section 276.131, is amended to read:

276.131 [DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.]

The penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) 50 percent of all penalties and interest collected on real and personal property taxes must be distributed to the county in which the property is located, and the other 50 percent must be distributed to the school ~~district in which the property is located~~ districts within the county. The distribution to the school district must be in accordance with the provisions of section 124.10; and

(3) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Sec. 11. Minnesota Statutes 1994, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty shall be at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property shall be at a rate of four percent until May 31 and eight percent on June 1. This penalty shall not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed $50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent shall accrue and on the first day of December following, an additional penalty of two percent shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with

accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding $50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 12. Minnesota Statutes 1994, section 279.01, is amended by adding a subdivision to read:

Subd. 4. In the case of class 4c seasonal residential recreational property not used for commercial purposes, penalties shall accrue and be charged on unpaid taxes at the times and at the rates provided in subdivision 1 for homestead property.

Sec. 13. [473.3915] [TRANSIT ZONES.]

Subdivision 1. [DEFINITIONS.] For the purposes of this section, the terms defined in subdivisions 2 and 3 have the meaning given them.

Subd. 2. [TRANSIT ROUTE.] "Transit route" means a route along which transportation of passengers is provided by a motor vehicle or other means of conveyance, including light rail transit, by any person operating on a regular and continuing basis as a common carrier on fixed routes and schedules. "Transit route" does not include (1) a route along which transportation is provided for children to or from school or for passengers between a common carrier terminal station and a hotel or motel, (2) transportation by common carrier railroad or by taxi, (3) transportation furnished by a person solely for that person's employees or customers, or (4) paratransit.

Subd. 3. [TRANSIT ZONE.] "Transit zone" means the area within one-quarter of a mile of a transit route that is also within the metropolitan urban service area, as determined by the council. "Transit zone" includes any light rail transit route for which funds for construction have been committed.

Subd. 4. [TRANSIT ZONES; MAP AND PLAN.] For the purposes of section 273.13, subdivision 24, the council shall designate transit zones and identify them on a detailed map and in a plan. The council shall review the map and plan once a year and revise them as necessary to indicate the current transit zones. The council shall provide each county and city assessor in the metropolitan area a copy of the current map and plan.

Sec. 14. Minnesota Statutes 1994, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraph (b), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) A city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the amount the city was certified to receive in calendar year 1995 under section 477A.013.

Sec. 15. Laws 1992, chapter 511, article 2, section 45, is amended by adding a subdivision to read:

Subd. 6a. [HOUSING REDEVELOPMENT AUTHORITY; EXCEPTIONS.] The requirements of subdivisions 2, 3, 4, and 5 do not apply in order to qualify for the exemption if the student housing is owned by the local housing and redevelopment authority, the reduced cost of development due to the exemption is reflected in lower rents, and a reasonable system is used to provide priority to students in renting the dwelling units.

Sec. 16. Laws 1992, chapter 511, article 2, section 45, subdivision 7, is amended to read:

Subd. 7. [EXPIRATION.] ~~This section applies to student housing approved by the state board before January 1, 1997.~~ The property tax exemption for a student housing development is limited to 20 years from the date of first occupancy. This section expires January 1, 2018.

Sec. 17. Laws 1992, chapter 511, article 2, section 46, is amended by adding a subdivision to read:

Subd. 6a. [HOUSING REDEVELOPMENT AUTHORITY; EXCEPTIONS.] The requirements of subdivisions 2, 3, 4, and 5 do not apply in order to qualify for the exemption if the student housing is owned by the local housing and redevelopment authority or by a multicounty housing and redevelopment authority on land leased from a city or school district, the reduced cost of development due to the exemption is reflected in lower rents, and a reasonable system is used to provide priority to students in renting the dwelling units.

Sec. 18. Laws 1992, chapter 511, article 2, section 46, subdivision 7, is amended to read:

Subd. 7. [EXPIRATION.] ~~This section applies to student housing approved by the state board before January 1, 1997.~~ The property tax exemption for a student housing development is limited to 20 years from the date of first occupancy. This section expires January 1, 2018.

Sec. 19. [HACA REDUCTION; HENNEPIN COUNTY COURT EMPLOYEES.]

There shall be deducted from the homestead and agricultural credit aid payments to Hennepin county under Minnesota Statutes, section 273.1398, an amount equal to $180,000 which represents the cost to the state for the assumption of two Hennepin county staff attorneys whose job function is that of court referees and whose positions should have been transferred to the state as part of the court takeover in Laws 1989, First Special Session chapter 1, article 4. One-half of the total amount shall be deducted from each of the aid payments made in 1995 to Hennepin county under Minnesota Statutes, section 273.1398. The amount of reduction made under this section shall be a permanent aid reduction.

Sec. 20. [TRANSIT ZONE MAP; DATE FIRST PRODUCED.]

The metropolitan council shall produce an initial version of the transit zone map required under section 473.3915, subdivision 4, by January 1, 1996.

Sec. 21. [APPLICATION.]

Sections 13 and 20 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 22. [EFFECTIVE DATES.]

Section 1 is effective the day following final enactment.

Sections 2, 4, 5, and 8 are effective for taxes levied in 1995, payable in 1996, and thereafter, provided that the provisions of section 4 restricting homestead classification for seasonal recreational residential property applies to taxes payable in 1996 and thereafter regardless of the date of occupancy of the property or the date of filing of an application for homestead classification by the relative of the owner.

Section 3 is effective for improvements made in 1995 and subsequent years.

Sections 6 and 9 are effective for 1996 assessments for taxes payable in 1997 and subsequent years.

Sections 11 and 12 are effective for taxes levied in 1995, payable in 1996, and thereafter.

Section 14 is effective for aids paid in 1996 and thereafter.

Sections 15 and 16 are effective the day after the governing body of Duluth complies with Minnesota Statutes, section 645.021, subdivision 3.

Sections 17 and 18 are effective the day after the governing body of Thief River Falls complies with Minnesota Statutes, section 645.021, subdivision 3.

Section 19 is effective for aid payments made to Hennepin county in 1995 provided, however, that the aid reduction is contingent upon enactment of a law in 1995 which (i) transfers the Hennepin county positions, and (ii) provides from the general fund a funding to the state supreme court for the positions.

ARTICLE 5

PROPERTY TAX REFUND

Section 1. [13.515] [PROPERTY TAX DATA.]

The following data calculated or maintained by political subdivisions and shown on property tax statements under section 276.09 are classified as private data on individuals, pursuant to section 13.02, subdivision 12: (1) property tax refund amounts under section 276.04, subdivision 2, paragraph (c), clause (8); and (2) the property tax after deduction of the property tax refunds under section 276.04, subdivision 2, paragraph (c), clause (9).

Sec. 2. Minnesota Statutes 1994, section 270A.03, subdivision 7, is amended to read:

Subd. 7. [REFUND.] "Refund" means an individual income tax refund or political contribution refund~~,~~ pursuant to chapter 290~~,~~; or a property tax credit or refund~~,~~ pursuant to chapter 290A, other than a refund which has been certified to or calculated by the county auditor under section 276.012.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse.

Sec. 3. Minnesota Statutes 1994, 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. 4. Minnesota Statutes 1994, 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. 5. Minnesota Statutes 1994, 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, 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 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 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 deed of record, 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. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the 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, or, for purposes of proceeding under the revenue recapture act to recover personal property taxes owing, to the county treasurer.

(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 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 under chapter 290A deducted on the property tax statement.

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. In the case of a manufactured home, the amount shall be certified to the current year's tax list for collection.

(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. 6. Minnesota Statutes 1994, 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. The notice must include the estimated percentage increase in Minnesota personal income, provided by the commissioner of revenue under section 275.064, in a way to facilitate comparison of the proposed budget and levy increases with the increase in personal income. 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, including separate deductions for the property tax refunds under section 290A.04, subdivisions 2 and 2h, and the actual tax for taxes payable the current year, including separate deductions for the property tax refunds under section 290A.04, subdivisions 2 and 2h. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referendums, including those taxes based on net tax capacity as well as those based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. 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 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; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

The notice must state that the deduction for a property tax refund under section 290A.04, subdivision 2h, is contingent upon continuity in ownership of the property.

(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, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) 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. 7. [276.012] [COMPUTATION AND ADMINISTRATION OF PROPERTY TAX REFUNDS.]

(a) On or before October 1 each year, the commissioner of revenue shall certify to the county auditor the property tax refund amount under section 290A.04, subdivision 2, for each parcel of homestead property as defined in section 290A.04, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that qualifies for a refund relating to taxes payable in the current year.

(b) The county auditor shall compute the refund for purposes of the proposed property tax notice for each parcel of homestead property as defined in section 290A.03, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that may qualify for a refund under section 290A.04, subdivision 2h, for taxes payable in the subsequent year.

(c) After certification of the levies by taxing districts under section 275.07, the county auditor shall compute the refund for each parcel of homestead property as defined in section 290A.03, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that qualifies for a refund under section 290A.04, subdivision 2h, for taxes payable in the current year.

(d) The county auditor shall separately certify the amounts in paragraphs (a) and (c) to the county treasurer who shall reflect the amounts as property tax deductions on the property tax statement under section 276.04 for taxes payable in the current year, provided that to receive the refunds, the property must be classified as homestead property under section 273.13 for taxes payable in the year the refund is payable.

(e) The county auditor shall annually separately certify the costs of the property tax refunds under section 290A.04, subdivisions 2 and 2h, to the department of revenue with the abstract of tax lists under section 275.29.

Sec. 8. Minnesota Statutes 1994, 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. The statement must contain the parcel identification number and a county identification number in the upper right corner of the statement. The statement must contain the qualifying tax amount to be used by the taxpayer in claiming a property tax refund under section 290A.04, subdivision 2, in the form and location determined by the commissioner of revenue. 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. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referenda, including those taxes based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. 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 amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement. The statement shall include the following sentence, printed in upper case letters in boldface print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) 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 section 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) the net tax payable in the manner required in paragraph (a)~~.~~;

(8) for eligible homestead properties, the property tax refunds under section 290A.04, subdivisions 2 and 2h, if any, shown separately as deductions on the statement; and

(9) the tax after deduction of the property tax refunds under clause (8).

(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. 9. Minnesota Statutes 1994, 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 section 290A.07.

Sec. 10. Minnesota Statutes 1994, section 276.111, is amended to read:

276.111 [DISTRIBUTIONS AND FINAL YEAR-END SETTLEMENT.]

Within 14 business days after July 20, the county treasurer shall pay to each taxing district 100 percent of the estimated collections arising from taxes levied by and belonging to the taxing district from the settlement day determined in section 276.09 to July 25.

Within seven business days after October 15, the county treasurer shall pay to the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district from ~~the settlement day determined in section 276.09~~ July 25 to October 20. The remaining 50 percent of the estimated tax collections 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 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 arising from taxes levied by and belonging to each taxing district from ~~the settlement day determined in section 276.09~~ July 25 to November 20.

On or before January 5, the county treasurer shall make full settlement with the county auditor of all receipts collected 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 July, October, and November, the treasurer shall pay to each of the taxing districts on or before January 25, the balance of the tax amounts 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.

Sec. 11. Minnesota Statutes 1994, section 289A.60, subdivision 12, is amended to read:

Subd. 12. [PENALTIES RELATING TO PROPERTY TAX REFUNDS.] (a) If the commissioner determines that a property tax refund claim is or was excessive and was filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the amount disallowed may be recovered by assessment and collection.

(b) If it is determined that a property tax refund claim is excessive and was negligently prepared, ten percent of the corrected claim must be disallowed. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(c) An owner or managing agent who knowingly fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of $100 for each failure.

(d) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) $100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

(e) No property tax refund claim based on rent paid, or on property taxes payable in the case of a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), is allowed if the initial claim is filed more than one year after the original due date for filing the claim.

(f) Except as provided in paragraph (e), no property tax refund claim based on property taxes payable filed after the original due date for filing the claim may be paid. No extensions of time for filing may be granted.

Sec. 12. Minnesota Statutes 1994, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead ~~before reductions made under section 273.13 but~~ after deductions made under sections 273.135, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year other than property tax refunds determined under chapter 290A. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes ~~as defined in section 274.19, subdivision 8~~ assessed under section 273.125, subdivision 8, paragraph (c), "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year ~~in which the tax is payable~~ to which the "property taxes payable" used in computing the refund relate, and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivision 22 or 23, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before ~~December~~ August 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

No refunds under section 290A.04, subdivision 2 or 2h, may be deducted on the property tax statement unless the property is classified as homestead property for taxes payable in the year the property tax refund is paid.

Sec. 13. Minnesota Statutes 1994, 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 $100 or more ~~for taxes payable in 1995 and 1996, a claimant who is~~, a homeowner shall be allowed an additional refund equal to 60 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 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 $1,000.

(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.~~

~~(d) On or before December 1, 1995, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in 1996. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims for taxes payable in 1996 exceed $5,500,000, the commissioner shall first reduce the 60 percent refund rate enough, but to no lower a rate than 50 percent, so that the estimated total refund claims do not exceed $5,500,000. If the commissioner estimates that total claims will exceed $5,500,000 at a 50 percent refund rate, the commissioner shall also reduce the $1,000 maximum refund amount by enough so that total estimated refund claims do not exceed $5,500,000.~~

~~The determinations of the revised thresholds by the commissioner are not rules subject to chapter 14.~~

~~(e) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.~~

Sec. 14. Minnesota Statutes 1994, section 290A.07, is amended to read:

290A.07 [TIME ~~FOR~~ AND MANNER OF PAYMENT.]

Subdivision 1. [GENERAL FUND.] Allowable claims filed pursuant to the provisions of this chapter and the refund under section 290A.04, subdivision 2h, shall be paid by the commissioner from the general fund as provided in this section.

Subd. 2a. [PAYMENT TO CLAIMANT.] A claimant who is a renter or a homeowner who occupies a manufactured home, as defined in section 273.125, subdivision 8, paragraph (c), shall receive full payment after August 1 and before August 15 or 60 days after receipt of the application, whichever is later.

Subd. 3. [PAYMENT ~~TO COUNTY TREASURER~~ AS DEDUCTION ON PROPERTY TAX STATEMENT.] ~~A claimant~~ In the case of property not included in subdivision 2a ~~shall receive~~

~~full payment after September 15 and before September 30.~~, payment of a refund under section 290A.04, subdivision 2, is made as a deduction on the property tax statement for the homestead for taxes payable the following year, and payment of a refund under section 290A.04, subdivision 2h, is made as a deduction on the property tax statement for the homestead for taxes payable in the current year.

Subd. 4. [PAYMENT TO COUNTY TREASURER.] Annually on or before July 20, the commissioner shall pay the amount of the property tax refunds under section 290A.04, subdivisions 2 and 2h, certified by the county auditor under section 276.012, paragraph (e), to the county treasurer for settlement and distribution under sections 276.09 to 276.111.

Sec. 15. Minnesota Statutes 1994, section 290A.15, is amended to read:

290A.15 [CLAIM APPLIED AGAINST OUTSTANDING LIABILITY.]

The amount of any claim otherwise payable under this chapter may be applied by the commissioner against any delinquent tax liability of the claimant or spouse of the claimant payable to the department of revenue. This section does not apply to (1) refunds under section 290A.04, subdivision 2, that have been certified by the commissioner of revenue to the county auditor under section 276.012, or (2) refunds under section 290A.04, subdivision 2h, determined by the county auditor under section 276.012.

Sec. 16. Minnesota Statutes 1994, section 290A.18, is amended to read:

290A.18 [RIGHT TO FILE CLAIM; RIGHT TO RECEIVE CREDIT.]

Subdivision 1. [CLAIM BY SURVIVING SPOUSE OR DEPENDENT.] Except as provided in subdivision 3, if a person entitled to relief under this chapter dies prior to receiving relief, the surviving spouse or dependent of the person shall be entitled to file the claim and receive relief. If there is no surviving spouse or dependent, the right to the credit shall lapse.

Subd. 2. [CLAIMANT CANNOT BE LOCATED.] Except as provided in subdivision 3, if the commissioner cannot locate the claimant within two years from the date that the original warrant was issued, or if a claimant to whom a warrant has been issued does not cash that warrant within two years from the date the warrant was issued, the right to the credit shall lapse, and the warrant shall be deposited in the general fund.

Subd. 3. [RIGHT TO RECEIVE REFUND NOT PERSONAL TO CLAIMANT.] Property tax refunds under section 290A.04, subdivisions 2 and 2h, are paid as a deduction on the property tax statement of the property as provided in section 290A.07, subdivision 3. The right to receive the deduction is not personal to the claimant or to a surviving spouse or dependent of the claimant.

Sec. 17. [290A.26] [APPROPRIATION; COUNTY COSTS.]

$2,650,000 is appropriated for fiscal year 1997, and $2,370,000 is appropriated for fiscal year 1998, and each year thereafter, to the commissioner of revenue to pay counties for the costs of implementing and administering the property tax refunds for homeowners. The commissioner shall make the payments annually, on July 20 of each year. Each county auditor shall determine the county's costs and certify the costs to the commissioner at the time and in the manner directed by the commissioner. The commissioner shall review the costs, and may limit or correct them, return them to the county for changes, or request additional information or documentation. The commissioner shall apportion the available appropriation to each county in the same proportion that the county's expenses as finally determined by the commissioner are to the sum of all the counties' expenses.

Sec. 18. [1996 LEVY; TRUTH IN TAXATION NOTICE.]

For taxes payable in 1997 only, the notice of proposed property taxes under Minnesota Statutes, section 275.065, subdivision 3, shall state that beginning with property taxes payable in 1997, the homestead property tax refund calculated under Minnesota Statutes, section 290A.04, subdivision 2, and the special refund for property tax increases under Minnesota Statutes, section 290A.04, subdivision 2h, shall be paid as a deduction from the net tax on the property for all qualifying properties other than manufactured homes assessed under Minnesota Statutes, section 273.125,

subdivision 8, paragraph (c). The notice shall clearly notify the taxpayer that these deductions are shown on the notice of proposed taxes for taxes payable in 1997, and that the actual tax for taxes payable in 1997 may be greater than the amount shown on the notice if the ownership or classification of the property changes before the refunds are paid. The commissioner of revenue shall prescribe the form and wording of the statement required in this section. The commissioner may prescribe that the statement be included with the notice of proposed property taxes as a separate addendum. At least five working days before distribution to the counties, the notice prescribed by the commissioner of revenue under this section must be submitted to the chairs of the senate committee on taxes and tax laws and the house tax committee for their advice and approval.

Sec. 19. [PROPERTY TAX REFUNDS FOR TAXES PAYABLE IN 1997; TRANSITION PROVISION.]

Notwithstanding the provisions of Minnesota Statutes, chapter 290A, or any other law to the contrary, the property tax refund amounts under Minnesota Statutes, section 290A.04, subdivisions 2 and 2h, relating to property taxes payable in 1996, as paid by the commissioner to the claimants under Minnesota Statutes, section 290A.07, subdivision 3, shall be the amounts certified on October 1, 1996, by the commissioner of revenue to the county auditors. The refund amounts under Minnesota Statutes, section 290A.04, subdivision 2, are the amounts that the county auditor shall show as a deduction on the property tax statement for taxes payable in 1997. The county auditor shall calculate the amounts of the refund under Minnesota Statutes, section 290A.04, subdivision 2h, for taxes payable in 1997, and show that amount as a deduction on the 1997 property tax statement.

Sec. 20. [APPROPRIATION.]

$95,000 is appropriated for the fiscal year ending June 30, 1997, from the general fund in the state treasury to the commissioner of revenue for purposes of implementing and administering this article.

Sec. 21. [EFFECTIVE DATE.]

Sections 1 to 16 are effective for property tax refunds payable as deductions on property tax statements in 1997 and thereafter.

ARTICLE 6

ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 1994, 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. [270.0683] [REPORT ON THE EFFECT OF TAX INCENTIVES UPON THE NUMBER OF JOBS.]

On a biennial basis, the commissioner of trade and economic development shall analyze the effect of all business related tax reductions or waivers on the aggregate number of jobs created and wages paid in those new jobs. The commissioner of trade and economic development shall present the results of the analysis to the legislature.

Sec. 3. [270.0684] [GOALS FOR NEW TAX EXPENDITURES.]

Each newly enacted business related tax expenditure shall include measurable goals for jobs and wages and require a biennial review conducted by the commissioner of trade and economic development for continuation based upon meeting those goals. The commissioner of trade and economic development shall report the results of the review to the legislature.

Sec. 4. Minnesota Statutes 1994, section 273.1399, subdivision 6, is amended to read:

Subd. 6. [EXEMPTION; ETHANOL PROJECTS.] (a) The provisions of this section do not apply to a tax increment financing district that satisfies all of the following requirements:

(1) The district is an economic development district, that qualifies under section 469.176, subdivision 4c, paragraph (a), clause (1).

(2) The facility is certified by the commissioner of revenue to qualify for state payments for ethanol development under section 41A.09 to the extent funds are available.

(3) Increments from the district are used only to finance the qualifying ethanol development project located in the district or to pay for administrative costs of the district.

(4) The district is located outside of the seven-county metropolitan area, as defined in section 473.121.

(5) The tax increment financing plan was approved by a resolution of the county board.

~~(6)~~ (b) The exemption provided by this subdivision does not apply beginning for the first year after the total amount of increment for the district ~~does not exceed $1,000,000~~ exceeds $1,500,000. The county auditor shall notify the commissioners of revenue and education of the expiration of the exemption by June 1 of the year in which the revenues from increments will exceed $1,500,000 if all the levied taxes for that year are paid when due.

Sec. 5. Minnesota Statutes 1994, section 273.1399, is amended by adding a subdivision to read:

Subd. 7. [EXEMPTION; AGRICULTURAL PROCESSING FACILITIES.] The provisions of this section do not apply to a tax increment financing district that satisfies all of the following requirements:

(1) the district is established to construct or expand an agricultural processing facility;

(2) the construction or expansion of the facility creates, or upon completion will create, a minimum of five permanent full-time jobs;

(3) the district is located outside of the seven-county metropolitan area, as defined in section 473.121;

(4) the tax increment financing plan was approved by a resolution of the county board;

(5) the total amount of increment for the district does not exceed $1,500,000; and

(6) the commissioner of agriculture has certified to the county auditor that the requirements of this subdivision have been met.

For purposes of this section, "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,

and including livestock products, poultry products, and wood products, but not the raising of livestock or poultry.

Sec. 6. Minnesota Statutes 1994, section 375.83, is amended to read:

375.83 [ECONOMIC AND AGRICULTURAL DEVELOPMENT.]

A county board may appropriate ~~not more than $50,000 annually~~ money out of the general revenue fund of the county to be paid to any incorporated development society or organization of this state which, in the board's opinion, will use the money for the best interests of the county in promoting, advertising, improving, or developing the economic and agricultural resources of the county. ~~The limitation on appropriations in this section does not prohibit accumulation of amounts in excess of $50,000 in a fund to be used for the purposes of this section. The total amount accumulated in the fund must not exceed $300,000.~~

Sec. 7. Minnesota Statutes 1994, section 469.169, subdivision 9, is amended to read:

Subd. 9. [ADDITIONAL BORDER CITY ALLOCATIONS.] In addition to tax reductions authorized in subdivisions 7 and 8, the commissioner may allocate $1,100,000 for tax reductions to border city enterprise zones in cities located on the western border of the state, and $300,000 to the border city enterprise zone in the city of Duluth. The commissioner shall make allocations to zones in cities on the western border by evaluating which cities' applications for allocations relate to business prospects that have the greatest positive economic impact. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, ~~1994~~ 1995.

Sec. 8. Minnesota Statutes 1994, section 469.169, is amended by adding a subdivision to read:

Subd. 10. [ADDITIONAL BORDER CITY ALLOCATIONS.] In addition to tax reductions authorized in subdivisions 7, 8, and 9, the commissioner may allocate $1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 269.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, 1996.

Sec. 9. [CITY OF SPRINGFIELD; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] The city of Springfield may establish a tax increment financing district for the purpose of expanding an agricultural production facility. The expansion of the facility must create or preserve a minimum of 25 jobs. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.178, except that it is exempt from the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] Subdivision 1 is effective upon compliance by the governing body of the city of Springfield with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 10. [CITY OF ST. LOUIS PARK; ESTABLISHMENT OF SPECIAL SERVICE DISTRICTS.]

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

(b) "City" means the city of St. Louis Park.

(c) "Special services" means:

(1) all services rendered or contracted for by the city, including the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) maintenance of landscape and streetscape improvements installed by the city; and

(3) any other service provided to the public by the city as authorized by law or charter.

Subd. 2. [ESTABLISHMENT OF DISTRICTS.] The governing body of the city of St. Louis Park may adopt ordinances establishing special service districts. The provisions of Minnesota Statutes, chapter 428A, govern the establishment and operation of special service districts in the city.

Sec. 11. [TAX INCREMENT FINANCING DISTRICT EXTENSION.]

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1c, the St. Louis Park economic development authority may collect and expend tax increments from the Excelsior Boulevard Redevelopment Project and Oak Park Village tax increment financing districts (Hennepin county project numbers 1300 and 1301, respectively) located within the city of St. Louis Park, after April 1, 2001, for eligible activities within the redevelopment area. The authority under this section expires August 1, 2009.

Sec. 12. [EXEMPTION FROM LGA/HACA OFFSET.]

The hazardous substance subdistrict created in the Excelsior Boulevard tax increment financing district in the city of St. Louis Park is exempt from Minnesota Statutes, section 273.1399.

Sec. 13. [CITY OF COLUMBIA HEIGHTS; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] The Sheffield tax increment financing district, including area added to its geographic area pursuant to Minnesota Statutes, section 469.175, subdivision 4, is exempt from the provisions of Minnesota Statutes, section 273.1399, provided that at least five percent of the district costs are paid by the city from its general fund, a property tax levy, or other unrestricted money not including tax increments.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Columbia Heights and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 14. [CITY OF HASTINGS; DISTRICT EXTENSION.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, the Housing and Redevelopment Authority may collect and expend tax increments from the downtown redevelopment tax increment financing district, located within the city of Hastings, after April 1, 2001, for eligible activities within the district. The authority under this section expires December 31, 2006.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Hastings with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 15. [CITY OF HOPKINS; TAX INCREMENT DISTRICT.]

Subdivision 1. [DURATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, tax increment collected by the housing and redevelopment authority in and for the city of Hopkins from tax increment financing district no. 1-1 may be expended by the authority or the city of Hopkins to pay or defease (1) bonds or obligations issued within two years after the effective date of this section, or (2) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded. Tax increment from district no. 1-1 will not be paid to the authority after August 1, 2009.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Hopkins with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 16. [COTTONWOOD COUNTY; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTIONS.] The southwest Minnesota multicounty housing redevelopment authority may establish an economic development tax increment financing district in Cottonwood county under Minnesota Statutes, sections 469.174 to 469.179, for an ethanol facility that is certified by the commissioner of revenue to qualify for state payments for ethanol development under Minnesota Statutes, section 41A.09, to the extent funds are available.

Subd. 2. [SPECIAL RULES.] (a) The district established under the authority of subdivision 1 is subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) Minnesota Statutes, section 273.1399, does not apply.

(c) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, tax increments from the district may be paid to the authority for up to 18 years from the date of the receipt of the first increment.

(d) The adjustment to original net tax capacity under Minnesota Statutes, section 469.177, subdivision 1, paragraph (f), does not apply.

(e) The tax rate used to determine the amount of revenues from tax increments is the sum of the local tax rates for the taxes payable year, notwithstanding contrary provisions of Minnesota Statutes, section 469.177, subdivision 1a, limiting increments to the original tax capacity rate.

(f) The county board in which the district is located shall approve, by resolution:

(1) the tax increment financing plan;

(2) amendments to the tax increment financing plan that require notice and a public hearing under Minnesota Statutes, section 469.175, subdivision 4; and

(3) any modifications, whether an amendment to the tax increment financing plan or otherwise, that change the distribution to or sharing of the revenues derived from increments with the county and school district under Minnesota Statutes, section 469.176, subdivision 2, or otherwise.

If the county board declines to approve the plan, or an amendment or a modification required to be approved under this paragraph, the action is not effective.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the southwest Minnesota multicounty housing redevelopment authority with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 17. [SWIFT COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY.]

Subdivision 1. [ESTABLISHMENT.] The Swift county board may, by adopting a written enabling resolution, establish a county rural development finance authority that, subject to subdivision 2, has the following powers: powers of an economic development authority under Minnesota Statutes, sections 469.090 to 469.107; and powers of a rural development financing authority under sections 469.142 to 469.151.

Subd. 2. [ECONOMIC DEVELOPMENT AUTHORITY POWERS.] If the county rural development finance authority exercises the powers of an economic development authority, 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 469.108, except for the authority to issue general obligation bonds under Minnesota Statutes, section 469.102. The levy imposed by the county board under Minnesota Statutes, section 469.107, may be levied in addition to levies otherwise authorized by law. The county rural development finance authority may create and define the boundaries of economic development districts at any place or places within the county. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 3. [LIMIT OF POWERS.] (a) The enabling resolution may impose the following limits on the actions of the authority:

(1) that the authority may not exercise any of the powers contained in subdivision 1 unless those powers are specifically authorized in the enabling resolution; and

(2) any other limitation or control established by the county board by the enabling resolution.

(b) The enabling resolution may be modified at any time, but may not be applied in a manner that impairs contracts executed before the modification is made. All modifications to the enabling resolution must be by written resolution.

(c) Before the commencement of a project by the authority, the governing body of the municipality in which the project is to be located or the Swift county board, if the project is outside municipal corporate limits, shall by majority vote approve the project as recommended by the authority.

Subd. 4. [BOARD OF DIRECTORS.] (a) The authority consists of a board of seven directors. The directors shall be appointed by the Swift county board. Each director shall be appointed to serve for three years or until a successor is appointed and qualified. No director may serve more than two consecutive terms. The initial appointment of directors must be made so that no more than one-third of the directors' positions will require appointment in any one year due to fulfillment of their three-year appointment. The appointment of directors must be made to reflect representation of the entire county by population, appointing one director to represent each of the five county commissioner districts. The other two directors must be representatives of various county-based economic development organizations or be directors at-large. No more than two directors may reside in any one county commissioner district.

(b) Two of the directors initially appointed shall serve for terms of one year, two for two years, and three for three years. Each vacancy must be filled for the unexpired term in the manner in which the original appointment was made. A vacancy occurs if a director no longer resides in the county. No director shall be an officer, employee, director, shareholder, or member of any corporation, firm, or association with which the authority has entered into any operating lease, or other agreement. The directors may be removed by the county for the reasons and in the manner provided under Minnesota Statutes, section 469.010, and shall receive no compensation other than reimbursement for expenses incurred in the performance of their duties. Directors shall have no personal liability for obligations of the authority or the methods of enforcement and collection of the obligations.

Subd. 5. [EFFECTIVE DATE.] This section is effective upon compliance by the Swift county board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 18. [CITY OF MORRIS; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4, paragraph (b), the economic development authority of the city of Morris may, within one year after the effective date of this section, enlarge the geographic area of tax increment financing district No. 5 to include a parcel identified as lot 2, block 2, Morris industrial park. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.178, except:

(1) Minnesota Statutes, section 273.1399, does not apply to the enlarged geographic area of the district;

(2) the duration limit for the district and enlarged area is December 31, 2010; and

(3) the buildings to be constructed in the enlarged geographic area of the district may, notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 4c, include space necessary for and related to the manufacturing facility located on parcels contiguous to the district.

Subd. 2. [EFFECTIVE DATE.] This section is effective after compliance by the governing body of the city of Morris under Minnesota Statutes, section 645.021, subdivision 3.

Sec. 19. [CITY OF BROOTEN; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] A tax increment financing district created by the city of Brooten for the purpose of financing the construction of an agricultural processing facility as defined in article 2, section 25, is exempt from the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Brooten with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 20. [CITY OF MANKATO; ECONOMIC DEVELOPMENT DISTRICT.]

Subdivision 1. [ESTABLISHMENT.] The city of Mankato may establish economic development tax increment financing districts that include all properties in the Eastwood Industrial Centre Industrial Park. The districts are established subject to Minnesota Statutes, sections 469.174 to 469.179, except that the provisions of Minnesota Statutes, section 273.1399, do not apply.

Subd. 2. [EXEMPTION.] Minnesota Statutes, section 273.1399, does not apply to tax increment financing district No. 19-2, located in the city of Mankato.

Subd. 3. [ESTABLISHMENT.] The city of Mankato may establish a redevelopment tax increment district that includes all properties in the area between Poplar Street and River Front Drive South. The district is subject to Minnesota Statutes, sections 469.174 to 469.178, except that Minnesota Statutes, section 273.1399, does not apply to this district.

Subd. 4. [EFFECTIVE DATE.] This section is effective after compliance by the governing body of the city of Mankato with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. [CITY OF GLENVILLE; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTIONS.] The city of Glenville may establish an economic development tax increment financing district for the purpose of establishing an industrial park, including acquiring land, construction of rail services, construction of roads, extension of utilities, and the construction of a sewer collection line to carry effluent from one or more locations in Glenville to the city of Albert Lea sewage treatment plant. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.179, except:

(1) Minnesota Statutes, section 273.1399, does not apply; and

(2) the city may not establish the tax increment financing district under this section unless the tax increment financing plan is approved by resolution of the governing body of the city of Albert Lea.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Glenville with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 22. [CITY OF ALBERT LEA TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [INDUSTRIAL PROJECT; EXCEPTIONS.] The city of Albert Lea may establish economic development tax increment financing district 5-6 for industrial and manufacturing projects. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.179, except:

(1) Minnesota Statutes, section 273.1399, does not apply; and

(2) the city must pay at least five percent of the project costs from its general fund, a property tax levy, or other unrestricted money (other than tax increments).

Subd. 2. [TAX INCREMENT FINANCING DISTRICTS; EXCEPTIONS.] Minnesota Statutes, section 273.1399, does not apply to tax increment financing districts 5-3, 5-4, and 5-5, located in the city of Albert Lea.

Subd. 3. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Albert Lea with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. [CITY OF OAKDALE; TAX INCREMENT DISTRICTS.]

Subdivision 1. [DURATION.] (a) Notwithstanding Minnesota Statutes, section 469.176, subdivisions 1 and 1b, tax increments from the city of Oakdale tax increment financing district number 1-2 may be collected and expended by the authority through December 31, 2011.

(b) Notwithstanding Minnesota Statutes, section 469.176, subdivisions 1 and 1b, tax increments from the city of Oakdale tax increment financing district number 9 may be collected and expended by the authority through December 31, 2004.

Subd. 2. [TAX INCREMENT DISTRICT 1-2; EXEMPTIONS AND HOUSING ACTIVITIES.] (a) Minnesota Statutes, section 273.1399, shall not apply to the city of Oakdale tax increment financing district number 1-2 during any calendar year after adoption of an amendment to the tax increment financing plan for the district, provided 15 percent of the tax increments from the district in each such calendar year is deposited in the housing development account for expenditure on housing activities pursuant to the plan as provided in paragraphs (b) and (c). The amendment must be adopted within one year of the effective date of this section.

(b) The authority must identify in the amendment to the plan the housing activities that will be assisted by the housing development account. Housing activities may include, but are not limited to, 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 income requirements of a qualified housing district under Minnesota Statutes, section 469.1761, subdivisions 2 and 3.

(c) Tax increments to be expended for housing activities under this subdivision 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. The expenditure of tax increments from the account for housing activities is exempt from the provisions of Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4, and shall be disregarded for purposes of satisfying the provisions of Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4.

Subd. 3. [TAX INCREMENT DISTRICT 6; MODIFICATIONS; SPECIAL RULES.] (a) Notwithstanding the provisions of Minnesota Statutes, sections 469.174, subdivision 10, and 469.175, subdivision 4, paragraph (b), the city of Oakdale may, within one year after the effective date of this section, enlarge the geographic area of city of Oakdale tax increment financing district number 6 to include the southwest one-quarter of the southwest one-quarter of section 29, tract 29, range 21, that is also known as parcel number 57029-2001.

(b) The parcels included in the enlarged area described in paragraph (a) are subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(c) Minnesota Statutes, section 273.1399, does not apply to the district.

(d) Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4, do not apply to the district.

(e) The enlarged area shall be treated as part of a redevelopment district.

(f) The governing body of the city of Oakdale, in addition to the findings required by section 469.175, subdivision 3, shall also find:

(1) that the parcels included in the enlarged area have an estimated market value for the year in which the area is certified that is at least 40 percent less than the estimated market value of three years earlier; and

(2) that the enlarged area is occupied by buildings that are functionally obsolete and underutilized. "Underutilized," for purposes of this subdivision, means that less than 60 percent of the useable square footage of the existing buildings are not leased.

Subd. 4. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Oakdale with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 24. [CITY OF SAINT PAUL; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] Any tax increment financing districts located in the Phalen Corridor Project Area of the city of Saint Paul that are certified after the date of final enactment of this section are exempt from the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Saint Paul with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. [CITY OF LAKE CITY; TAX INCREMENT DISTRICT.]

Subdivision 1. [DURATION EXTENSION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the duration of tax increment financing district number 3, located within the city of Lake City, may be extended to January 1, 2002, by resolution of the governing body of Lake City.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Lake City with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 26. [CITY OF LAKEFIELD; TAX INCREMENT FINANCING DISTRICTS.]

Subdivision 1. [REDEVELOPMENT DISTRICT.] (a) The governing body of the city of Lakefield may establish a tax increment financing district that is a redevelopment district as defined in Minnesota Statutes, section 469.174, subdivision 10, for the purpose of developing the property previously used as the municipal hospital. The district is subject to Minnesota Statutes, sections 469.174 to 469.179, except that the provisions of Minnesota Statutes, section 273.1399, do not apply.

(b) Notwithstanding Minnesota Statutes, section 469.177, subdivision 1, paragraph (d), for the district established under this subdivision, the original tax capacity of the previously tax exempt property comprising the municipal hospital equals the value of the land only, as determined by the assessor at the time of the transfer.

Subd. 2. [HOUSING DISTRICT.] The governing body of the city of Lakefield may also establish a tax increment financing district that is a housing district as defined in Minnesota Statutes, section 469.174, subdivision 11. The district is subject to Minnesota Statutes, sections 469.174 to 469.179, except that the provisions of Minnesota Statutes, section 273.1399, do not apply.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Lakefield with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 27. [CITY OF CROOKSTON; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] The provisions of Minnesota Statutes, section 273.1399, do not apply to an economic development tax increment financing district in the city of Crookston, if the city establishes the district by July 1, 1996, and the district is used solely to assist a manufacturer of passenger buses to locate a manufacturing facility in the city.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Crookston and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 28. [SWIFT COUNTY; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] Swift county may establish a redevelopment tax increment financing district in Torning township to facilitate the location of a manufacturing facility in the district. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.178, except that it is not subject to the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of Swift county with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. [CITY OF NORTHFIELD; TAX INCREMENT DISTRICT.]

Subdivision 1. [EXEMPTIONS.] Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, the duration of the tax increment districts within development district No. 2 and

development district No. 3 are extended through December 31, 1999. Notwithstanding any limitation in law on use of increments, all additional tax increment generated by the extensions may be used by the Northfield city council to defray, whether directly or through the issuance of bonds or other obligations, the reasonable costs associated with making or financing building renovations and restorations, public improvements, or other property development and redevelopment activities for the benefit of the city's central business district.

Subd. 2. [LOCAL APPROVAL.] This section is effective upon compliance by the governing body of the city of Northfield with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. [NORTH ST. PAUL; TAX INCREMENT DISTRICT.]

Subdivision 1. [DURATION EXTENSION.] Notwithstanding Minnesota Statutes, section 469.176, subdivision 4c, the city of North St. Paul may elect to extend the duration of tax increment financing district No. 2-2. The city may extend the duration of the district No. 2-2 until the earlier of: (1) December 31, 2010; or (2) the date when it has collected total increments from the district equal to the city's cleanup and related expenditures for the district, less any reimbursement from private parties for these costs.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of North St. Paul with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. [CITIES OF CRYSTAL, FRIDLEY, AND MINNEAPOLIS; HOUSING REPLACEMENT DISTRICTS; DEFINITIONS.]

Subdivision 1. [CAPTURED NET TAX CAPACITY.] "Captured net tax capacity" means the amount by which the current net tax capacity of the improvements to real property in a housing replacement district exceeds the original net tax capacity of improvements to property in the district, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity. No amount of net tax capacity attributable to land is included in captured net tax capacity.

Subd. 2. [ORIGINAL NET TAX CAPACITY.] "Original net tax capacity" means the tax capacity of all taxable real property within a housing replacement district as certified by the commissioner of revenue for the previous assessment year, provided that the request by the authority for certification of a new housing replacement district has been made to the county auditor by June 30. The original net tax capacity of housing replacement districts for which requests are filed after June 30 has an original net tax capacity based on the current assessment year. In any case, the original net tax capacity must be determined together with subsequent adjustments as set forth in Minnesota Statutes, section 469.177, subdivisions 1 and 4. In determining the original net tax capacity, the net tax capacity of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the net tax capacity of the property shall be the net tax capacity as most recently determined by the commissioner of revenue.

Subd. 3. [PARCEL.] "Parcel" means a tract or plat of land established prior to the certification of the district as a single unit for purposes of assessment.

Subd. 4. [AUTHORITY.] For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing development projects in the city of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency.

Sec. 32. [ESTABLISHMENT OF HOUSING REPLACEMENT DISTRICTS.]

Subdivision 1. [CREATION OF PROJECTS.] (a) An authority may create a housing replacement project under sections 31 to 34, as provided in this section.

(b) For the cities of Crystal and Fridley, the authority may designate up to 50 parcels in the city to be included in a housing replacement district over the life of the district. No more than ten

parcels may be included in the original district, with up to seven additional parcels added to the district in each of the following nine years. For the city of Minneapolis, the authority may designate up to 500 parcels in the city to be included in a housing replacement district over the life of the district.

(c) The city in which the authority is located must pay at least 25 percent of the project costs from its general fund, property tax levy, or other unrestricted money, not including tax increments.

(d) The project must have as it sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

Subd. 2. [HOUSING REPLACEMENT DISTRICT PLAN.] To establish a housing replacement district under sections 31 to 34, an authority shall develop a housing replacement project plan which shall contain:

(1) a statement of the objectives and a description of the projects proposed by the authority for the housing replacement district;

(2) a statement of the housing replacement project plan, demonstrating the coordination of that plan with the city's comprehensive plan;

(3) estimates of the following:

(i) cost of the program, including administrative expenses;

(ii) sources of revenue to finance or otherwise pay public costs;

(iii) the most recent net tax capacity of taxable real property within the housing replacement district; and

(iv) the estimated captured net tax capacity of the housing replacement district at completion;

(4) statements of the authority's alternate estimates of the impact of the housing replacement district on the net tax capacities of all taxing jurisdictions in which the district is located in whole or in part. For purposes of one statement, the municipality shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the county shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district; and

(5) identification of all parcels to be included in the zone, to the extent known at the time the plan is prepared. At a minimum, the parcels that will be included in the district during its first year must be identified in the original plan. If parcels for subsequent years are not specifically identified, the plan must include the criteria that will be used by the authority to select parcels to be included in the later years.

Subd. 3. [PROCEDURE.] The provisions of Minnesota Statutes, section 469.175, subdivisions 3, 4, 5, and 6, apply to the establishment and operation of the districts created under sections 31 to 34, except as follows:

(1) the determination specified in Minnesota Statutes, section 469.175, subdivision 3, clause (1), is not required; and

(2) addition of parcels not identified in the original plan is not treated as a modification of a plan requiring an approval process provided that the parcels added are consistent with the criteria described in subdivision 2, clause (5).

Sec. 33. [LIMITATIONS.]

Subdivision 1. [DURATION LIMITS.] No tax increment shall be paid to the authority on each parcel in a housing replacement district after 20 years from date of receipt by the county of the first tax increment from that parcel.

Subd. 2. [LIMITATION ON USE OF TAX INCREMENTS.] All revenues derived from tax increments shall be used in accordance with the tax increment financing plan. The revenues shall be used solely to pay the costs of site acquisition, demolition of existing structures, site preparation, and pollution abatement on parcels identified in the plan, as well as public improvements and administrative costs directly related to those parcels.

Sec. 34. [APPLICATION OF OTHER LAWS.]

Subdivision 1. [COMPUTATION OF TAX INCREMENT.] The provisions of Minnesota Statutes, section 469.177, apply to the computation of tax increment for the housing replacement districts created under sections 31 to 34.

Subd. 2. [OTHER PROVISIONS.] References in Minnesota Statutes to tax increment financing districts created and tax increments generated under Minnesota Statutes, sections 469.174 to 469.179, other than references in Minnesota Statutes, section 273.1399, shall include housing replacement districts and tax increments subject to sections 31 to 34, provided that Minnesota Statutes, sections 469.174 to 469.179, apply only to the extent specified in sections 31 to 34.

Sec. 35. [CITY OF FAIRMONT; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] The provisions of Minnesota Statutes, section 273.1399, does not apply to the economic development tax increment financing district in the city of Fairmont designated "Weigh-tronix."

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Fairmont with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. [CITY OF BAYPORT; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] The economic tax increment financing district for the city of Bayport designated as economic development district No. 2 is not subject to the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [LOCAL APPROVAL.] This section is effective upon compliance by the governing body of the city of Bayport with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 37. [CITY OF ROSEVILLE; ESTABLISHMENT OF SPECIAL SERVICE DISTRICTS.]

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

(b) "City" means the city of Roseville.

(c) "Special services" means:

(1) all services rendered or contracted for by the city, including the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) maintenance of landscape and streetscape improvements installed by the city; and

(3) any other service provided to the public by the city as authorized by law or charter.

Subd. 2. [ESTABLISHMENT OF DISTRICTS.] The governing body of the city of Roseville may adopt ordinances establishing special service districts. The provisions of Minnesota Statutes, chapter 428A, govern the establishment and operation of special service districts in the city.

Sec. 38. [ROSEVILLE; EXEMPTION FROM LGA/HACA OFFSET.]

The hazardous substance subdistrict (No. 11A) created in tax increment financing district No. 11 in the city of Roseville is exempt from Minnesota Statutes, section 273.1399.

Sec. 39. [ROSEVILLE; COMPUTATION OF TAX INCREMENT.]

Notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 3,

paragraph (c), the governing body of the city of Roseville may change its election of a method for computing tax increment for the tax increment financing district number 11 certified on March 26, 1990, and known as the Twin Lakes redevelopment district and for Roseville hazardous substance district number 11A. The governing body may change its election from the computation in Minnesota Statutes, section 469.177, subdivision 3, paragraph (b), to the computation in Minnesota Statutes, section 469.177, subdivision 3, paragraph (a), to the computation in Minnesota Statutes, section 469.177, subdivision 3, paragraph (a).

Sec. 40. [ROSEVILLE; ORIGINAL LOCAL TAX RATE.]

Notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a, the original local tax rate for Roseville hazardous substance subdistrict number 11A shall be the sum of all the local tax rates that apply to the property in the subdistrict at the time the subdistrict is certified by the county auditor. The resulting tax capacity rate is the original local tax rate for the life of the subdistrict. The original local tax rate shall revert to the original local tax rate of the overlying tax increment district number 11 once the subdistrict is decertified.

Sec. 41. [REPEALER.]

Minnesota Statutes 1994, sections 273.1399; and 469.175, subdivision 7a, are repealed.

Sec. 42. [EFFECTIVE DATE.]

Sections 1 and 41 are effective for districts for which certification is requested after April 30, 1990.

Sections 2 and 3 apply to state grants, state loans, and tax increment financing authorized on or after August 1, 1995.

Section 4 is effective the day following final enactment and applies to all tax increment financing districts, regardless of when the request for certification was made.

Section 5 is effective for taxes payable in 1996, and thereafter, and applies to districts for which certification is requested after the date of final enactment.

Section 7 is effective January 1, 1995.

Sections 10 to 12 are effective the day following final enactment, after the governing body of the city of St. Louis Park complies with Minnesota Statutes, section 645.021, subdivision 3.

Sections 31 to 34 are effective, for the city of Crystal, upon compliance by the Crystal city council with Minnesota Statutes, section 645.021, subdivision 3, and, for the city of Fridley, upon compliance by the Fridley city council with Minnesota Statutes, section 645.021, subdivision 3, and, for the city of Minneapolis, upon compliance by the Minneapolis city council with Minnesota Statutes, section 645.021, subdivision 3.

Sections 37 to 40 are effective the day following final enactment, after the governing body of the city of Roseville complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 7

TACONITE TAX

Section 1. Minnesota Statutes 1994, section 298.01, subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore ~~or~~, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), and 290.17, subdivision 4, do not apply. The tax is in addition to all other taxes.

Sec. 2. Minnesota Statutes 1994, 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 and direct reduced ore 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 1994, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1992, 1993, ~~and~~ 1994, and 1995 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 ~~1995~~ 1996 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)(1) Notwithstanding any other provision of this subdivision, for ~~concentrates produced in 1994 through 1999~~ the first five years of a plant's production of direct reduced ore, 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 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.

(2) Production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 4. Minnesota Statutes 1994, section 298.25, is amended to read:

298.25 [TAXES ADDITIONAL TO OTHER TAXES.]

The taxes imposed under section 298.24 shall be in addition to the occupation tax imposed upon the business of mining and producing iron ore. Except as herein otherwise provided, such taxes shall be in lieu of all other taxes upon such taconite ~~and~~, iron sulphides, and direct reduced ore or the lands in which they are contained, or upon the mining or quarrying thereof, or the production of concentrate or direct reduced ore therefrom, or upon the concentrate or direct reduced ore produced, or upon the machinery, equipment, tools, supplies and buildings used in such mining, quarrying or production, or upon the lands occupied by, or used in connection with, such mining, quarrying or production facilities. If electric or steam power for the mining, transportation or concentration of such taconite ~~or the~~, concentrates or direct reduced ore produced therefrom is generated in plants principally devoted to the generation of power for such purposes, the plants in which such power is generated and all machinery, equipment, tools, supplies, transmission and distribution lines used in the generation and distribution of such power, shall be considered to be machinery, equipment, tools, supplies and buildings used in the mining, quarrying, or production of taconite ~~and~~, taconite concentrates or direct reduced ore within the meaning of this section. If part of the power generated in such a plant is used for purposes other than the mining or concentration of taconite or direct reduced ore or the transportation or loading of taconite ~~or~~, the concentrates thereof or direct reduced ore, a proportionate share of the value of such generating facilities, equal to the proportion that the power used for such other purpose bears to the generating capacity of the plant, shall be subject to the general property tax in the same manner as other property; provided, power generated in such a plant and exchanged for an equivalent amount of power which is used for the mining, transportation, or concentration of such taconite ~~or~~, concentrates or direct reduced ore produced therefrom, shall be considered as used for such purposes within the meaning of this section. Nothing herein shall prevent the assessment and taxation of the surface of reserve land containing taconite and not occupied by such facilities or used in connection therewith at the value thereof without regard to the taconite or iron sulphides therein, nor the assessment and taxation of merchantable iron ore or other minerals, or iron-bearing materials other than taconite or iron sulphides in such lands in the manner provided by law, nor the assessment and taxation of facilities used in producing sulphur or sulphur products from iron sulphide concentrates, or in refining such sulphur products, under the general property tax laws. Nothing herein shall except from general taxation or from taxation as provided by other laws any property used for residential or townsite purposes, including utility services thereto.

Sec. 5. Minnesota Statutes 1994, 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, and 1995, and 11.3 cents per ton for distributions in 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 5/16 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. 6. Minnesota Statutes 1994, section 298.296, subdivision 4, is amended 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~~ 1997.

Sec. 7. [EFFECTIVE DATE.]

This article is effective for production years beginning after December 31, 1994.

ARTICLE 8

JUDGMENT BONDS

Section 1. [16A.67] [JUDGMENT BONDS.]

Subdivision 1. [AUTHORIZATION.] The commissioner of finance, upon request of the governor, is authorized to sell and issue state bonds to fund the judgment rendered against the state by the Minnesota supreme court in Cambridge State Bank et al. v. James, 514 N.W. 2d 565, on April 1, 1994, and interest accrued thereon to fund any bond reserve determined to be necessary, and to pay costs of issuance of the bonds. The proceeds of the bonds are appropriated for these purposes. The principal amount of the bonds shall not exceed $400,000,000. The bonds shall be sold and issued upon such terms and in such manner as the commissioner shall determine to be in the best interests of the state. The final maturity of the bonds shall be not later than June 30, 2005.

Subd. 2. [SECURITY; BONDS NOT PUBLIC DEBT.] The bonds and the interest thereon shall be payable solely from and secured by the revenues appropriated to the debt service fund established for this purpose in subdivision 3 and investment income thereon, and any bond reserve established for the bonds. The bonds are not public debt, and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds and the interest thereon shall not be paid, directly or indirectly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege.

Subd. 3. [DEBT SERVICE FUND.] There is established in the state treasury a separate and special debt service fund. There shall be credited to the fund net proceeds of the lottery in accordance with section 349A.10, subdivision 5, money received for payment or reimbursement of health care costs in accordance with section 246.18, subdivision 7, and investment income thereon. Money appropriated to the fund and investment income thereon on hand or required to be credited to the fund shall be used and are irrevocably appropriated for the payment of the principal of and interest on the bonds when due.

Subd. 4. [COVENANTS; AGREEMENTS.] The commissioner may, for and on behalf of the state, enter into such covenants and agreements not inconsistent with subdivisions 1 to 3 and sections 246.18, subdivisions 4 and 6; and 349A.10, subdivision 5, as may be necessary or desirable to facilitate the sale and issuance of the bonds on terms favorable to the state, including, but not limited to, covenants and agreements relating to the payment of and security for the bonds, tax-exemption, and disclosure of information required by federal and state securities laws. Such covenants may include covenants to continue to operate the state lottery and to continue to seek payment by and reimbursement from nonstate sources of health care costs so long as any bonds issued pursuant to this section are outstanding. The provisions of sections 16A.672 and 16A.675 are applicable to the bonds.

Subd. 5. [LIMITATION ON USE OF GENERAL FUND.] The amount of the refund, including accrued interest, to be paid on the judgment in fiscal year 1996 from the general fund not including the proceeds of these bonds shall not exceed $66,000,000.

Sec. 2. Minnesota Statutes 1994, section 246.18, subdivision 4, is amended to read:

Subd. 4. [COLLECTIONS DEPOSITED IN THE GENERAL FUND.] Except as provided in

subdivisions ~~2 and~~ 5, 6, and 7, all receipts from collection efforts for the regional treatment centers, state nursing homes, and other state facilities as defined in section 246.50, subdivision 3, must be deposited in the general fund. The commissioner shall ensure that the departmental financial reporting systems and internal accounting procedures comply with federal standards for reimbursement for program and administrative expenditures and fulfill the purpose of this paragraph.

Sec. 3. Minnesota Statutes 1994, section 246.18, is amended by adding a subdivision to read:

Subd. 6. [COLLECTIONS DEDICATED.] Except for state-operated programs and services funded through a direct appropriation from the legislature, money received within the regional treatment center system for the following state-operated services is dedicated to the commissioner for the provision of those services:

(1) community-based residential and day training and habilitation services for mentally retarded persons;

(2) community health clinic services;

(3) accredited hospital outpatient department services;

(4) certified rehabilitation agency and rehabilitation hospital services; or

(5) community-based transitional support services for adults with serious and persistent mental illness.

This money must be deposited in the state treasury in a revolving account and money in the revolving account is appropriated to the commissioner to operate the services authorized. Any unexpended balances do not cancel but are available until spent.

Sec. 4. Minnesota Statutes 1994, section 246.18, is amended by adding a subdivision to read:

Subd. 7. [USE OF CERTAIN REIMBURSEMENT FUNDS.] Except as provided in subdivisions 2, 5, and 6, and unless otherwise required by federal law, during any period in which bonds are issued and outstanding under section 16A.67, all money received from the federal government or other nonstate source for payment or reimbursement of health care costs incurred at regional treatment centers, state nursing homes, and other state facilities as defined in section 246.50, subdivision 3, must be credited to a separate and special fund in the state treasury. Money credited to the special fund must be credited to the debt service fund established in section 16A.67 at the times and in the amounts determined by order of the commissioner of finance to be necessary to provide for the payment and security of bonds issued pursuant to section 16A.67. On or after the tenth day of each month, any money in the special fund not required to be credited to the debt service fund must be credited to the general fund.

Sec. 5. Minnesota Statutes 1994, section 349A.10, subdivision 5, is amended to read:

Subd. 5. [DEPOSIT OF NET PROCEEDS.] Within 30 days after the end of each month, the director shall deposit in the state treasury the net proceeds of the lottery, which is the balance in the lottery fund after transfers to the lottery prize fund and credits to the lottery operations account. Of the net proceeds, (1) 40 percent must be credited to the Minnesota environment and natural resources trust fund, (2) an amount determined by order of the commissioner of finance to be necessary to provide for the payment and security of bonds issued pursuant to section 16A.67 must be credited to the debt service fund established in section 16A.67, and (3) the remainder must be credited to the general fund.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective the day following final enactment.

ARTICLE 9

BUDGET RESERVE

Section 1. Minnesota Statutes 1994, section 16A.152, subdivision 1, is amended to read:

Subdivision 1. [BUDGET RESERVE AND CASH FLOW ACCOUNT ESTABLISHED.] (a) A budget reserve and cash flow account is created in the general fund in the state treasury. The commissioner of finance shall restrict part or all of the balance before reserves in the general fund as may be necessary to fund the budget reserve and cash flow account as provided by law from time to time.

(b) The commissioner of finance shall transfer the amount necessary to bring the total amount of the budget reserve and cash flow account, including any existing balance in the account on ~~June 30, 1993~~ July 1, 1995, to ~~$360,000,000~~ $350,000,000. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under subdivision 2.

ARTICLE 10

MISCELLANEOUS

Section 1. Minnesota Statutes 1994, section 270A.08, subdivision 1, is amended to read:

Subdivision 1. [NOTICE TO DEBTOR.] Not later than five days after the claimant agency has sent notification to the department pursuant to section 270A.07, subdivision 1, the claimant agency shall send a written notification to the debtor asserting the right of the claimant agency to the refund or any part thereof. If the debt, other than a debt based on child support under section 518.17 or medical support under section 518.171, is not satisfied by the debtor or decertified by the claimant agency, the claimant agency shall provide written notification to the debtor on an annual basis. If the notice is returned to the claimant agency as undeliverable, or the claimant agency has reason to believe the debtor did not receive the notice, the claimant agency shall obtain the current address of the debtor from the commissioner and resend the corrected notice.

Sec. 2. [410.325] [TAX ANTICIPATION CERTIFICATES.]

Notwithstanding a contrary provision of other law or charter, a home rule charter city may issue tax anticipation certificates in the manner and subject to the limitations applicable to statutory cities under section 412.261. The certificates may also be issued in anticipation of federal and state aids, but the total amount of certificates issued against any fund for any year with interest on them must not exceed any limits in the charter relating to the total of the anticipated tax levy and the anticipated state aids for any fund not yet collected or received.

Sec. 3. Minnesota Statutes 1994, 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, a local unit of government acting in conjunction with 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. The application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. 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 the scoring system in section 465.802. The amount of a grant under this section may not exceed $50,000.

Sec. 4. Minnesota Statutes 1994, 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 application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. 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 the scoring system in section 465.802. The amount of a grant under this section may not exceed $50,000.

Sec. 5. Minnesota Statutes 1994, section 465.801, is amended to read:

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. The application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. 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 the scoring system in section 465.802. The amount of a grant under this section may not exceed $100,000.

Sec. 6. Minnesota Statutes 1994, section 465.81, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] Sections 465.81 to 465.87 establish procedures to be used by counties, cities, or towns that adopt by resolution an agreement providing a plan to provide combined services during an initial ~~two-year~~ cooperation period that may not exceed two years and then to merge into a single unit of government over the succeeding two-year period.

Sec. 7. Minnesota Statutes 1994, section 465.82, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF PLAN.] The plan ~~shall~~ must state:

(1) the specific cooperative activities the units will engage in during the first two years of the venture;

(2) the steps to be taken to effect the merger of the governmental units, ~~beginning in the third year of the process,~~ with completion no later than four years after the process begins;

(3) the steps by which a single governing body will be created~~. Notwithstanding any other law to the contrary, all current members of the governing bodies of the local government units that propose to combine under sections 465.81 to 465.87 may serve on the initial governing body of the combined unit, until a gradual reduction in membership is achieved by foregoing election of new members when terms expire until the number permitted by other law is reached~~;

(4) changes in services provided, facilities used, administrative operations and staffing to effect the preliminary cooperative activities and the final merger and a two-, five-, and ten-year projection of expenditures for each unit if it combined and if it remained separate;

(5) treatment of employees of the merging governmental units, specifically including provisions for reassigning employees, dealing with unions, and providing financial incentives to encourage early retirements;

(6) financial arrangements for the merger, specifically including responsibility for debt service on outstanding obligations of the merging entities;

(7) ~~two, five, and ten year projections prepared by the department of revenue at the request of the local government unit, of revenues, expenditures, and property taxes for each unit if it combined and if it remained separate;~~ one- and two-year impact analysis, prepared by the granting state agency at the request of the local government unit, of major state aid revenues received for each unit if it combined and if it remained separate. This would also include an impact analysis, prepared by the department of revenue, of property tax revenue implications, if any, associated with tax increment financing districts and fiscal disparities resulting from the merger;

(8) procedures for a referendum to be held ~~prior to the year of~~ before the proposed combination to approve combining the local government units, specifically stating whether a majority of those voting in each district proposed for combination or a majority of those voting on the question in the entire area proposed for combination would be needed to pass the referendum; and

(9) a time schedule for implementation.

Notwithstanding clause (3) or any other law to the contrary, all current members of the governing bodies of the local governmental units that propose to combine under sections 465.81 to 465.87 may serve on the initial governing body of the combined unit until a gradual reduction in membership is achieved by foregoing election of new members when terms expire until the number permitted by other law is reached.

Sec. 8. Minnesota Statutes 1994, section 465.84, is amended to read:

465.84 [REFERENDUM.]

During the first or second year of cooperation, and after approval of the plan by the ~~department~~ board under section 465.83, a referendum on the question of combination ~~shall~~ must be conducted. The referendum ~~shall~~ must be on a date called by the governing bodies of the units that propose to combine. The referendum ~~shall~~ must be conducted according to the Minnesota election law, as defined in section 200.01. If the referendum fails, the same question or a modified question may be submitted the following year. If the referendum fails again, the same question may not be submitted. Referendums shall be conducted on the same date in all local government units.

Sec. 9. Minnesota Statutes 1994, section 465.85, is amended to read:

465.85 [COUNTY AUDITOR TO PREPARE PLAT.]

Upon the request of two or more local government units that have adopted a resolution to cooperate and combine, the county auditor shall prepare a plat. If the proposed combined local government unit is located in more than one county, the request ~~shall~~ must be submitted to the county auditor of the county that has the greatest land area in the proposed district. The plat must show:

(1) the boundaries of each of the present units;

(2) the boundaries of the proposed unit;

(3) the boundaries of proposed election districts, if requested; and

(4) other information deemed pertinent by the governing bodies or the county auditor.

Sec. 10. Minnesota Statutes 1994, section 465.87, is amended to read:

465.87 [AIDS TO COOPERATING AND COMBINING UNITS.]

Subdivision 1. [ELIGIBILITY.] A local government unit is eligible to apply for aid under this section if the board has approved its plan to cooperate and combine under section 465.83.

Subd. 1a. [ADDITIONAL ELIGIBILITY.] A local government unit is eligible to apply for aid under this section if it has combined with another unit of government in accordance with any process within chapter 414 that results in the elimination of at least one local government unit and a copy of the municipal board's order combining the two units of government is forwarded to the board. If two units of government cooperate in the orderly annexation of the entire area of a third unit of government that has a population of at least 8,000, the two units of government are each eligible for the amount of aid specified in subdivision 2.

Subd. 1b. [APPLICATION PROCEDURES.] A local government unit covered by subdivision 1 may submit an application to the board along with the final plan for cooperation and combination required by section 465.83. A local government unit covered by subdivision 1a may submit an application to the board after the issuance of the municipal board's order combining the two units of government. The application must be on a form prescribed by the board and must specify the total amount of aid requested up to the maximum authorized by subdivision 2. The application must also include a detailed explanation of the need for the aid and provide a budget indicating how the requested aid would be used.

Subd. 1c. [AID AWARD.] The board may grant or deny an application for aid made by a local government under subdivision 1b. The board may also grant aid to an applicant in an amount that is less than the amount requested by the applicant. The board shall base its decision on the following criteria:

(1) whether the local government unit has adequately demonstrated that the requested aid is essential to accomplishing the proposed combination;

(2) whether the activities to be funded by the requested aid are directly related to the combination;

(3) whether other sources of funding for the activities identified in the application, including short-term cost savings, are available to the applicant as a direct result of the combination; and

(4) whether there are competing needs for the funding available to the board that would provide a greater public benefit than would be realized by the combination or activities described in the application.

The board may award money to an applicant for a period not to exceed four years. Any funding awarded for a period beyond the biennium in which an award is made, however, is contingent on future appropriations to the board.

Subd. 2. [AMOUNT OF AID.] The annual amount of aid to be paid to each eligible local government unit ~~is equal to~~ may not exceed the following per capita amounts, based on the combined population of the units, ~~not to exceed $100,000 per year for any unit~~ as estimated by the state demographer, or $100,000, whichever is less.

Combined Population after Combination	Aid Per Capita
0 - 2,500	$25
2,500 - 5,000	20

5,000 - 20,000	15
over 20,000	10

Payments ~~shall~~ must be made on the dates provided for payments of local government aid under section 477A.013, beginning in the year during which a combination in any form is expected to be ordered by the municipal board as evidenced in resolutions adopted by July 1 by the affected local government units declaring their intent to combine, or during which substantial cooperative activities under the plan initially occur, unless those activities begin after July 1, in which case the initial aid payment ~~shall~~ must be made in the following calendar year. Payments to a local government unit that qualifies for aid pursuant to subdivision 1a must be made on the dates provided for payments of local government aids under section 477A.013, beginning in the calendar year during which a combination in any form is expected to be ordered by the Minnesota municipal board as evidenced in a resolution adopted by July 1 by the affected local government units declaring their intent to combine. The resolutions must certify that the combination agreement addressing all issues relative to the combination is substantially complete. The total amount of aid paid may not exceed the amount appropriated to the board for purposes of this section.

Subd. 3. [TERMINATION OF AID; RECAPTURE.] If a second referendum under section 465.84 fails, or if an initial referendum fails and the governing body does not schedule a second referendum within one year after the first has failed, or if one or more of the local government units that proposed to combine terminates its participation in the cooperation or combination, no additional aid ~~will~~ may be paid under this section. The amount previously paid under this section to a unit must be repaid if the governing body of the unit acts to terminate its current level of participation in the plan. The amount previously paid to the unit must be repaid in annual installments equal to the total amount paid to the unit for all years under ~~subdivision~~ subdivisions 1c and 2, divided by the number of years when payments were made.

Sec. 11. [465.88] [CONSOLIDATION STUDY GRANTS.]

A local unit of government with a population no greater than 2,500 involved in a consolidation proceeding initiated by the municipal board on its own motion under section 414.041, subdivision 1, may apply to the board for a grant under this section. The grant may not exceed $20,000. A grant under this section must be used to cover costs associated with the consolidation proceeding.

Sec. 12. [APPROPRIATION.]

$3,000,000 is appropriated from the general fund to the board of government innovation and cooperation, $1,500,000 to be available for the fiscal year ending June 30, 1996, and $1,500,000 to be available for the fiscal year ending June 30, 1997. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

Sec. 13. [EFFECTIVE DATE.]

Section 2 is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to taxation; adopting federal income tax law changes; modifying certain sales and excise tax rates, bases, and exemptions; modifying provisions relating to local excise taxes; restricting property tax levies; modifying certain duties imposed on local units of government and the department of revenue; modifying property tax exemption, valuation, and classification provisions; adjusting certain state aid distribution provisions; providing for deduction of property tax refunds from property taxes; authorizing certain exceptions to tax increment financing provisions; providing for establishment of special service districts; authorizing issuance of bonds and tax anticipation certificates; modifying certain taconite occupation and production provisions; adjusting the amount of the budget reserve; modifying the duties of the board of government innovation and cooperation; appropriating money; amending Minnesota Statutes 1994, sections 6.745, subdivision 1; 16A.152, subdivision 1; 116J.556; 134.34, subdivision 4a; 216B.16, by adding a subdivision; 216C.01, subdivisions 1a and 1b; 246.18, subdivision 4, and by adding subdivisions; 254B.02, subdivision 3; 256H.09, subdivision 3; 270A.03, subdivision 7; 270A.08, subdivision 1; 270B.12, by adding subdivisions; 272.02,

subdivision 1; 273.11, subdivision 16; 273.124, subdivisions 1, and 13; 273.13, subdivisions 24 and 25; 273.1398, subdivision 1; 273.1399, subdivision 6, and by adding a subdivision; 273.37, by adding a subdivision; 274.01, subdivision 1; 275.065, subdivision 3; 276.04, subdivision 2; 276.09; 276.111; 276.131; 279.01, subdivision 1, and by adding a subdivision; 279.09; 279.10; 281.23, subdivision 3; 289A.60, subdivision 12; 290.01, subdivision 19; 290A.03, subdivision 13; 290A.04, subdivision 2h; 290A.07; 290A.15; 290A.18; 296.01, subdivisions 30, 34, and by adding subdivisions; 296.02, subdivisions 1, 1a, and 1b; 296.025, subdivisions 1, 1a, and by adding a subdivision; 296.0261, by adding a subdivision; 297A.01, subdivision 3, and by adding a subdivision; 297A.135, subdivision 1; 297A.15, by adding a subdivision; 297A.25, subdivisions 9, 11 and 59; 297A.45; 298.01, subdivision 4; 298.227; 298.24, subdivision 1; 298.25; 298.28, subdivision 9a; 298.296, subdivision 4; 349A.10, subdivision 5; 375.169; 375.83; 465.798; 465.799; 465.801; 465.81, subdivision 1; 465.82, subdivision 2; 465.84; 465.85; 465.87; 469.169, subdivision 9, and by adding a subdivision; 471.6965; 477A.011, subdivision 36; proposing coding for new law in Minnesota Statutes, chapters 13; 16A; 270; 276; 290A; 297A; 410; 465; 473; repealing Minnesota Statutes 1994, sections 124.01; 124.05; 124.06; 124.07; 124.76; 124.82; 124.829; 124.83; 124.84; 124.85; 124.86; 124.90; 124.91; 124.912; 124.914; 124.916; 124.918; 124.95; 124.961; 124.962; 124.97; 124A.02, subdivisions 16, 23, and 24; 124A.03, subdivisions 1b, 1c, 1d, 1e, 1f, 1g, 1h, and 1i; 124A.0311; 124A.032; 124A.04; 124A.22, subdivisions 1, 2, 3, 4, 4a, 4b, 6, 6a, 8, and 9; 124A.23; 124A.24; 124A.26, subdivisions 1, 2, and 3; 124A.27; 124A.28; 124A.29, subdivision 2; 245.48; 256H.12, subdivision 3; 273.13; 273.135; 273.136; 273.1391; 273.1399; 296.0261, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, and 9; 297A.136; 469.175, subdivision 7a; 473F.001; 473F.01; 473F.02; 473F.03; 473F.05; 473F.06; 473F.07; 473F.08; 473F.09; 473F.10; 473F.11; 473F.13; 477A.011; 477A.012; 477A.0121; 477A.0122; 477A.013; 477A.0132; 477A.014; 477A.015; 477A.016; 477A.017; 477A.03; 477A.11; 477A.12; 477A.13; 477A.14; 477A.15; Laws 1986, chapter 400, section 44; Laws 1991, chapters 265, article 7, section 35; and 291, article 8, section 1; Laws 1992, chapter 511, article 2, sections 45, by adding a subdivision; and 46, subdivision 7, and by adding a subdivision."

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

SECOND READING OF SENATE BILLS

S.F. Nos. 425, 803, 164, 1407, 1444, 243, 1536 and 1123 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 528, 1457, 1048, 697, 853, 377, 1641, 1320, 1602, 1442, 1460 and 1402 were read the second time.

MOTIONS AND RESOLUTIONS

Mr. Betzold moved that S.F. No. 425, on General Orders, be stricken and re-referred to the Committee on Finance. The motion prevailed.

Mr. Betzold moved that H.F. No. 1037 be withdrawn from the Committee on Rules and Administration and re-referred to the Committee on Finance. The motion prevailed.

Mr. Pogemiller moved that S.F. No. 803, 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 Consent Calendar. The motion prevailed.

CONSENT CALENDAR

H.F. No. 1091: A bill for an act relating to commerce; regulating sales by transient merchants; prohibiting the sale of certain items by certain merchants; prescribing penalties; amending Minnesota Statutes 1994, sections 329.099; and 329.14; proposing coding for new law in Minnesota Statutes, chapter 329.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

H.F. No. 1307: A bill for an act relating to game and fish; identification required on ice fishing shelters; amending Minnesota Statutes 1994, section 97C.355, subdivision 1.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

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. 1536 and that the rules of the Senate

be so far suspended as to give S.F. No. 1536, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

S.F. No. 1536: A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions.

Ms. Ranum moved to amend S.F. No. 1536 as follows:

Page 8, line 45, delete from ", and" through page 8, line 47, to "entity" and insert ". The commissioner of transportation must obtain prior approval for the project from the metropolitan council. The metropolitan council must hold a public hearing on the project as proposed by the commissioner of transportation before granting its approval"

CALL OF THE SENATE

Ms. Ranum imposed a call of the Senate for the balance of the proceedings on S.F. No. 1536. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 41 and nays 20, as follows:

Those who voted in the affirmative were:

Anderson	Dille	Langseth	Pappas	Samuelson
Beckman	Finn	Lessard	Piper	Spear
Berg	Flynn	Marty	Pogemiller	Terwilliger
Berglin	Hottinger	Merriam	Price	Vickerman
Bertram	Janezich	Metzen	Ranum	Wiener
Betzold	Johnson, J.B.	Mondale	Reichgott Junge	
Chandler	Kelly	Morse	Riveness	
Chmielewski	Krentz	Novak	Robertson	
Cohen	Laidig	Ourada	Sams	

Those who voted in the negative were:

Belanger	Johnson, D.E.	Knutson	Limmer	Pariseau
Day	Johnston	Kramer	Murphy	Runbeck
Frederickson	Kiscaden	Larson	Neuville	Scheevel
Hanson	Kleis	Lesewski	Oliver	Stevens

The motion prevailed. So the amendment was adopted.

Mr. Stevens moved to amend S.F. No. 1536 as follows:

Page 13, after line 17, insert:

"Sec. 9. EVALUATION OF USE OF COST-EFFECTIVE MEASURES

The legislative audit commission is requested to direct the legislative auditor to perform an evaluation of the cost-effectiveness of specifications, standards, practices, and procedures relating to construction projects undertaken by the department of transportation. The evaluation must identify those construction-related specifications, standards, practices, and procedures which are cost-effective and available to the department, but which are not utilized."

The motion prevailed. So the amendment was adopted.

S.F. No. 1536 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 49 and nays 17, as follows:

Those who voted in the affirmative were:

Beckman	Hanson	Kramer	Morse	Runbeck
Belanger	Hottinger	Krentz	Murphy	Sams
Berg	Janezich	Kroening	Neuville	Samuelson
Bertram	Johnson, D.E.	Laidig	Oliver	Scheevel
Chmielewski	Johnson, D.J.	Langseth	Olson	Solon
Day	Johnson, J.B.	Larson	Ourada	Stevens
Dille	Johnston	Lesewski	Pariseau	Terwilliger
Finn	Kiscaden	Lessard	Piper	Vickerman
Flynn	Kleis	Limmer	Reichgott Junge	Wiener
Frederickson	Knutson	Moe, R.D.	Riveness	

Those who voted in the negative were:

Anderson	Cohen	Metzen	Pogemiller	Spear
Berglin	Kelly	Mondale	Price	
Betzold	Marty	Novak	Ranum	
Chandler	Merriam	Pappas	Robertson	

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

MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated H.F. No. 602 a Special Order to be heard immediately.

SPECIAL ORDER

H.F. No. 602: A bill for an act relating to taxation; making tax policy, collection, and administrative changes; imposing penalties; amending Minnesota Statutes 1994, sections 60A.15, subdivision 12; 60A.199, subdivisions 8 and 10; 270.72, subdivisions 1, 2, and 3; 273.124, subdivisions 3 and 6; 274.14; 289A.18, subdivision 2; 289A.20, subdivision 2; 289A.38, subdivision 7; 289A.40, subdivision 1; 289A.43; 289A.55, subdivision 7; 289A.60, subdivisions 2, 12, and by adding a subdivision; 290.01, subdivision 7b; 290.015, subdivision 1; 290.191, subdivisions 1, 5, and 6; 290.92, subdivisions 1 and 23; 290.9201, subdivision 3; 294.09, subdivisions 1 and 4; 295.53, subdivision 2; 296.12, subdivisions 3, 4, and 11; 296.141, subdivisions 1, 2, and 6; 296.17, subdivisions 1, 3, 5, and 11; 296.18, subdivisions 1, 2, and 5; 297.08, subdivisions 1 and 3; 297.35, subdivision 1; 297.43, subdivision 2; 297C.02, subdivision 2; 297C.07; 297C.14, subdivision 2; 297E.11, subdivision 4; 297E.12, subdivision 2; 299F.26, subdivisions 1 and 4; proposing coding for new law in Minnesota Statutes, chapters 270; 296; and 340A; repealing Minnesota Statutes 1994, sections 270.70, subdivisions 8, 9, and 10; 297A.212; and 297A.38.

Mr. Johnson, D.J. moved to amend H.F. No. 602, as amended pursuant to Rule 49, adopted by the Senate March 20, 1995, as follows:

(The text of the amended House File is identical to S.F. No. 513.)

Page 1, after line 31, insert:

"ARTICLE 1

FEDERAL UPDATE

Section 1. Minnesota Statutes 1994, 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 net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) 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 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.

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, and the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-... shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.

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. 2. [FEDERAL CHANGES.]

The changes made by sections 721, 722, 723, and 744 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465 and section 4 of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-..., which affect the computation of the Minnesota working family credit under Minnesota Statutes, section 290.0671, subdivision 1, and the computation of the substantial understatement of liability penalty of Minnesota Statutes, section 289A.60, subdivision 4, shall become effective at the same time the changes become effective for federal purposes.

Sec. 3. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1986, as amended through April 15, 1995," for the words "Internal Revenue Code of 1986, as amended through December 31, 1993," wherever the phrase occurs in chapters 289A, 290, 290A, 291, 297, 298, and 469, except section 290.01, subdivision 19.

ARTICLE 2

SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 1994, section 216C.01, subdivision 1a, is amended to read:

Subd. 1a. [ALTERNATIVE FUEL.] "Alternative fuel" means natural gas; liquefied petroleum gas; hydrogen; coal-derived liquefied fuels; electricity; methanol, denatured ethanol, and other alcohols; mixtures containing 85 percent or more, or other percentage as may be set by regulation by the Secretary of the United States Department of Energy, by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuels; fuels other than alcohol that are derived from biological materials; and other fuel that the Secretary of the United States Department of Energy determines by regulation to be an alternative fuel within the meaning of section 301(2) of the National Energy Policy Act of 1992 and intended for use in motor vehicles.

Sec. 2. Minnesota Statutes 1994, section 216C.01, subdivision 1b, is amended to read:

Subd. 1b. [ALTERNATIVE FUEL VEHICLE.] "Alternative fuel vehicle" means a dedicated, flexible, or a dual-fuel vehicle operated primarily on an alternative fuel.

Sec. 3. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 5. [ALTERNATIVE FUEL VEHICLE.] "Alternative fuel vehicle" means a dedicated, flexible, or dual-fuel vehicle operated primarily on alternative transportation fuel.

Sec. 4. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 11a. [COMPRESSED NATURAL GAS.] "Compressed natural gas" or CNG means natural gas, primarily methane, condensed under high pressure and stored in specially designed storage tanks at between 2,000 and 3,600 pounds per square inch. For purposes of this chapter, the energy content of CNG will be considered to be 1,000 BTUs per cubic foot.

Sec. 5. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 15c. [E85.] "E85" means a petroleum product that is a blend of agriculturally derived denatured ethanol and gasoline that typically contains 85 percent ethanol by volume, but at a minimum must contain at least 60 percent ethanol by volume. For the purposes of this chapter, the energy content of E85 will be considered to be 82,000 BTUs per gallon.

Sec. 6. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 23a. [LIQUEFIED NATURAL GAS.] "Liquefied natural gas" or LNG means natural gas, primarily methane, which has been condensed through a cryogenic cooling process and is stored in special pressurized and insulated storage tanks. For purposes of this chapter, the energy content of LNG will be considered to be 69,000 BTUs per gallon.

Sec. 7. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 23b. [LIQUEFIED PETROLEUM GAS.] "Liquefied petroleum gas" or LPG or propane means a product made of short hydrocarbon chains and containing primarily propane and butane that is stored in specialized tanks at moderate pressure. For purposes of this chapter, the energy content of LPG or propane will be considered to be 86,000 BTUs per gallon.

Sec. 8. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 24b. [M85.] "M85" means a petroleum product that is a liquid fuel blend of methanol and gasoline that contains at least 85 percent methanol by volume. For the purposes of this chapter, the energy content of M85 will be considered to be 65,000 BTUs per gallon.

Sec. 9. Minnesota Statutes 1994, section 296.01, subdivision 30, is amended to read:

Subd. 30. [PETROLEUM PRODUCTS.] "Petroleum products" means all of the products defined in subdivisions 2, 7, 8, 10, 13, 14, 15c, ~~and~~ 17 to 22, and 24b.

Sec. 10. Minnesota Statutes 1994, section 296.01, subdivision 34, is amended to read:

Subd. 34. [SPECIAL FUEL.] "Special fuel" means (1) all combustible gases and liquid petroleum products or substitutes therefor including clear diesel fuel, except gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline which are delivered into the supply tank of a licensed motor vehicle or into storage tanks maintained by an owner or operator of a licensed motor vehicle as a source of supply for such vehicle; (2) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline, when delivered to a licensed special fuel dealer or to the retail service station storage of a distributor who has elected to pay the special fuel excise tax as provided in section 296.12, subdivision 3; (3) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are used as aviation fuel; or (4) dyed fuel that is being used illegally in a licensed motor vehicle.

Sec. 11. Minnesota Statutes 1994, section 296.02, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED; EXCEPTION FOR QUALIFIED SERVICE STATION.] There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline, used in producing and generating power for propelling motor vehicles used on the public highways of this state. For purposes of this section, gasoline is defined in section 296.01, subdivisions 10, 15b, 18, 19, 20, and 24a. This tax is payable at the times, in the manner, and by persons specified in this chapter. The tax is payable at the rate specified in subdivision 1b, subject to the exceptions and reductions specified in this section.

(a) Notwithstanding any other provision of law to the contrary, the tax imposed on special fuel sold by a qualified service station may not exceed, or the tax on gasoline delivered to a qualified service station must be reduced to, a rate not more than three cents per gallon above the state tax rate imposed on such products sold by a service station in a contiguous state located within the distance indicated in clause (b).

(b) A "qualifying service station" means a service station located within 7.5 miles, measured by the shortest route by public road, from a service station selling like product in the contiguous state.

(c) A qualified service station shall be allowed a credit by the supplier or distributor, or both, for the amount of reduction computed in accordance with clause (a).

A qualified service station, before receiving the credit, shall be registered with the commissioner of revenue.

Sec. 12. Minnesota Statutes 1994, section 296.02, subdivision 1a, is amended to read:

Subd. 1a. [TRANSIT SYSTEMS AND ALTERNATIVE FUELS EXEMPT.] The provisions of subdivision 1 do not apply to ~~(1)~~ 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 ~~or (2) sales of compressed natural gas or propane for use in vehicles displaying a valid annual alternate fuel permit~~.

Sec. 13. Minnesota Statutes 1994, section 296.02, subdivision 1b, is amended to read:

Subd. 1b. [RATES IMPOSED.] The gasoline excise tax is imposed at the following ~~rate~~ rates:

(1) E85 is taxed at the rate of 14.2 cents per gallon;

(2) M85 is taxed at the rate of 11.4 cents per gallon; and

(3) ~~For the period on and after May 1, 1988,~~ All other gasoline is taxed at the rate of 20 cents per gallon.

Sec. 14. Minnesota Statutes 1994, section 296.025, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] There is hereby imposed an excise tax ~~of the same rate per gallon as the gasoline excise tax~~ on all special fuel at the rates specified in subdivision 1b. For clear diesel fuel, the tax is imposed on the first distributor who received the product in Minnesota. For dyed fuel being used illegally in a licensed motor vehicle, the tax is imposed on the owner or operator of the motor vehicle, or in some instances, on the dealer who supplied the fuel. For dyed fuel used in a motor vehicle but subject to a federal exemption, although no federal tax may be imposed, the fuel is subject to the state tax. For other fuels, including jet fuel, propane, and compressed natural gas, the tax is imposed on the distributor, special fuel dealer, or bulk purchaser. This tax is payable at the time and in the manner specified in this chapter. For purposes of this section, "owner or operator" means the operation of licensed motor vehicles, whether loaded or empty, whether for compensation or not for compensation, and whether owned by or leased to the motor carrier who operates them or causes them to be operated.

Sec. 15. Minnesota Statutes 1994, section 296.025, subdivision 1a, is amended to read:

Subd. 1a. [TRANSIT SYSTEMS AND ALTERNATIVE FUELS EXEMPT.] The provisions of subdivision 1 do not apply to ~~(1)~~ special fuel purchased by a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384 ~~or (2) sales of compressed natural gas or propane for use in vehicles displaying a valid annual alternate fuel permit~~.

Sec. 16. Minnesota Statutes 1994, section 296.025, is amended by adding a subdivision to read:

Subd. 1b. [TAX RATES.] The special fuel excise tax is imposed at the following rates:

(1) Liquefied petroleum gas or propane is taxed at the rate of 15 cents per gallon.

(2) Liquefied natural gas is taxed at the rate of 12 cents per gallon.

(3) Compressed natural gas is taxed at the rate of $1.739 per thousand cubic feet.

(4) All other special fuel is taxed at the same rate as the gasoline excise tax.

Sec. 17. Minnesota Statutes 1994, section 296.0261, is amended by adding a subdivision to read:

Subd. 10. [CREDIT; REFUNDS.] (a) A purchaser of an alternative fuel vehicle permit under subdivisions 1 to 9 prior to July 1, 1995, shall receive a credit for the unused portion of the permit fee. The amount of the credit shall be equal to the original permit fee and prorated to the number of months from July 1, 1995, until the expiration date of the permit. The credit shall reduce the amount of the vehicle's annual motor vehicle registration tax as calculated under section 168.013. The credit shall be applied to the first motor vehicle registration tax payable after July 1, 1995.

(b) If the amount of the credit calculated under paragraph (a) exceeds the amount of motor vehicle registration tax due, the registrar shall pay to the purchaser of the permit a cash refund equal to the difference between the motor vehicle registration tax and the credit due.

Sec. 18. Minnesota Statutes 1994, 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; tree, bush, and shrub pruning, bracing, spraying, and surgery; tree, bush, shrub and stump removal; 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) mixed municipal solid waste ~~collection and disposal~~ management 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, 1992, for educational and social activities for young people primarily age 18 and under.

Sec. 19. Minnesota Statutes 1994, section 297A.01, is amended by adding a subdivision to read:

Subd. 21. [MIXED MUNICIPAL SOLID WASTE MANAGEMENT SERVICES.] "Mixed municipal solid waste management services" or "waste management services" means services relating to the management of mixed municipal solid waste from collection to disposal, including transportation and management at waste facilities. The definitions in section 115A.03 apply to this subdivision.

Sec. 20. Minnesota Statutes 1994, section 297A.135, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] A tax 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, except for a van designed or adapted primarily for transporting property rather than passengers, or a pickup truck as defined in section 168.011, subdivision 29. The tax is imposed at the rate of 6.2 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. 21. Minnesota Statutes 1994, section 297A.15, is amended by adding a subdivision to read:

Subd. 7. [REFUND; APPROPRIATION; ADULT AND JUVENILE CORRECTIONAL FACILITIES.] (a) If construction materials and supplies described in paragraph (b) are purchased by a contractor, subcontractor, or builder as part of a lump-sum contract or similar type of contract with a price covering both labor and materials for use in the project, a refund equal to 20 percent of the taxes paid by the contractor, subcontractor, or builder must be paid to the governmental subdivision. An application must be submitted by the governmental subdivision and must include sufficient information to permit the commissioner to verify the sales taxes paid for the project. The contractor, subcontractor, or builder must furnish to the governmental subdivision a statement of the cost of the construction materials and supplies and the sales taxes paid on them. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

(b) Construction materials and supplies qualify for the refund under this section if: (1) the materials and supplies are for use in a project to construct or improve an adult or juvenile correctional facility in a county, home rule charter city, or statutory city, and (2) the project is mandated by state or federal law, rule, or regulation. The refund applies regardless of whether the materials and supplies are purchased by the city or county, or by a contractor, subcontractor, or builder under a contract with the city or county.

Sec. 22. Minnesota Statutes 1994, section 297A.25, subdivision 9, is amended to read:

Subd. 9. [MATERIALS CONSUMED IN PRODUCTION.] The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of agricultural production animals and horses used in agricultural production are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this

exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption.

Sec. 23. Minnesota Statutes 1994, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Minnesota center for arts education, and school districts are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, educational cooperative service units, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, technical colleges, joint vocational technical districts, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

The sales to and exclusively for the use of libraries of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloging and circulation equipment, and cataloging and circulation software for library use are exempt under this subdivision. For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste ~~collection and disposal~~ management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all

political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.394, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

Sec. 24. Minnesota Statutes 1994, section 297A.25, subdivision 59, is amended to read:

Subd. 59. [FARM MACHINERY.] From July 1, 1994, until June 30, ~~1995~~ 1996, the gross receipts from the sale of used farm machinery are exempt.

Sec. 25. [297A.2574] [AGRICULTURE PROCESSING FACILITY MATERIALS; EXEMPTION.]

Subdivision 1. [EXEMPTION; DEFINITION.] Purchases of 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 materials and supplies are used or consumed in constructing an agriculture processing facility that meets the requirements of this section. For purposes of this section, "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.

Subd. 2. [QUALIFICATIONS.] An agricultural processing facility qualifies for the exemption provided under this section if it meets each of the following requirements:

(a) The total investment in the facility must be at least $8,500,000.

(b) The facility must be located in a municipality that has a median household income that does not exceed $18,000 according to the 1990 federal census information on income and poverty status in 1989.

(c) The total investment in the facility must exceed an amount equal to $12,000 per resident of the municipality in which the facility is located.

Subd. 3. [COLLECTION AND REFUND OF TAX.] The tax shall be imposed and collected as if the rates under sections 297A.02, subdivision 1, and 297A.021, applied, and then refunded in the manner provided in section 297A.15, subdivision 5.

Sec. 26. Minnesota Statutes 1994, section 297A.45, is amended to read:

297A.45 [MIXED MUNICIPAL SOLID WASTE ~~COLLECTION AND DISPOSAL~~ MANAGEMENT SERVICES.]

Subdivision 1. [DEFINITIONS.] The definitions in sections 115A.03 and 297A.01 apply to this section.

Subd. 2. [APPLICATION.] The taxes imposed by sections 297A.02 and 297A.021 apply to all public and private mixed municipal solid waste ~~collection and disposal~~ management services.

Notwithstanding section 297A.25, subdivision 11, a political subdivision that purchases ~~collection or disposal~~ waste management services on behalf of its citizens shall pay the taxes.

If a political subdivision provides ~~collection or disposal services~~ a waste management service to its residents at a cost in excess of the total direct charge to the residents for the service, the political subdivision shall pay the taxes based on its cost of providing the service in excess of the direct charges.

A person who transports mixed municipal solid waste generated by that person or by another person without compensation shall pay the taxes at the ~~disposal or resource recovery~~ waste facility based on the disposal charge or tipping fee.

Subd. 3. [EXEMPTIONS.] (a) The cost of a service or the portion of a service to collect and manage recyclable materials separated from mixed municipal solid waste by the waste generator is exempt from the taxes imposed in sections 297A.02 and 297A.021.

(b) The amount of a surcharge or fee imposed under section 115A.919, 115A.921, 115A.923, or 473.843 is exempt from the taxes imposed in sections 297A.02 and 297A.021.

(c) Waste from a recycling facility that separates or processes recyclable materials and that reduces the volume of the waste by at least 85 percent is exempt from the taxes imposed in sections 297A.02 and 297A.021. To qualify for the exemption under this paragraph, the waste exempted must be ~~collected and disposed of~~ managed separately from other solid waste.

(d) The following costs are exempt from the taxes imposed in sections 297A.02 and 297A.021:

(1) costs of providing educational materials and other information to residents;

(2) costs of managing solid waste other than mixed municipal solid waste, including household hazardous waste; and

(3) costs of regulatory and enforcement activities.

(e) The cost of a waste management service is exempt from the taxes imposed in sections 297A.02 and 297A.021 to the extent that the cost was previously subject to the tax.

Subd. 4. [CITY SALES TAX MAY NOT BE IMPOSED.] Notwithstanding any other law or charter provision to the contrary, a home rule charter or statutory city that imposes a general sales tax may not impose the sales tax on solid waste ~~disposal and collection~~ management services that are subject to the tax under this section. This subdivision does not apply to a tax imposed under section 297A.021.

Subd. 5. [SEPARATE ACCOUNTING.] The commissioner shall account for revenue collected from public and private mixed municipal solid waste ~~collection and disposal~~ management services under this section separately from other tax revenue collected under this chapter.

Sec. 27. Laws 1986, chapter 400, section 44, is amended to read:

Sec. 44. [DOWNTOWN TAXING AREA.]

If a bill is enacted into law in the 1986 legislative session which authorizes the city of Minneapolis to issue bonds and expend certain funds including taxes to finance the acquisition and betterment of a convention center and related facilities, which authorizes certain taxes to be levied in a downtown taxing area, then, notwithstanding the provisions of that law "downtown taxing area" shall mean the geographic area bounded by the portion of the Mississippi River between I-35W and Washington Avenue, the portion of Washington Avenue between the river and I-35W, the portion of I-35W between Washington Avenue and 8th Street South, the portion of 8th Street South between I-35W and Portland Avenue South, the portion of Portland Avenue South between 8th Street South and I-94, the portion of I-94 from the intersection of Portland Avenue South to the intersection of I-94 and the Burlington Northern Railroad tracks, the portion of the Burlington Northern Railroad tracks from I-94 to Main Street and including Nicollet Island, and the portion of Main Street to Hennepin Avenue and the portion of Hennepin Avenue between Main Street and 2nd Street S.E., and the portion of 2nd Street S.E. between Main Street and Bank Street, and the portion of Bank Street between 2nd Street S.E. and University Avenue S.E., and the portion of University Avenue S.E. between Bank Street and I-35W, and by I-35W from University Avenue S.E., to the river. The downtown taxing area excludes the area bounded on the south and west by Oak Grove Street, on the east by Spruce Place, and on the north by West 15th Street.

Sec. 28. Laws 1991, chapter 291, article 8, section 28, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 469.190, 477A.016, or other law, in addition to the tax authorized in Minnesota Statutes, section 469.190, the city of Winona may, by ordinance, impose a tax of up to one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. The city

may, by ordinance, impose the tax authorized under this section on the camping site receipts of a municipal campground.

Fifty percent of The proceeds of this tax shall be used to retire the indebtedness of the Julius C. Wilke Steamboat Center ~~and~~. Upon retirement of the debt, 50 percent of the proceeds shall be used as directed in Minnesota Statutes, section 469.190, subdivision 3. The balance ~~shall be used in the manner~~ of the tax proceeds may be used to promote tourist activities, as determined by resolution of the council, for the following purposes:

(1) improvements to the levee, dockage areas, and the adjacent area, including provision of utilities and construction of facilities for ticket and souvenir sales and related office space; or

(2) as directed in Minnesota Statutes, section 469.190, subdivision 3. ~~Upon retirement of the debt, the council shall by ordinance reduce the tax by one half percent or dedicate the entire one percent in the manner directed in Minnesota Statutes, section 469.190, subdivision 3.~~

The tax shall be collected in the same manner as other taxes authorized under Minnesota Statutes, section 469.190.

Sec. 29. [REPEALER.]

(a) Minnesota Statutes 1994, section 296.0261, is repealed.

(b) Minnesota Statutes 1994, section 297A.136, is repealed.

Sec. 30. [EFFECTIVE DATE.]

Sections 1, 2, 3 to 17, and 29, paragraph (a), are effective July 1, 1995.

Section 20 is effective beginning with leases or rentals made after June 30, 1995.

Sections 18, 19, 23, and 26 are effective the day following final enactment.

Section 21 is effective retroactively for sales after May 31, 1992.

Section 22 is effective for sales made after July 1, 1995.

Section 25 is effective for sales made after March 31, 1995.

Section 28 is effective upon compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivision 3.

Section 27 is effective upon compliance by the Minneapolis city council with Minnesota Statutes, section 645.021, subdivision 3.

Section 29, paragraph (b), is effective for sales of 900 information services made after June 30, 1995.

ARTICLE 3

PROPERTY TAX FREEZE

Section 1. Minnesota Statutes 1994, section 6.745, subdivision 1, is amended to read:

Subdivision 1. [CITIES.] Annually, upon adoption of the city budget, the city council of each home rule charter or statutory city shall forward summary budget information to the office of the state auditor. The summary budget information shall be provided on forms prescribed by the state auditor. The office of the state auditor shall work with representatives of city government to develop a budget reporting form that conforms with city budgeting practices and provides the necessary summary budget information to the office of the state auditor. The summary budget data shall be provided to the office of the state auditor no later than ~~December~~ January 31 of ~~the year preceding~~ each budget year.

Sec. 2. Minnesota Statutes 1994, section 134.34, subdivision 4a, is amended to read:

Subd. 4a. [SUPPORT GRANTS.] In state fiscal years 1993, 1994, ~~and~~ 1995, and 1996, a regional library basic system support grant also may be made to a regional public library system for a participating city or county which meets the requirements under paragraph (a) ~~or~~, (b), or (c).

(a) The city or county decreases the dollar amount provided by it for operating purposes of public library service if the amount provided by the city or county is not less than the amount provided by the city or county for such purposes in the second preceding year.

(b)(1) The city or county provided for operating purposes of public library services an amount exceeding 125 percent of the state average percentage of the adjusted net tax capacity or 125 percent of the state average local support per capita; and

(2) the local government aid distribution for the current calendar year under chapter 477A has been reduced below the originally certified amount for payment in the preceding calendar year, if the dollar amount of the reduction from the previous calendar year in support for operating purposes of public library services is not greater than the dollar amount by which support for operating purposes of public library service would be decreased if the reduction in support were in direct proportion to the local government aid reduction as a percentage of the previous calendar year's revenue base as defined in section 477A.011, subdivision 27. Determination of a grant under paragraph (b) shall be based on the most recent calendar year for which data are available.

(c) In 1996, the city or county maintains the dollar amount provided by it for operating purposes of public library service at least at the same dollar amount it provided in 1995.

The city or county shall file a report with the department of education indicating the dollar amount and percentage of reduction in public library operating funds.

Sec. 3. Minnesota Statutes 1994, section 254B.02, subdivision 3, is amended to read:

Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. ~~The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement Laws 1986, chapter 394, sections 8 to 20, are increased. The base level must be decreased if the fund balance from which allocations are made under section 254B.02, subdivision 1, is decreased in later years.~~ The base level of expenditures for each county is defined as 15 percent of the funds allocated to the county under subdivisions 1 and 2. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2.

Sec. 4. Minnesota Statutes 1994, section 256H.09, subdivision 3, is amended to read:

Subd. 3. [CHILD CARE FUND PLAN.] Effective January 1, 1992, the county will include the plan required under this subdivision in its biennial community social services plan required in this section, for the group described in section 256E.03, subdivision 2, paragraph (h). For the period July 1, 1989, to December 31, 1991, the county shall submit separate child care fund plans required under this subdivision for the periods July 1, 1989, to June 30, 1990; and July 1, 1990, to December 31, 1991. The commissioner shall establish the dates by which the county must submit these plans. The county and designated administering agency shall submit to the commissioner an annual child care fund allocation plan. The plan shall include:

(1) a narrative of the total program for child care services, including all policies and procedures that affect eligible families and are used to administer the child care funds;

(2) the number of families that requested a child care subsidy in the previous year, the number of families receiving child care assistance, the number of families on a waiting list, and the number of families projected to be served during the fiscal year;

(3) the methods used by the county to inform eligible groups of the availability of child care assistance and related services;

(4) the provider rates paid for all children by provider type;

(5) the county prioritization policy for all eligible groups under the basic sliding fee program and AFDC child care program;

(6) a report of all funds available to be used for child care assistance~~, including demonstration of compliance with the maintenance of funding effort required under section 256H.12~~; and

(7) other information as requested by the department to ensure compliance with the child care fund statutes and rules promulgated by the commissioner.

The commissioner shall notify counties within 60 days of the date the plan is submitted whether the plan is approved or the corrections or information needed to approve the plan. The commissioner shall withhold a county's allocation until it has an approved plan. Plans not approved by the end of the second quarter after the plan is due may result in a 25 percent reduction in allocation. Plans not approved by the end of the third quarter after the plan is due may result in a 100 percent reduction in the allocation to the county. Counties are to maintain services despite any reduction in their allocation due to plans not being approved.

Sec. 5. Minnesota Statutes 1994, section 279.09, is amended to read:

279.09 [PUBLICATION OF NOTICE AND LIST.]

The county auditor shall cause the notice and list of delinquent real property to be published once ~~in each of two consecutive weeks~~ in the newspaper designated, the ~~first~~ publication of which shall be made on or before March 20 immediately following the filing of such list with the court administrator of the district court. The auditor shall deliver such list to the publisher of the newspaper designated, at least 20 days before the date upon which the list shall be published ~~for the first time~~.

Sec. 6. Minnesota Statutes 1994, section 279.10, is amended to read:

279.10 [PUBLICATION CORRECTED.]

Immediately after preparing forms for printing such notice and list, and at least five days before the first day for the publication thereof, every such publisher shall furnish proof of the proposed publication to the county auditor for correction. When such copy has been corrected , the auditor shall return the same to the printer, who shall publish it as corrected. On the first day on which such notice and list are published, the publisher shall mail a copy of the newspaper containing the same to the auditor. If during the publication of the notice and list, or within ten days after the last publication thereof, the auditor shall discover that such publication is invalid, the auditor shall forthwith direct the publisher to republish the same as corrected ~~for an additional period of two weeks~~. The publisher, if not neglectful, shall be entitled to the same compensation as allowed by law for the original publication, but shall receive no further compensation therefor if such republication is necessary by reason of the neglect of the publisher.

Sec. 7. Minnesota Statutes 1994, section 281.23, subdivision 3, is amended to read:

Subd. 3. [PUBLICATION.] As soon as practicable after the posting of the notice prescribed in subdivision 2, the county auditor shall cause to be published ~~for two successive weeks~~, in the official newspaper of the county, the notice prescribed by subdivision 2.

Sec. 8. Minnesota Statutes 1994, section 375.169, is amended to read:

375.169 [PUBLICATION OF SUMMARY BUDGET STATEMENT.]

Annually, upon adoption of the county budget, the county board shall cause a summary budget statement to be published in one of the following:

(1) the official newspaper of the county, or if there is none, in a qualified newspaper of general circulation in the county; or

(2) for a county in the metropolitan area as defined in section 473.121, subdivision 2, a county newsletter or other county mailing sent to all households in the city, or as an insert with the truth-in-taxation notice under section 275.065.

If the summary budget statement is published in a county newsletter, it must be the lead story. If the summary budget statement is published through a county newsletter or other county mailing, a copy of the newsletter or mailing shall be sent on request to any nonresident. If the summary budget statement is published by a mailing to households other than a newsletter, the color of the paper on which the summary budget statement is printed must be distinctively different than the paper containing other printed material included in the mailing. The statement shall contain information relating to anticipated revenues and expenditures in a form prescribed by the state auditor. The form prescribed shall be designed so that comparisons can be made between the current year and the budget year. A note shall be included that the complete budget is available for public inspection at a designated location within the county.

Sec. 9. Minnesota Statutes 1994, section 471.6965, is amended to read:

471.6965 [PUBLICATION OF SUMMARY BUDGET STATEMENT.]

Annually, upon adoption of the city budget, the city council shall publish a summary budget statement in either of the following:

(1) the official newspaper of the city, or if there is none, in a qualified newspaper of general circulation in the city; or

(2) for a city in the metropolitan area as defined in section 473.121, subdivision 2, a city newsletter or other city mailing sent to all taxpayers in the city, or as an insert with the truth-in-taxation notice under section 275.065.

If the summary budget statement is published in a city newsletter, it must be the lead cover story. If the summary budget statement is published by a mailing to taxpayers other than a newsletter, the color of the paper on which the summary budget statement is printed must be distinctively different than the paper containing other printed material included in the mailing.

The statement shall contain information relating to anticipated revenues and expenditures, in a form prescribed by the state auditor. The form prescribed shall be designed so that comparisons can be made between the current year and the budget year. A note shall be included that the complete budget is available for public inspection at a designated location within the city. If the summary budget statement is published through a city newsletter or other city mailing, a copy of the statement must be posted, in a common area, by the property owner of all residential nonhomestead property as defined in section 273.13, subdivision 25, paragraphs (a) and (b), clause (1).

Sec. 10. [EDUCATION FINANCE FOR THE 1996-1997 SCHOOL YEAR.]

Subdivision 1. [ADJUSTED TAX CAPACITY FOR SCHOOL YEAR 1996-1997.] Notwithstanding any other law to the contrary, for purposes of any levy authorized under Minnesota Statutes, chapter 124, 124A, 124B, 136C, or 136D, the adjusted net tax capacity of a school district, education district, intermediate school district, or technical college under Minnesota Statutes, section 124.2131, for the 1996-1997 school year shall equal the adjusted net tax capacity used for computation of its levy limits for the 1995-1996 school year.

Subd. 2. [LOCAL EFFORT TAX RATE AND EQUALIZING FACTOR.] Notwithstanding any other law to the contrary, the local effort tax rates computed under Minnesota Statutes, sections 124.226, subdivision 1, and 124A.23, for the 1996-1997 school year shall equal the local effort tax rates established at the time of levy limit certification for the 1995-1996 school year. Notwithstanding any other law to the contrary, the equalizing factor under Minnesota Statutes, section 124A.02, for the 1996-1997 school year shall equal the equalizing factor for the 1995-1996 school year.

Subd. 3. [COMPUTATION OF PUPIL UNITS FOR LEVY LIMITS.] Notwithstanding Minnesota Statutes, section 124.17, or any other law to the contrary, the number of pupil units and AFDC pupil units for a school district, education district, intermediate school district, or technical college for use in computing the levy limits of the district or technical college for the 1996-1997 school year shall be the pupil units and AFDC pupil units used for the levy limit computation of the school district, education district, intermediate school district, or technical college for the

1995-1996 school year. For purposes of computing the revenue entitlement of a school district under Minnesota Statutes, chapter 124, 124A, 124B, 136C, or 136D, for the 1996-1997 school year, the pupil units or AFDC pupil units shall be as otherwise provided under Minnesota Statutes, section 124.17. If any section of Minnesota Statutes, chapters 124, 124A, and 124B, provides that an aid entitlement is equal to the difference between the revenue entitlement and the authorized levy, then the aid entitlement for the 1996-1997 school year shall equal the difference between the revenue entitlement and authorized levies computed under this section and sections 11 to 71. If any section of Minnesota Statutes, chapters 124, 124A, and 124B, other than sections 124.321 and 124.912, subdivision 2, provide that the aid entitlement will be reduced if a district fails to exercise its full levy authority and the district failed to levy its full authority for the 1995-1996 school year, the commissioner shall assume that, absent the provisions of this act, the district would have elected to exercise the same portion of its levy authority for the 1996-1997 school year as it did in the prior year and determine the district's aid under the applicable section and the prior sentence.

Sec. 11. [TRANSITIONAL LEVIES.]

Notwithstanding Minnesota Statutes, sections 122.247, subdivision 3, and 122.533, a school district's levy under those sections for taxes payable in 1996 shall be no greater than it was for the prior year.

Sec. 12. [TRANSPORTATION AID.]

For purposes of computing transportation aid under Minnesota Statutes, section 124.225, subdivision 8a, for the 1996-1997 school year, levies shall be those computed under the provisions of sections 10 and 13 to 21.

Sec. 13. [TRANSPORTATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 2, a school district's levy for additional transportation costs as the result of leasing a school in another district shall be no greater for the 1996-1997 school year than it was for the prior year.

Sec. 14. [OFF-FORMULA ADJUSTMENT.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 3, a school district's off-formula adjustment for taxes payable in 1996 shall be no less than that computed for taxes payable in the prior year. If the resulting levy reduction is greater than that which would have otherwise occurred under Minnesota Statutes, section 124.226, subdivision 3, the district will receive additional aid equal to the difference.

Sec. 15. [TRANSPORTATION LEVY EQUITY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 3a, a school district's aid reduction for transportation levy equity for the 1996-1997 school year shall be based on levies computed under sections 10 and 13 to 21.

Sec. 16. [NONREGULAR TRANSPORTATION COSTS LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 4, a school district's levy for nonregular transportation costs for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 17. [EXCESS TRANSPORTATION COSTS LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 5, a school district's levy for excess transportation costs for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have been authorized to levy under Minnesota Statutes, section 124.226, subdivision 5, the district shall receive additional aid equal to the difference.

Sec. 18. [BUS PURCHASES; LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 6, a school district's levy to

eliminate a projected deficit in its reserved fund balance for bus purchases in its transportation fund as of June 30 of the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 19. [CONTRACTED SERVICES LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 7, a school district's levy for taxes payable in 1996 under that subdivision shall be no greater than it was in the prior year. If the resulting levy is less than the school district would have been authorized to levy under that subdivision, the district will receive additional aid equal to the difference.

Sec. 20. [LEVY FOR POST-SECONDARY TRANSPORTATION.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 8, a school district levy for transportation of secondary students enrolled in courses provided in an agreement authorized by Minnesota Statutes, section 123.33, subdivision 7, for school year 1996-1997 shall be no greater than it was for the prior year.

Sec. 21. [LATE ACTIVITY BUSES LEVY.]

Notwithstanding Minnesota Statutes, section 124.226, subdivision 9, a school district's levy for late activity buses for the 1995-1996 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have been authorized to levy under Minnesota Statutes, section 124.226, subdivision 9, the school district shall receive additional aid equal to the difference.

Sec. 22. [BONDS.]

(a) Notwithstanding Minnesota Statutes, section 124.239, after March 30, 1995, no school district can sell bonds under that section the debt service payments of which would require a levy first becoming payable in 1996 or authorize a levy under Minnesota Statutes, section 124.239, subdivision 5, clause (b), that is not pursuant to a plan adopted prior to March 30, 1995. This restriction shall not apply to (1) refunding bonds sold to refund bonds originally sold before March 30, 1995, or (2) bonds for which the amount of the levy first becoming due in 1996 would not exceed the amount by which the school district's total levy for debt service on bonds for taxes payable in 1996 prior to issuance of those bonds is less than the municipality's total levy for debt service for bonds for taxes payable in 1995.

(b) For purposes of this section, bonds will be deemed to have been sold before March 30, 1995, if:

(1) an agreement has been entered into between the school district and a purchaser or underwriter for the sale of the bonds by that date;

(2) the issuing school district is a party to a contract or letter of understanding entered into before March 30, 1995, with the federal government that requires the school district to pay for a project, and the project will be funded with the proceeds of the bonds; or

(3) the proceeds of the bonds will be used to fund a project or acquisition with respect to which the school district has entered into a contract with a builder or supplier before March 30. Debt service payments due on bonds described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments must be repaid by the school district to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

Sec. 23. [CAPITAL EXPENDITURE FACILITY LEVY.]

Notwithstanding Minnesota Statutes, sections 124.243 and 124.2442, subdivision 3, a school district's capital expenditures facilities levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 24. [CAPITAL EXPENDITURE EQUIPMENT LEVY.]

Notwithstanding Minnesota Statutes, sections 124.244, subdivision 2, and 124.2442, a school

district's capital expenditures equipment levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 25. [LEVY FOR ADULT BASIC EDUCATION AID.]

Notwithstanding Minnesota Statutes, section 124.2601, school districts which did not levy for adult basic education for taxes payable in 1995, may not levy for that purpose for taxes payable in 1996.

Sec. 26. [EARLY CHILDHOOD FAMILY EDUCATION AND HOME VISITATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2711, subdivisions 2a and 5, a school district's levy for early childhood family education and home visitation under Minnesota Statutes, section 124.2711, subdivision 5, for school year 1996-1997 shall be no greater than it was for the prior year.

Sec. 27. [COMMUNITY EDUCATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2713, subdivision 6, 6a, or 6b, the community education levy of a school district for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 28. [LEVY FOR ADDITIONAL COMMUNITY EDUCATION REVENUE.]

Notwithstanding Minnesota Statutes, section 124.2714, a school district's levy under that section for school year 1996-1997 shall be no greater than it was for the prior year.

Sec. 29. [PROGRAMS FOR ADULTS WITH DISABILITIES; LEVY.]

Notwithstanding Minnesota Statutes, section 124.2715, subdivision 3, a school district's levy for community education programs for adults with disabilities for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 30. [EXTENDED DAY LEVY.]

Notwithstanding Minnesota Statutes, section 124.2716, a school district's levy under that section for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 31. [COOPERATION AND COMBINATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2725, subdivisions 3 and 4, a school district's levy for cooperation and combination for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 32. [EARLY RETIREMENT AND SEVERANCE LEVY.]

Notwithstanding Minnesota Statutes, section 124.2725, subdivision 15, a school district's levy for the 1996-1997 school year for severance pay or early retirement incentives for licensed and nonlicensed staff who retire early as the result of combination or cooperation shall be no greater than it was for the prior year.

Sec. 33. [CONSOLIDATION; RETIREMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.2726, subdivision 3, a school district's levy for retirement incentives under Minnesota Statutes, section 122.23, subdivision 20, for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 34. [DISTRICT COOPERATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.2727, subdivisions 6b and 9, a school district's levy for district cooperation for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 35. [SPECIAL EDUCATION EQUALIZATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.321, subdivisions 3 and 5, a school district's special education equalization levy for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.321, subdivisions 3 and 5, the district shall receive additional aid equal to the difference.

Sec. 36. [ALTERNATIVE DELIVERY LEVY.]

Notwithstanding Minnesota Statutes, section 124.322, subdivision 4, a school district's levy for alternative delivery of specialized instructional services for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.322, subdivision 4, the district shall receive additional aid equal to the difference.

Sec. 37. [JOINT POWERS BOARD; EARLY RETIREMENT AND SEVERANCE LEVY.]

Notwithstanding Minnesota Statutes, section 124.4945, a school district's levy for the 1996-1997 school year for severance pay and early retirement incentives to a teacher as defined in Minnesota Statutes, section 125.12, subdivision 1, who is placed on unrequested leave as the result of a cooperative secondary facility agreement shall be no greater than it was for the prior year.

Sec. 38. [FACILITIES DOWN PAYMENT LEVY REFERENDUM.]

Notwithstanding Minnesota Statutes, section 124.82, subdivision 3, no facilities down payment levy referendum held after March 27, 1995, may authorize a levy first becoming payable in 1996.

Sec. 39. [HEALTH AND SAFETY LEVY.]

Notwithstanding Minnesota Statutes, section 124.83, subdivisions 4 and 7, a school district's levy for a health and safety program under Minnesota Statutes, section 124.83, for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.83, subdivisions 4 and 7, the district shall receive additional aid equal to the difference.

Sec. 40. [HANDICAPPED ACCESS AND FIRE SAFETY LEVY.]

Notwithstanding Minnesota Statutes, section 124.84, subdivisions 3 and 4, a school district's levy for purposes of Minnesota Statutes, section 124.84, subdivisions 1 and 2, for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under Minnesota Statutes, section 124.84, subdivision 3, the district may levy the difference in the subsequent year notwithstanding the five-year limitation in section 124.84, subdivision 3.

Sec. 41. [LEVY TO RENT OR LEASE BUILDING OR LAND.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 1, after March 30, 1995, the commissioner of education shall not authorize any school district to make any additional capital expenditure levy to rent or lease a building or land for instructional purposes if the levy for that purpose first becomes due and payable in 1996 unless the district's capital expenditure levy for taxes payable in 1996, including the levy for the new obligation, would not exceed its levy for that purpose for taxes payable in 1995.

Sec. 42. [LEVY FOR LEASE PURCHASE OR INSTALLMENT BUYS.]

(a) Except as provided in paragraphs (b) and (c), notwithstanding Minnesota Statutes, section 124.91, subdivision 3, after March 30, 1995, no school district may enter into an installment contract or a lease purchase agreement the levy for which would first become payable in 1996 unless the district's total levy for installment contracts and lease purchase agreements for taxes payable in 1996, including the levy for the new obligation, would not exceed its levy for that purpose for taxes payable in 1995.

(b) The limitation in paragraph (a) does not apply to an installment contract entered into before July 1, 1995, if it:

(1) relates to a high school construction project that was approved by the commissioner of education under Minnesota Statutes, section 121.15, before July 1, 1994; and

(2) relates at least in part to bids awarded between September 8, 1994, and February 21, 1995.

Payments due on installment contracts described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments will be repaid by the school district to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

(c) For purposes of this section, installment contracts or lease purchase agreements will be deemed to have been entered into before March 30, 1995, if:

(1) an agreement has been entered into between the school district and a lessor or seller by that date;

(2) the school district is a party to contract or letter of understanding entered into before March 30, 1995, with the federal government that requires the school district to pay for a project, and the project will be funded with the proceeds of the installment contracts or lease purchase agreements; or

(3) the installment contracts or lease purchase agreements will be used to fund a project or acquisition with respect to which the school district has entered into a contract with a builder or supplier before March 30. Payments due on installment contracts or lease purchase agreements described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments must be repaid by the school district to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

Sec. 43. [COOPERATING DISTRICTS; CAPITAL LEVY.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 4, a school district's levy under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 44. [LEVY FOR INTERACTIVE TELEVISION.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 5, a school district's levy for interactive television for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 45. [ENERGY CONSERVATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.91, subdivision 6, a school district may not enter into a loan under Minnesota Statutes, sections 216C.37 or 298.292 to 298.298 after March 27, 1995, if the levy for repayment of the loan would first become payable in 1996.

Sec. 46. [LEVY FOR STATUTORY OBLIGATIONS.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 1, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year. To the extent that the portion of the resulting levy for the school district's obligation under Minnesota Statutes, section 268.06, subdivision 25, and section 268.08, is less than the school district would have been otherwise authorized to levy under Minnesota Statutes, section 124.912, subdivision 1, the school district shall receive additional aid equal to the difference. To the extent that the portion of the resulting levy for judgments under Minnesota Statutes, section 127.05, is less than the school district would have been authorized to levy under Minnesota Statutes, section 124.912, subdivision 1, for this purpose, the school district may levy the difference in the subsequent year.

Sec. 47. [DESEGREGATION LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 2, a school district's levy as

otherwise authorized under that subdivision for the 1995-1996 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 48. [RULE COMPLIANCE LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 3, a school district's levy as otherwise authorized under that subdivision for the 1995-1996 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 49. [LEVY FOR CRIME RELATED COSTS.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 6, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 50. [ICE ARENA LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 7, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 51. [OUTPLACEMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 8, the levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 52. [ABATEMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.912, subdivision 9, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year. To the extent the portion of the resulting levy otherwise authorized under Minnesota Statutes, section 124.912, subdivision 9, paragraph (a), clause (1), is less than the school district would have been authorized to levy under that clause, the district shall receive additional aid equal to the difference. The remaining portion of the resulting levy that is less than the school district would have been authorized to levy under the remainder of Minnesota Statutes, section 124.912, subdivision 9, may be levied over a four-year period notwithstanding the three-year limitation of Minnesota Statutes, section 124.912, subdivision 9, paragraph (b).

Sec. 53. [OPERATING DEBT LEVIES.]

Notwithstanding Minnesota Statutes, section 122.531, subdivision 4a; 124.914; or Laws 1992, chapter 499, article 7, sections 25 and 26, a school district's levy as otherwise authorized under those sections for the 1996-1997 school year shall be no greater than it was for the prior year. To the extent this prevents a district from amortizing its reorganization operating debt as defined in Minnesota Statutes, section 121.915, clause (1), in five years, the district shall be permitted to levy the remainder in a subsequent year.

Sec. 54. [HEALTH INSURANCE BENEFITS LEVY.]

Notwithstanding Minnesota Statutes, section 124.916, subdivision 1, or Laws 1993, chapter 224, article 8, section 18, a school district's levy for retired employees health insurance as otherwise authorized under those provisions of law for the taxes payable in 1996 shall be no greater than it was for the prior year.

Sec. 55. [RETIREMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124.916, subdivision 3, a school district's levy as otherwise authorized under that subdivision for taxes payable in 1996 shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have been authorized to levy under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 56. [MINNEAPOLIS HEALTH INSURANCE SUBSIDY.]

Notwithstanding Minnesota Statutes, section 124.916, subdivision 4, a school district's levy as otherwise authorized under that section for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 57. [LEVY FOR TACONITE PAYMENT.]

Notwithstanding Minnesota Statutes, section 124.918, subdivision 8, a school district's levy reduction as otherwise authorized under that subdivision for the 1996-1997 school year shall be no less than it was for the prior year. General education aid reduction for the 1996-1997 school year shall be governed by Minnesota Statutes, section 124A.035, subdivision 5, and the levy reduction as dictated by this section.

Sec. 58. [EQUALIZED DEBT SERVICE LEVY.]

Notwithstanding Minnesota Statutes, section 124.95, subdivision 4, a school district's levy as otherwise authorized under that subdivision for the 1996-1997 school year taxes payable in 1996 shall be based on the actual pupil units in the district for the 1992-1993 school year and the 1993 adjusted net tax of the district.

Sec. 59. [UNEQUALIZED REFERENDUM LEVY.]

Notwithstanding Minnesota Statutes, section 124A.03, subdivision 1i, a school district's unequalized referendum levy for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than the school district would have levied under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 60. [REFERENDUM LEVY.]

(a) Except as provided in paragraph (b) or (c), notwithstanding Minnesota Statutes, section 124A.03, subdivision 2 or 2b, or 124B.03, subdivision 2, no referendum conducted after March 30, 1995, under those sections may authorize a levy first becoming payable in 1996.

(b) A referendum may authorize such a levy if the referendum provides for continuation of a referendum levy that terminates beginning with taxes payable in 1996. If the terminated levy had been based on net tax capacity, the referendum relating to taxes payable in 1996 must be based on net tax capacity and the ballot shall state the estimated referendum tax rate based on net tax capacity for taxes levied in 1996, notwithstanding Minnesota Statutes, section 124A.03, subdivisions 2 and 2a. To the extent the referendum relates to taxes payable in 1997 and subsequent years, the levies for those years are subject to Minnesota Statutes, sections 124A.03, subdivision 2a, and 124A.0311, subdivision 3, and the ballot shall also state the estimated referendum tax rate as a percentage of market value for taxes levied in 1997.

(c) A referendum may authorize such a levy if the levy required under the referendum would not result in an increase for taxes payable in 1996 in the total levy for all purposes imposed by the school district over the total levy imposed by the district for taxes payable in 1995.

Sec. 61. [REFERENDUM AUTHORITY; CONVERSION.]

Notwithstanding Minnesota Statutes, section 124A.0311, subdivisions 2 and 3, no school district may convert its referendum authority currently authorized to be levied against net tax capacity to referendum authority authorized to be levied against referendum market value effective for taxes payable in 1996.

Sec. 62. [TRAINING AND EXPERIENCE LEVY.]

Notwithstanding Minnesota Statutes, section 124A.22, subdivision 4a, a school district's training and experience levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 63. [SUPPLEMENTAL LEVY.]

Notwithstanding Minnesota Statutes, section 124A.22, subdivision 8a, a school district's supplemental levy for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 64. [GENERAL EDUCATION LEVY; OFF-FORMULA DISTRICTS.]

Notwithstanding Minnesota Statutes, section 124A.23, subdivision 3, an off-formula school district's levy for general education for the 1996-1997 school year shall be no greater than it was for the prior year. An off-formula school district's aid reduction for general education levy equity under Minnesota Statutes, section 124A.24, shall be computed using the levy computed under this section. If an off-formula district payments pursuant to Minnesota Statutes, section 124A.035, subdivision 4, are reduced from that received in the prior school year, the district shall receive additional aid equal to the difference.

Sec. 65. [LEVY REDUCTION.]

Notwithstanding Minnesota Statutes, section 124A.26, subdivision 2, a district's levy reduction for the 1996-1997 school year under that subdivision shall be no less than it was in the prior year. To the extent that the resulting reduction is greater than the school district would have otherwise received under that subdivision, the school district shall receive additional aid equal to the difference.

Sec. 66. [STAFF DEVELOPMENT LEVY.]

Notwithstanding Minnesota Statutes, section 124A.292, subdivision 3, a school district's levy for staff development for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 67. [SCHOOL RESTRUCTURING LEVIES.]

Notwithstanding Minnesota Statutes, section 126.019, a school district's levy under that section for taxes payable in 1996 shall be no greater than it was in the prior year. To the extent the resulting levy is less than the district would have otherwise been authorized to levy under that section, the district shall receive additional aid equal to the difference.

Sec. 68. [LEVY FOR LOCAL SHARE OF TECHNICAL COLLEGE CONSTRUCTION.]

Notwithstanding Minnesota Statutes, section 136C.411, the levy as otherwise authorized under that section for the 1996-1997 school year shall be no greater than it was for the prior year. If the resulting levy is less than is necessary for the district to pay its local share of the costs of construction in that year, the joint vocational technical district shall receive additional aid equal to the difference.

Sec. 69. [JOINT VOCATIONAL TECHNICAL DISTRICT TAX LEVY.]

Notwithstanding Minnesota Statutes, section 136C.67, a joint vocational technical district's levy under that subdivision for the 1996-1997 school year shall be no greater than it was for the prior year.

Sec. 70. [LEVY ADJUSTMENT.]

Notwithstanding any other law to the contrary, any adjustment of a school district's levy authority other than for debt redemption fund excesses under Minnesota Statutes, section 475.61, for taxes payable in 1996 shall not result in a levy that is greater than it was in 1995. If the resulting levy adjustments reduce the district's revenues below that which the district would have otherwise received in the absence of this section, the district will receive additional aid equal to the difference.

Sec. 71. [OTHER LEVY AUTHORITY.]

A school district's levy under any special law or any authority other than that contained in Minnesota Statutes, chapters 124, 124A, and 136C, shall not be greater for taxes payable in 1996 than it was for taxes payable in 1995 except for any debt service on obligations, certificates of indebtedness, capital notes, or other debt instruments issued prior to March 30, 1995, or to make payments on installment purchase contracts or lease purchase agreements entered into prior to March 30, 1995.

Sec. 72. [BENEFIT RATIO FOR RURAL SERVICE DISTRICTS.]

Notwithstanding Minnesota Statutes, section 272.67, subdivision 6, the benefit ratio used for apportioning levies to a rural service district for taxes payable in 1996 shall not be greater than that in effect for taxes payable in 1995.

Sec. 73. [PROHIBITION AGAINST INCURRING NEW DEBT.]

Subdivision 1. [GENERALLY.] (a) After March 30, 1995, no municipality as defined in Minnesota Statutes, section 475.51, or any special taxing district as defined under Minnesota Statutes, section 275.066, may sell obligations, certificates of indebtedness, or capital notes under Minnesota Statutes, chapter 475, section 412.301, or any other law authorizing obligations, certificates of indebtedness, capital notes, or other debt instruments or enter into installment purchase contracts or lease purchase agreements under Minnesota Statutes, section 465.71, or any other law authorizing installment purchase contracts or lease purchase agreements if issuing those debt instruments or entering into those contracts would require a levy first becoming due in 1996. This restriction does not apply to (1) refunding bonds sold to refund bonds originally sold before March 30, 1995, or (2) obligations for which the amount of the levy first becoming due in 1996 would not exceed the amount by which the municipality's total debt service levy for taxes payable in 1996 prior to issuance of those obligations is less than the municipality's total debt service levy for taxes payable in 1995. As used in clause (2), "obligations" includes certificates of indebtedness, capital notes, or other debt instruments or installment purchase contracts or lease purchase agreements.

(b) For purposes of this section, bonds will be deemed to have been sold before March 30, 1995, if:

(1) an agreement has been entered into between the municipality and a purchaser or underwriter for the sale of the bonds by that date;

(2) the issuing municipality is a party to contract or letter of understanding entered into before March 30, 1995, with the federal government or the state government that requires the municipality to pay for a project, and the project will be funded with the proceeds of the bonds; or

(3) the proceeds of the bonds will be used to fund a project or acquisition with respect to which the municipality has entered into a contract with a builder or supplier before March 30. Debt service payments due on bonds described in this paragraph during calendar year 1996 will be paid by the state. The amount of those payments must be repaid by the municipality to the state in three equal annual installments beginning in 1997. No interest will be due on those payments if timely paid by June 15 of the year due.

Subd. 2. [EXCEPTION.] Notwithstanding subdivision 1, certificates of indebtedness, capital notes, installment purchase contracts, lease purchase agreements or any other debt instruments, and the debt service levies for the obligations shall, for purposes of this act, be treated as if sold prior to March 30, 1995, if:

(a) The municipality or other governmental authority has satisfied any one of the following conditions prior to March 30, 1995:

(1) it has adopted a resolution or ordinance authorizing the issuance of the obligations;

(2) it has declared official intent to issue the obligations under federal tax laws and regulations; or

(3) it has entered into a binding agreement to design or construct a project or acquire property to be financed with the obligations; and

(b) The municipality makes a finding at the time of the sale of the bonds that no levy will be required for taxes payable in 1996 to pay the debt service on the obligations because sufficient funds are available from nonproperty tax sources to pay the debt service.

Sec. 74. [ASSESSMENT LIMITATIONS.]

Subdivision 1. [1995 ASSESSMENT.] Notwithstanding Minnesota Statutes, section 273.11, or any other law to the contrary, the value of property for the 1995 assessment shall not exceed the lesser of its limited market value determined for the 1994 assessment pursuant to Minnesota Statutes, section 273.11, subdivision 1a, or its market value as otherwise determined for the 1994 assessment provided that any value attributable to new construction or improvements to the extent it does not qualify for deferral under Minnesota Statutes, section 273.11, subdivision 16, shall be added to the prior year's value used to determine its tax capacity. It is further provided that previously tax exempt property that loses its tax exempt status pursuant to Minnesota Statutes, section 272.02, subdivision 4, shall not have its assessment limited in any way under this subdivision.

Subd. 2. [1996 ASSESSMENT.] The provisions of Minnesota Statutes, section 273.11, subdivision 1a, shall govern in determining the value of property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, or noncommercial seasonal residential for the 1996 assessment provided that "five percent" shall be substituted for "ten percent" in that section.

Sec. 75. [LEVY LIMITATION TAXES PAYABLE IN 1996.]

Subdivision 1. [TAXES PAYABLE IN 1996 PROPOSED LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.065, subdivision 1, in 1995, no taxing authority other than a school district shall certify to the county auditor a proposed property tax levy or in the case of a township, a final property tax levy, greater than the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year except as provided in subdivisions 3, 4, and 5.

Subd. 2. [TAXES PAYABLE IN 1996 FINAL LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.07, subdivision 1, in 1995, no taxing authority other than a school district shall certify to the county auditor a property tax levy greater than the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year except as provided in subdivisions 3 and 4.

Subd. 3. [SCHOOL DISTRICTS.] School district levies shall be governed by sections 10 to 71.

Subd. 4. [DEBT SERVICE EXCEPTION.] If a payable 1996 levy for debt service on obligations, certificates of indebtedness, capital notes, or other debt instruments sold prior to March 30, 1995, or to make payments on installment purchase contracts or lease purchase agreements entered into prior to March 30, 1995, exceeds the levy a taxing authority certified pursuant to Minnesota Statutes, section 275.07, subdivision 1, for taxes payable in 1995 for the same purpose, the excess may be levied notwithstanding the limitations of subdivisions 1 and 2.

Subd. 5. [ANNEXATION EXCEPTION.] The city tax rate for taxes payable in 1996 on any property annexed under chapter 414 may not be increased over the city or township tax rate in effect on the property in 1995, notwithstanding any law, municipal board order, or ordinance to the contrary. The limit on the annexing city's levy under subdivisions 1 and 2 may be increased in excess of that limit by an amount equal to the net tax capacity of the property annexed times the city or township tax rate in effect on that property for taxes payable in 1995. The levy limit of the city or township from which the property was annexed shall be reduced by the same amount.

Sec. 76. [FREEZE ON LOCAL MATCH REQUIREMENTS.]

Notwithstanding any other law to the contrary, the local funding or local match required from any city, town, or county for any state grant or program shall not be increased for calendar year 1996 above the dollar amount of the local funding or local match required for the same grant or program in 1995, regardless of the level of state funding provided; and any new local match or local funding requirements for new or amended state grants or programs shall not be effective until calendar year 1997. Nothing in this section shall affect the eligibility of a city, town, or county, for the receipt of state grants or program funds in 1996 or reduce the amount of state funding a city, town, or county would otherwise receive in 1996 if the local match requirements of the state grant or program were met in 1996.

Sec. 77. [SUSPENSION OF SALARY AND BUDGET APPEAL AUTHORIZATION.]

After April 11, 1995, no county sheriff may exercise the authority granted under Minnesota Statutes, section 387.20, subdivision 7, and no county attorney may exercise the authority granted under Minnesota Statutes, section 388.18, subdivision 6, to the extent that the salary or budget increase sought in the appeal would result in an increase in county expenditures in calendar year 1996.

Sec. 78. [SUSPENSION OF PUBLICATION AND HEARING REQUIREMENTS.]

A local taxing authority is not required to comply with the public advertisement notice of Minnesota Statutes, section 275.065, subdivision 5a, or the public hearing requirement of Minnesota Statutes, section 275.065, subdivision 6, with respect to taxes levied in 1995, payable in 1996, only.

Sec. 79. [LEVY LIMITATION TAXES PAYABLE IN 1997.]

Subdivision 1. [DEFINITION.] The "percentage increase in the implicit price deflator" means the percentage change in the implicit price deflator for state and local governments purchases of goods and services as calculated in Minnesota Statutes, section 477A.03, subdivision 3, provided that the 2.5 percent and five percent limits do not apply and that the increase can not be less than zero percent.

Subd. 2. [TAXES PAYABLE IN 1997 PROPOSED LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.065, subdivision 1, in 1996, no taxing authority other than a school district or a joint vocational technical district shall certify to the county auditor a proposed property tax levy or in the case of a township, a final property tax levy, that is greater than the product of:

(1) the sum of one plus the lesser of (i) three percent, or (ii) the percentage increase in the implicit price deflator; and

(2) the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year, except as provided in subdivisions 4 and 5.

Subd. 3. [TAXES PAYABLE IN 1997 FINAL LEVY.] Notwithstanding any other law to the contrary, for purposes of the certification required by Minnesota Statutes, section 275.07, subdivision 1, in 1996, no taxing authority other than a school district or a joint vocational technical district shall certify to the county auditor a property tax levy that is greater than the product of:

(1) the sum of one plus the lesser of (i) three percent, or (ii) the percentage increase in the implicit price deflator; and

(2) the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year, except as provided in subdivisions 4, 5, and 6.

Subd. 4. [REFERENDA.] (a) A taxing authority other than a school district or an education district may increase its levy above the limits provided in subdivisions 2 and 3, by the amount approved by the voters residing in the jurisdiction of the authority at a referendum called for the purpose. The referendum may be called by the governing body or shall be called by the governing body upon written petition of qualified voters of the jurisdiction. The referendum shall be conducted during the calendar year before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. The referendum must be held on the first Tuesday after the first Monday in November. The ballot shall state the maximum amount of the increased levy and the estimated referendum tax rate as a percentage of taxable net tax capacity in the year it is to be levied. The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the levy proposed by (petition to) the governing body of ....., be approved?"

(b) The governing body shall prepare and deliver by first class mail at least 15 days but no

more than 30 days prior to the day of the referendum to each taxpayer a notice of the referendum and the proposed levy increase. The governing body need not mail more than once notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners shall be those shown to be owners 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. Every property owner whose name does not appear on the records of the county auditor or the county treasurer shall be deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the jurisdiction of the taxing authority.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes."

(c) A petition authorized by paragraph (a) shall be effective if signed by a number of qualified voters in excess of 15 percent of the registered voters of the jurisdiction of the taxing authority on the day the petition is filed with the governing body. A referendum invoked by petition shall be held on the date specified in paragraph (a).

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) A bond authorization under Minnesota Statutes, section 475.59, shall be deemed to meet the requirements of this subdivision provided the ballot includes the information required in paragraph (a) and the notice required in paragraph (b) is distributed.

Subd. 5. [DEBT SERVICE EXCEPTION.] If a payable 1997 levy for debt service on obligations, certificates of indebtedness, capital notes, or other debt instruments sold prior to March 30, 1995, or to make payments on installment purchase contracts or lease purchase agreements entered into prior to March 30, 1995, exceeds the levy a taxing authority certified pursuant to Minnesota Statutes, section 275.07, subdivision 1, for taxes payable in 1996 for the same purpose, or a payable 1997 levy for general obligations exceeds any payable 1997 levy required as a condition for the issuance of such general obligations, the excess may be levied notwithstanding the limitations of subdivisions 2 and 3.

Subd. 6. [LEVY OF TOWN BEING MERGED INTO CITY.] If a town has entered into an agreement to merge with a home rule charter or statutory city, and the merger has been approved by a referendum conducted under Minnesota Statutes, section 465.84, the town's levy for taxes payable in 1997 shall not exceed the greater of (1) the amount determined under subdivisions 1 to 5, or (2) the amount established as a term of the merger agreement with the city.

Sec. 80. [FISCAL DISPARITIES FREEZE.]

Notwithstanding Minnesota Statutes, section 473F.08, subdivision 2, clause (a), the amount to be deducted from a governmental unit's net tax capacity for taxes payable in 1996 under that clause shall equal the amount deducted for taxes payable in 1995. Notwithstanding Minnesota Statutes, section 473F.08, subdivision 2, clause (b), the amount to be added to a governmental unit's net tax capacity for taxes payable in 1996 under that clause shall equal the same amount added for taxes payable in 1995. Notwithstanding Minnesota Statutes, section 473F.08, subdivision 3, the areawide portion of the levy for each governmental unit shall be determined using the local tax rate for the 1993 levy year. Notwithstanding Minnesota Statutes, section 473F.08, subdivision 6, the portion of commercial-industrial property within a municipality subject to the areawide tax rate shall be computed using the amount determined under Minnesota Statutes, sections 473F.06 and 473F.07, for taxes payable in 1995.

Sec. 81. [TAX RATE FREEZE.]

Subdivision 1. [REDUCTION OF LEVY; PAYMENT.] If in the course of determining local tax rates for taxes payable in 1996 after reductions for disparity reduction aid under Minnesota Statutes, section 275.08, subdivisions 1c and 1d, the county auditor finds the local tax rate exceeds that in effect for taxes payable in 1995, the county auditor shall reduce the local government's

levy so the local tax rate does not exceed that in effect for taxes payable in 1995. The difference between the levy as originally certified by the local government and the reduced levy shall be certified to the commissioner of revenue at the time the abstracts are submitted under Minnesota Statutes, section 275.29. That amount shall be paid to the local government on or before August 31.

Subd. 2. [APPROPRIATION.] An amount sufficient to pay the aid provided for under this section is appropriated from the general fund to the commissioner of revenue for payment to counties, cities, townships, and special taxing districts. An amount sufficient to pay the aid provided for under this section is appropriated from the general fund to the commissioner of education for payment to school districts.

Sec. 82. [PENSION LIABILITIES.]

Notwithstanding any other law or charter provision to the contrary, no levy for taxes payable in 1996 for a local police and fire relief association for the purpose of amortizing an unfunded pension liability may exceed the levy for that purpose for taxes payable in 1995.

Sec. 83. [DUTIES OF TOWNSHIP BOARD OF SUPERVISORS.]

Notwithstanding Minnesota Statutes, section 365.10, in 1995 the township board of supervisors shall adjust the levy and in 1996 the township board of supervisors may adjust the expenditures of a township below the level authorized by the electors to adjust for any reduction in the previously authorized levy of the township pursuant to section 75.

Sec. 84. [PROPERTY TAX AND EDUCATION AIDS REFORM.]

Subdivision 1. [RECOMMENDED PROGRAM.] The legislative commission on planning and fiscal policy shall prepare and recommend to the legislature a property tax reform and education aids reform program that includes:

(1) a property tax classification and class rate system;

(2) elementary and secondary education aids and levies; and

(3) aids to local government.

Subd. 2. [STANDARDS.] (a) The recommended program must provide for accountability, equity, revenue adequacy, and efficiency as provided in paragraphs (b) to (e).

(b) The recommended program must provide accountability by being understandable to the taxpayer, by linking the costs of services to the taxes paid for those services, and by correlating the responsibility for raising revenues with the ability to make spending decisions.

(c) The recommended program must provide equity by minimizing large, short-term shifts in tax burdens, and by ensuring that tax burdens and aids are progressive and related to the ability to pay or raise revenue.

(d) The recommended program must provide for adequate revenue by controlling costs and the need for increased revenue, minimizing reductions or shifts in revenues available to local governments to provide needed services, and directing aids to meet needs and fund services based on established funding priorities.

(e) The program must promote efficiency by providing stable predictable property taxes and local government revenues that are competitive with those of other states and areas so that property taxes and aids have minimal impact on the economic decisions of taxpayers.

Subd. 3. [TASK FORCE.] The commission may designate a task force to advise the commission in carrying out its duties under this section. The task force may include legislators, agency and legislative staff, state and local governmental officials, educators, and taxpayers and members of the public. The task force expires on January 1, 1997.

Subd. 4. [SERVICES.] The commission may enter into contracts for the professional and other services necessary to carry out its duties under this section.

Subd. 5. [REPORT.] The commission shall report its recommendations to the legislature on or before January 1, 1997. The report shall include proposed legislation to implement the recommendations of the commission.

Sec. 85. [UNFUNDED MANDATE PROHIBITION.]

Subdivision 1. [DEFINITION.] As used in this section, "state mandates" has the meaning given in Minnesota Statutes, section 3.881.

Subd. 2. [FUNDING OF THE COST OF MANDATES.] If the fiscal note prepared by the commissioner of finance under Minnesota Statutes, section 3.982, indicates that a new or expanded mandate on a political subdivision in a bill introduced in the legislature will impose a statewide cost on counties in excess of $500,000 or a statewide cost on cities or townships in excess of $250,000, the political subdivisions are not required to implement the mandate unless the legislature, by appropriation enacted before the mandate is required to be implemented, provides reimbursement to the political subdivisions for the costs incurred.

Sec. 86. [SAVINGS CLAUSE.]

Notwithstanding the repealers in section 88 or any other provision in this act to the contrary, nothing in this act constitutes an impairment of any obligations, certificates of indebtedness, capital notes, or other debt instruments, including installment purchase contracts or lease purchase agreements, issued before the date of final enactment of this act, by a municipality as defined in Minnesota Statutes, section 469.174, subdivision 6, or a special taxing district as defined in Minnesota Statutes, section 275.066.

Sec. 87. [PIPESTONE COUNTY.]

Subdivision 1. [BOND AUTHORIZATION.] The county of Pipestone may issue its general obligation bonds in a principal amount of not to exceed $598,000 to defray the expense of repair and renovation of the county courthouse and courthouse annex. The bonds shall be issued in accordance with Minnesota Statutes, chapter 475. No further election proceedings are required and Minnesota Statutes, section 275.61, shall not apply.

Subd. 2. [EFFECTIVE DATE.] This section takes effect the day after the county board of Pipestone county complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 88. [REPEALER.]

Subdivision 1. Minnesota Statutes 1994, sections 124.01; 124.05; 124.06; 124.07; 124.76; 124.82; 124.829; 124.83; 124.84; 124.85; 124.86; 124.90; 124.91; 124.912; 124.914; 124.916; 124.918; 124.95; 124.961; 124.962; 124.97; 124A.02, subdivisions 16, 23, and 24; 124A.03, subdivisions 1b, 1c, 1d, 1e, 1f, 1g, 1h, and 1i; 124A.0311; 124A.032; 124A.04; 124A.22, subdivisions 1, 2, 3, 4, 4a, 4b, 6, 6a, 8, and 9; 124A.23; 124A.24; 124A.26, subdivisions 1, 2, and 3; 124A.27; 124A.28; and 124A.29, subdivision 2, are repealed. Laws 1991, chapter 265, article 7, section 35, is repealed.

Subd. 2. Minnesota Statutes 1994, sections 273.13; 273.135; 273.136; 273.1391; 473F.001; 473F.01; 473F.02; 473F.03; 473F.05; 473F.06; 473F.07; 473F.08; 473F.09; 473F.10; 473F.11; 473F.13; 477A.011; 477A.012; 477A.0121; 477A.0122; 477A.013; 477A.0132; 477A.014; 477A.015; 477A.016; 477A.017; 477A.03; 477A.11; 477A.12; 477A.13; 477A.14; and 477A.15, are repealed.

Subd. 3. [REPEALER.] Minnesota Statutes 1994, sections 245.48; and 256H.12, subdivision 3, are repealed.

Sec. 89. [EFFECTIVE DATE.]

Sections 2 to 5 and 85, subdivision 3, are effective July 1, 1995. Section 88, subdivision 2, is effective for taxes payable in 1998, and section 88, subdivision 1, is effective for the 1998-1999 school year, provided that if the legislature does not pass and the governor does not approve legislation by the conclusion of the 1997 session that states in its body that it is replacing the provisions of the repealed chapters and sections in section 88, the repealed chapters and sections are reenacted.

Sections 10 to 71, and section 75, subdivision 3, will not become effective if a bill styled as S.F. No. 944 is enacted during the 1995 session of the legislature and that bill provides for the imposition of levies by school districts for taxes payable in 1996.

ARTICLE 4

PROPERTY TAXES

Section 1. Minnesota Statutes 1994, section 216B.16, is amended by adding a subdivision to read:

Subd. 6d. [WIND ENERGY; PROPERTY TAX.] Contracts for the purchase of electric energy produced by a wind energy conversion system installed after June 1, 1995, and before January 1, 1997, between a public utility and the owner or developer of the system must provide for the public utility to be liable for property taxes imposed on the system. The commission shall permit a public utility that is purchasing electricity produced by a wind energy conversion system installed after June 1, 1995, and before January 1, 1997, to recover in its rates payments made by the public utility for property taxes paid on the system.

Sec. 2. Minnesota Statutes 1994, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

(1) All public burying grounds.

(2) All public schoolhouses.

(3) All public hospitals.

(4) All academies, colleges, and universities, and all seminaries of learning.

(5) All churches, church property, and houses of worship.

(6) Institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clauses (1), (2), and (3), or paragraph (d), other than those that qualify for exemption under clause (25).

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

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

(9) Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means: (i) land described in section 103G.005, subdivision 18; (ii) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice; or (iii) land in a wetland preservation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause. Upon receipt of an application for the exemption provided in this clause for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the

state or a local governmental unit which is developed and operated pursuant to the provisions of section 103G.535.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by clause (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body or 30 days have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to individuals, couples, or families. (ii) It has the purpose of reuniting families and enabling parents or individuals to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least three months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is owned and operated or under lease from a unit of government or governmental agency under a property disposition program and operated by one or more organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting power of the stock of the corporation is owned collectively by: (i) the board of regents of the University of Minnesota, (ii) the University of Minnesota Foundation, an organization exempt from federal

income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and (iii) a corporation organized under chapter 317A, which by its articles of incorporation is prohibited from providing pecuniary gain to any person or entity other than the regents of the University of Minnesota; which property is used primarily to manage or provide goods, services, or facilities utilizing or relating to large-scale advanced scientific computing resources to the regents of the University of Minnesota and others.

(21) Wind energy conversion systems, as defined in section 216C.06, subdivision 12, ~~installed after January 1, 1991,~~ and used as an electric power source~~.~~ are exempt to the extent provided in items (i) to (iii):

(i) systems installed after January 1, 1991, and before January 1, 1995, are exempt;

(ii) systems installed on or after January 1, 1995, located within the same county and owned by the same owner that produce in aggregate two or less megawatts of electricity, as measured by the nameplate rating, are exempt;

(iii) systems installed on or after January 1, 1995, located within the same county and owned by the same owner that produce in aggregate more than two megawatts of electricity, as measured by the nameplate rating, are taxable to the following extent:

(A) the foundation or pads are taxable upon installation; and

(B) the devices in such a system that convert wind energy to a form of usable energy and any supporting or protective structures are exempt.

(22) Containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C.

(23) Photovoltaic devices, as defined in section 216C.06, subdivision 13, installed after January 1, 1992, and used to produce or store electric power.

(24) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.

(25) A structure that is situated on real property that is used for:

(i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or

(ii) housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended.

In order for a structure to be exempt under (i) or (ii), it must also meet each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this clause.

An exemption under this clause remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

(26) Real and personal property that is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and primarily used to provide recreational opportunities for disabled veterans and their families.

(27) Manure pits and appurtenances, which may include slatted floors and pipes, installed or operated in accordance with a permit, order, or certificate of compliance issued by the Minnesota pollution control agency. The exemption shall continue for as long as the permit, order, or certificate issued by the Minnesota pollution control agency remains in effect.

(28) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a facility containing a cogeneration system as described in section 216B.166, subdivision 2, paragraph (a), if the cogeneration system has met the following criteria: (i) the system utilizes natural gas as a primary fuel and the cogenerated steam initially replaces steam generated from existing thermal boilers utilizing coal; (ii) the facility developer is selected as a result of a procurement process ordered by the public utilities commission; and (iii) construction of the facility is commenced after July 1, 1994, and before July 1, 1997.

(29) Real property acquired by a home rule charter city, statutory city, county, town, or school district under a lease purchase agreement or an installment purchase contract during the term of the lease purchase agreement as long as and to the extent that the property is used by the city, county, town, or school district and devoted to a public use and to the extent it is not subleased to any private individual, entity, association, or corporation in connection with a business or enterprise operated for profit.

Sec. 3. Minnesota Statutes 1994, 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:

(1) the house is at least 35 years old at the time of the improvement; and

(2) either:

(a) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than $150,000~~,~~; or

(b) if the estimated market value of the house is over $150,000 market value but is less than $300,000 on January 2 of the current year, the property qualifies if:

(i) it is located in a city or town in which 50 percent or more of the homes were constructed before 1960 based upon the 1990 federal census, and

(ii) the city or town's median family income based upon the 1990 federal census is less than the statewide median family income based upon the 1990 federal census; or

(c) if the estimated market value of the house is over $300,000 on January 2 of the current year, the property qualifies if:

(i) it meets the qualifications of paragraph (b), items (i) and (ii); and

(ii) it is located in a city of the first class within the metropolitan area defined in section 473.121, subdivision 2.

~~Any house which has an estimated market value of $300,000 or more on January 2 of the current year is not eligible to receive any property valuation exclusion under this section.~~ For purposes of determining this eligibility, "house" means land and buildings.

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 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 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 property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. 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 (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis. No abatement of the taxes for qualifying improvements may be granted by a county board unless (1) a building permit was issued prior to commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis.

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 subdivision may result from up to three separate improvements to the homestead. The application shall state, in clear language, that if more than three improvements are made to the qualifying property, a taxpayer may choose which three improvements are eligible, provided that after the taxpayer has made the choice and any valuation attributable to those improvements has been excluded from taxation, no further changes can be made by the taxpayer.

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, increases 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. 4. Minnesota Statutes 1994, 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 and paragraph (f), "relative" means a parent, stepparent, child, stepchild, 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~~ will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this ~~delay~~ prohibition 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, 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 must not 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.

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 qualifying 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. Homestead treatment, in whole or in part, shall not be denied to the spouse of an owner if he or she previously occupied the residence with the owner and the absence of the owner is due to one of the prior four exceptions.

(f) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification and extend full homestead credit. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

Sec. 5. Minnesota Statutes 1994, 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, 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 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 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 deed of record, 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. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the 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 at a location distant from the other spouse's place of employment 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.~~ Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the

other spouse's name and social security number of the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and social security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

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, or, for purposes of proceeding under the revenue recapture act to recover personal property taxes owing, to the county treasurer.

(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 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, the spouse of the owner, 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, the spouse of 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.

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. In the case of a manufactured home, the amount shall be certified to the current year's tax list for collection.

(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 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. 6. Minnesota Statutes 1994, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. It has a class rate of three percent of the first $100,000 of market value for taxes payable in 1993 and thereafter, and 5.06 percent of the market value over $100,000. In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a reduced class rate on the first $100,000 of market value. In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first $100,000 of market value, except that:

(1) if the market value of the parcel is less than $100,000, and additional parcels are owned by the same person or entity in the same city or town within that county, the reduced class rate shall be applied up to a combined total market value of $100,000 for all parcels owned by the same person or entity in the same city or town within the county;

(2) in the case of grain, fertilizer, and feed elevator facilities, as defined in section 18C.305, subdivision 1, or 232.21, subdivision 8, the limitation to one parcel per owner per county for the reduced class rate shall not apply, but there shall be a limit of $100,000 of preferential value per site of contiguous parcels owned by the same person or entity. Only the value of the elevator portion of each parcel shall qualify for treatment under this clause. For purposes of this subdivision, contiguous parcels include parcels separated only by a railroad or public road right-of-way; and

(3) in the case of property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1993, if the property is used as a business incubator, the limitation to one parcel per owner per county for the reduced class rate shall not apply, provided that the reduced rate applies only to the first $100,000 of value per parcel owned by the organization. As used in this clause, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization.

To receive the reduced class rate on additional parcels under clause (1), (2), or (3), the taxpayer must notify the county assessor that the taxpayer owns more than one parcel that qualifies under clause (1), (2), or (3).

(b) Employment property defined in section 469.166, during the period provided in section

469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first $50,000 of market value and 3.6 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the class rate of the first $100,000 of market value and the class rate of the remainder is determined under paragraph (a), unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

(c) Structures which are (i) located on property classified as class 3a, (ii) constructed after January 2, 1995, and (iii) located in a transit zone as defined under section 473.3915, shall have a class rate of four percent on that portion of the market value in excess of $100,000. The four percent rate shall also apply to that portion of any class 3a structure located in a transit zone constructed after January 2, 1995, even if the remainder of the structure was constructed prior to January 2, 1995. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone.

Sec. 7. Minnesota Statutes 1994, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property has a class rate of 3.5 percent of market value for taxes payable in 1992, and 3.4 percent of market value for taxes payable in 1993 and thereafter.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4b property has a class rate of 2.8 percent of market value for taxes payable in 1992, 2.5 percent of market value for taxes payable in 1993, and 2.3 percent of market value for taxes payable in 1994 and thereafter.

(c) Class 4c property includes:

(1) a structure that is:

(i) situated on real property that is used for housing for the elderly or for low- and moderate-income families as defined in Title II, as amended through December 31, 1990, of the National Housing Act or the Minnesota housing finance agency law of 1971, as amended, or rules promulgated by the agency and financed by a direct federal loan or federally insured loan made pursuant to Title II of the Act; or

(ii) situated on real property that is used for housing the elderly or for low- and moderate-income families as defined by the Minnesota housing finance agency law of 1971, as amended, or rules adopted by the agency pursuant thereto and financed by a loan made by the Minnesota housing finance agency pursuant to the provisions of the act.

This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan.

(2) a structure that is:

(i) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended; and

(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter; and

(3) a qualified low-income building as defined in section 42(c)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1990, that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1990; or (ii) meets the requirements of that section and receives public financing, except financing provided under sections 469.174 to 469.179, which contains terms restricting the rents; or (iii) meets the requirements of section 273.1317. Classification pursuant to this clause is limited to a term of 15 years. The public financing received must be from at least one of the following sources: government issued bonds exempt from taxes under section 103 of the Internal Revenue Code of 1986, as amended through December 31, 1993, the proceeds of which are used for the acquisition or rehabilitation of the building; programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act; rental housing program funds under Section 8 of the United States Housing Act of 1937 or the market rate family graduated payment mortgage program funds administered by the Minnesota housing finance agency that are used for the acquisition or rehabilitation of the building; public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from federal community development block grants, HOME block grants, or residential rental bonds issued under chapter 474A; or other rental housing program funds provided by the Minnesota housing finance agency for the acquisition or rehabilitation of the building.

For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents unless the owner of the property elects to have the property assessed under Laws 1991, chapter 291, article 1, section 55. If the owner of the property elects to have the market value determined on the basis of the actual restricted rents, as provided in Laws 1991, chapter 291, article 1, section 55, the property will be assessed at the rate provided for class 4a or class 4b property, as appropriate. Properties described in clauses (1)(ii), (3), and (4) may apply to the assessor for valuation under Laws 1991, chapter 291, article 1, section 55. The land on which these structures are situated has the class rate given in paragraph (b) if the structure contains fewer than four units, and the class rate given in paragraph (a) if the structure contains four or more units. This clause applies only to the property of a nonprofit or limited dividend entity.

(4) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics:

(a) it is a nonprofit corporation organized under chapter 317A;

(b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws;

(c) it limits membership with voting rights to residents of the designated community; and

(d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and

(5) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The first $100,000 of the market value of the remainder of the cabins or units and a proportionate share of the land on which they are located shall have a class rate of three percent. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(6) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(7) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus; and

(8) manufactured home parks as defined in section 327.14, subdivision 3.

Class 4c property has a class rate of 2.3 percent of market value, except that (i) for each parcel of seasonal residential recreational property not used for commercial purposes under clause (5) ~~has a class rate of 2.2 percent of market value for taxes payable in 1992, and for taxes payable in 1993 and thereafter,~~ the first $72,000 of market value on each parcel has a class rate of two percent and the market value of each parcel that exceeds $72,000 has a class rate of 2.5 percent, and (ii)

manufactured home parks assessed under clause (8) have a class rate of two percent ~~for taxes payable in 1993, 1994, and 1995 only~~.

(d) Class 4d property includes:

(1) a structure that is:

(i) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the Farmers Home Administration;

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the Farmers Home Administration. Property is classified under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The class rates in paragraph (c), clauses (1), (2), and (3) and this clause apply to the properties described in them, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. For those properties, 4c or 4d classification is available only for those units meeting the requirements of section 273.1318.

Classification under this clause is only available to property of a nonprofit or limited dividend entity.

In the case of a structure financed or refinanced under any federal or state mortgage insurance or direct loan program exclusively for housing for the elderly or for housing for the handicapped, a unit shall be considered occupied so long as it is actually occupied by an elderly or handicapped person or, if vacant, is held for rental to an elderly or handicapped person.

(2) For taxes payable in 1992, 1993, and 1994, only, buildings and appurtenances, together with the land upon which they are located, leased by the occupant under the community lending model lease-purchase mortgage loan program administered by the Federal National Mortgage Association, provided the occupant's income is no greater than 60 percent of the county or area median income, adjusted for family size and the building consists of existing single family or duplex housing. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. The application must be accompanied by an affidavit or other proof required by the assessor to determine qualification under this clause.

(3) Qualifying buildings and appurtenances, together with the land upon which they are located, leased for a period of up to five years by the occupant under a lease-purchase program administered by the Minnesota housing finance agency or a housing and redevelopment authority authorized under sections 469.001 to 469.047, provided the occupant's income is no greater than 80 percent of the county or area median income, adjusted for family size, and the building consists of two or less dwelling units. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. The administering agency shall verify the occupants income eligibility and certify to the county assessor that the occupant meets the income criteria under this paragraph. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. For purposes of this section, "qualifying buildings and appurtenances" shall be defined as one or two unit residential buildings which are unoccupied and have been abandoned and boarded for at least six months.

Class 4d property has a class rate of two percent of market value except that property classified under clause (3), shall have the same class rate as class 1a property.

(e) Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clauses (1) and (3); paragraph (c), clause (1), (2), (3), or (4), is assessed at the class rate applicable to it under Minnesota Statutes 1988, section 273.13, if it is

found to be a substandard building under section 273.1316. Residential rental property that would otherwise be assessed as class 4 property under paragraph (d) is assessed at 2.3 percent of market value if it is found to be a substandard building under section 273.1316.

Sec. 8. Minnesota Statutes 1994, section 273.37, is amended by adding a subdivision to read:

Subd. 3. [WIND ENERGY CONVERSION SYSTEMS.] Taxable wind energy conversion systems, situated upon land owned by another person, which are not in good faith owned, operated, and exclusively controlled by such other person, shall be listed and assessed as personal property in the town or district where situated, in the name of the owner.

Sec. 9. Minnesota Statutes 1994, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of review except in cities whose charters provide for a board of equalization. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting. If at least 25 percent of the net tax capacity of the city or town is noncommercial seasonal recreational residential property classified under section 273.13, subdivision 25, the meeting or, if more than one meeting is scheduled, at least one of the meetings must be held on a Saturday. The Saturday meeting date must be contained on the notice of valuation of real property under section 273.121. The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board of review or the county board of equalization has adjourned; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) If a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a

person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

Sec. 10. Minnesota Statutes 1994, section 276.131, is amended to read:

276.131 [DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.]

The penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) 50 percent of all penalties and interest collected on real and personal property taxes must be distributed to the county in which the property is located, and the other 50 percent must be distributed to the school ~~district in which the property is located~~ districts within the county. The distribution to the school district must be in accordance with the provisions of section 124.10; and

(3) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Sec. 11. Minnesota Statutes 1994, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty shall be at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property shall be at a rate of four percent until May 31 and eight percent on June 1. This penalty shall not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed $50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent shall

accrue and on the first day of December following, an additional penalty of two percent shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding $50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 12. Minnesota Statutes 1994, section 279.01, is amended by adding a subdivision to read:

Subd. 4. In the case of class 4c seasonal residential recreational property not used for commercial purposes, penalties shall accrue and be charged on unpaid taxes at the times and at the rates provided in subdivision 1 for homestead property.

Sec. 13. [473.3915] [TRANSIT ZONES.]

Subdivision 1. [DEFINITIONS.] For the purposes of this section, the terms defined in subdivisions 2 and 3 have the meaning given them.

Subd. 2. [TRANSIT ROUTE.] "Transit route" means a route along which transportation of passengers is provided by a motor vehicle or other means of conveyance, including light rail transit, by any person operating on a regular and continuing basis as a common carrier on fixed routes and schedules. "Transit route" does not include (1) a route along which transportation is provided for children to or from school or for passengers between a common carrier terminal station and a hotel or motel, (2) transportation by common carrier railroad or by taxi, (3) transportation furnished by a person solely for that person's employees or customers, or (4) paratransit.

Subd. 3. [TRANSIT ZONE.] "Transit zone" means the area within one-quarter of a mile of a transit route that is also within the metropolitan urban service area, as determined by the council. "Transit zone" includes any light rail transit route for which funds for construction have been committed.

Subd. 4. [TRANSIT ZONES; MAP AND PLAN.] For the purposes of section 273.13, subdivision 24, the council shall designate transit zones and identify them on a detailed map and in a plan. The council shall review the map and plan once a year and revise them as necessary to indicate the current transit zones. The council shall provide each county and city assessor in the metropolitan area a copy of the current map and plan.

Sec. 14. Minnesota Statutes 1994, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraph (b), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) A city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and

water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the amount the city was certified to receive in calendar year 1995 under section 477A.013.

Sec. 15. Laws 1992, chapter 511, article 2, section 45, is amended by adding a subdivision to read:

Subd. 6a. [HOUSING REDEVELOPMENT AUTHORITY; EXCEPTIONS.] The requirements of subdivisions 2, 3, 4, and 5 do not apply in order to qualify for the exemption if the student housing is owned by the local housing and redevelopment authority, the reduced cost of development due to the exemption is reflected in lower rents, and a reasonable system is used to provide priority to students in renting the dwelling units.

Sec. 16. Laws 1992, chapter 511, article 2, section 45, subdivision 7, is amended to read:

Subd. 7. [EXPIRATION.] ~~This section applies to student housing approved by the state board before January 1, 1997.~~ The property tax exemption for a student housing development is limited to 20 years from the date of first occupancy. This section expires January 1, 2018.

Sec. 17. Laws 1992, chapter 511, article 2, section 46, is amended by adding a subdivision to read:

Subd. 6a. [HOUSING REDEVELOPMENT AUTHORITY; EXCEPTIONS.] The requirements of subdivisions 2, 3, 4, and 5 do not apply in order to qualify for the exemption if the student housing is owned by the local housing and redevelopment authority or by a multicounty housing and redevelopment authority on land leased from a city or school district, the reduced cost of development due to the exemption is reflected in lower rents, and a reasonable system is used to provide priority to students in renting the dwelling units.

Sec. 18. Laws 1992, chapter 511, article 2, section 46, subdivision 7, is amended to read:

Subd. 7. [EXPIRATION.] ~~This section applies to student housing approved by the state board before January 1, 1997.~~ The property tax exemption for a student housing development is limited to 20 years from the date of first occupancy. This section expires January 1, 2018.

Sec. 19. [HACA REDUCTION; HENNEPIN COUNTY COURT EMPLOYEES.]

There shall be deducted from the homestead and agricultural credit aid payments to Hennepin county under Minnesota Statutes, section 273.1398, an amount equal to $180,000 which represents the cost to the state for the assumption of two Hennepin county staff attorneys whose job function is that of court referees and whose positions should have been transferred to the state as part of the court takeover in Laws 1989, First Special Session chapter 1, article 4. One-half of the total amount shall be deducted from each of the aid payments made in 1995 to Hennepin county under Minnesota Statutes, section 273.1398. The amount of reduction made under this section shall be a permanent aid reduction.

Sec. 20. [TRANSIT ZONE MAP; DATE FIRST PRODUCED.]

The metropolitan council shall produce an initial version of the transit zone map required under section 473.3915, subdivision 4, by January 1, 1996.

Sec. 21. [APPLICATION.]

Sections 13 and 20 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 22. [EFFECTIVE DATES.]

Section 1 is effective the day following final enactment.

Sections 2, 4, 5, and 8 are effective for taxes levied in 1995, payable in 1996, and thereafter, provided that the provisions of section 4 restricting homestead classification for seasonal recreational residential property applies to taxes payable in 1996 and thereafter regardless of the date of occupancy of the property or the date of filing of an application for homestead classification by the relative of the owner.

Section 3 is effective for improvements made in 1995 and subsequent years.

Sections 6 and 9 are effective for 1996 assessments for taxes payable in 1997 and subsequent years.

Sections 11 and 12 are effective for taxes levied in 1995, payable in 1996, and thereafter.

Section 14 is effective for aids paid in 1996 and thereafter.

Sections 15 and 16 are effective the day after the governing body of Duluth complies with Minnesota Statutes, section 645.021, subdivision 3.

Sections 17 and 18 are effective the day after the governing body of Thief River Falls complies with Minnesota Statutes, section 645.021, subdivision 3.

Section 19 is effective for aid payments made to Hennepin county in 1995 provided, however, that the aid reduction is contingent upon enactment of a law in 1995 which (i) transfers the Hennepin county positions, and (ii) provides from the general fund a funding to the state supreme court for the positions.

ARTICLE 5

PROPERTY TAX REFUND

Section 1. [13.515] [PROPERTY TAX DATA.]

The following data calculated or maintained by political subdivisions and shown on property tax statements under section 276.09 are classified as private data on individuals, pursuant to section 13.02, subdivision 12: (1) property tax refund amounts under section 276.04, subdivision 2, paragraph (c), clause (8); and (2) the property tax after deduction of the property tax refunds under section 276.04, subdivision 2, paragraph (c), clause (9).

Sec. 2. Minnesota Statutes 1994, section 270A.03, subdivision 7, is amended to read:

Subd. 7. [REFUND.] "Refund" means an individual income tax refund or political contribution refund~~,~~ pursuant to chapter 290~~,~~; or a property tax credit or refund~~,~~ pursuant to chapter 290A, other than a refund which has been certified to or calculated by the county auditor under section 276.012.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse.

Sec. 3. Minnesota Statutes 1994, 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. 4. Minnesota Statutes 1994, 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. 5. Minnesota Statutes 1994, 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, 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 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 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 deed of record, 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. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the 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, or, for purposes of proceeding under the revenue recapture act to recover personal property taxes owing, to the county treasurer.

(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 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 under chapter 290A deducted on the property tax statement.

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. In the case of a manufactured home, the amount shall be certified to the current year's tax list for collection.

(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. 6. Minnesota Statutes 1994, 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. The notice must include the estimated percentage increase in Minnesota personal income, provided by the commissioner of revenue under section 275.064, in a way to facilitate comparison of the proposed budget and levy increases with the increase in personal income. 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, including separate deductions for the property tax refunds under section 290A.04, subdivisions 2 and 2h, and the actual tax for taxes payable the current year, including separate deductions for the property tax refunds under section 290A.04, subdivisions 2 and 2h. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referendums, including those taxes based on net tax capacity as well as those based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. 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 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; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

The notice must state that the deduction for a property tax refund under section 290A.04, subdivision 2h, is contingent upon continuity in ownership of the property.

(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, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) 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. 7. [276.012] [COMPUTATION AND ADMINISTRATION OF PROPERTY TAX REFUNDS.]

(a) On or before October 1 each year, the commissioner of revenue shall certify to the county auditor the property tax refund amount under section 290A.04, subdivision 2, for each parcel of homestead property as defined in section 290A.04, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that qualifies for a refund relating to taxes payable in the current year.

(b) The county auditor shall compute the refund for purposes of the proposed property tax notice for each parcel of homestead property as defined in section 290A.03, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that may qualify for a refund under section 290A.04, subdivision 2h, for taxes payable in the subsequent year.

(c) After certification of the levies by taxing districts under section 275.07, the county auditor shall compute the refund for each parcel of homestead property as defined in section 290A.03, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that qualifies for a refund under section 290A.04, subdivision 2h, for taxes payable in the current year.

(d) The county auditor shall separately certify the amounts in paragraphs (a) and (c) to the county treasurer who shall reflect the amounts as property tax deductions on the property tax statement under section 276.04 for taxes payable in the current year, provided that to receive the refunds, the property must be classified as homestead property under section 273.13 for taxes payable in the year the refund is payable.

(e) The county auditor shall annually separately certify the costs of the property tax refunds under section 290A.04, subdivisions 2 and 2h, to the department of revenue with the abstract of tax lists under section 275.29.

Sec. 8. Minnesota Statutes 1994, 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. The statement must contain the parcel identification number and a county identification number in the upper right corner of the statement. The statement must contain the qualifying tax amount to be used by the taxpayer in claiming a property tax refund under section 290A.04, subdivision 2, in the form and location determined by the commissioner of revenue. 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. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referenda, including those taxes based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. 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 amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement. The statement shall include the following sentence, printed in upper case letters in boldface print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) 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 section 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) the net tax payable in the manner required in paragraph (a)~~.~~;

(8) for eligible homestead properties, the property tax refunds under section 290A.04, subdivisions 2 and 2h, if any, shown separately as deductions on the statement; and

(9) the tax after deduction of the property tax refunds under clause (8).

(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. 9. Minnesota Statutes 1994, 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 section 290A.07.

Sec. 10. Minnesota Statutes 1994, section 276.111, is amended to read:

276.111 [DISTRIBUTIONS AND FINAL YEAR-END SETTLEMENT.]

Within 14 business days after July 20, the county treasurer shall pay to each taxing district 100 percent of the estimated collections arising from taxes levied by and belonging to the taxing district from the settlement day determined in section 276.09 to July 25.

Within seven business days after October 15, the county treasurer shall pay to the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district from ~~the settlement day determined in section 276.09~~ July 25 to October 20. The remaining 50 percent of the estimated tax collections 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 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 arising from taxes levied by and belonging to each taxing district from ~~the settlement day determined in section 276.09~~ July 25 to November 20.

On or before January 5, the county treasurer shall make full settlement with the county auditor of all receipts collected 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 July, October, and November, the treasurer shall pay to each of the taxing districts on or before January 25, the balance of the tax amounts 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.

Sec. 11. Minnesota Statutes 1994, section 289A.60, subdivision 12, is amended to read:

Subd. 12. [PENALTIES RELATING TO PROPERTY TAX REFUNDS.] (a) If the commissioner determines that a property tax refund claim is or was excessive and was filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the amount disallowed may be recovered by assessment and collection.

(b) If it is determined that a property tax refund claim is excessive and was negligently prepared, ten percent of the corrected claim must be disallowed. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(c) An owner or managing agent who knowingly fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of $100 for each failure.

(d) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) $100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

(e) No property tax refund claim based on rent paid, or on property taxes payable in the case of a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), is allowed if the initial claim is filed more than one year after the original due date for filing the claim.

(f) Except as provided in paragraph (e), no property tax refund claim based on property taxes payable filed after the original due date for filing the claim may be paid. No extensions of time for filing may be granted.

Sec. 12. Minnesota Statutes 1994, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead ~~before reductions made under section 273.13 but~~ after deductions made under sections 273.135, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year other than property tax refunds determined under chapter 290A. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes ~~as defined in section 274.19, subdivision 8~~ assessed under section 273.125, subdivision 8, paragraph (c), "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year ~~in which the tax is payable~~ to which the "property taxes payable" used in computing the refund relate, and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivision 22 or 23, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before ~~December~~ August 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

No refunds under section 290A.04, subdivision 2 or 2h, may be deducted on the property tax statement unless the property is classified as homestead property for taxes payable in the year the property tax refund is paid.

Sec. 13. Minnesota Statutes 1994, 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 $100 or more ~~for taxes payable in 1995 and 1996, a claimant who is~~, a homeowner shall be allowed an additional refund equal to 60 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 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 $1,000.

(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.~~

~~(d) On or before December 1, 1995, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in 1996. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims for taxes payable in 1996 exceed $5,500,000, the commissioner shall first reduce the 60 percent refund rate enough, but to no lower a rate than 50 percent, so that the estimated total refund claims do not exceed $5,500,000. If the commissioner estimates that total claims will exceed $5,500,000 at a 50 percent refund rate, the commissioner shall also reduce the $1,000 maximum refund amount by enough so that total estimated refund claims do not exceed $5,500,000.~~

~~The determinations of the revised thresholds by the commissioner are not rules subject to chapter 14.~~

~~(e) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.~~

Sec. 14. Minnesota Statutes 1994, section 290A.07, is amended to read:

290A.07 [TIME ~~FOR~~ AND MANNER OF PAYMENT.]

Subdivision 1. [GENERAL FUND.] Allowable claims filed pursuant to the provisions of this chapter and the refund under section 290A.04, subdivision 2h, shall be paid by the commissioner from the general fund as provided in this section.

Subd. 2a. [PAYMENT TO CLAIMANT.] A claimant who is a renter or a homeowner who occupies a manufactured home, as defined in section 273.125, subdivision 8, paragraph (c), shall receive full payment after August 1 and before August 15 or 60 days after receipt of the application, whichever is later.

Subd. 3. [PAYMENT ~~TO COUNTY TREASURER~~ AS DEDUCTION ON PROPERTY TAX STATEMENT.] ~~A claimant~~ In the case of property not included in subdivision 2a ~~shall receive full payment after September 15 and before September 30.~~, payment of a refund under section 290A.04, subdivision 2, is made as a deduction on the property tax statement for the homestead for taxes payable the following year, and payment of a refund under section 290A.04, subdivision 2h, is made as a deduction on the property tax statement for the homestead for taxes payable in the current year.

Subd. 4. [PAYMENT TO COUNTY TREASURER.] Annually on or before July 20, the commissioner shall pay the amount of the property tax refunds under section 290A.04, subdivisions 2 and 2h, certified by the county auditor under section 276.012, paragraph (e), to the county treasurer for settlement and distribution under sections 276.09 to 276.111.

Sec. 15. Minnesota Statutes 1994, section 290A.15, is amended to read:

290A.15 [CLAIM APPLIED AGAINST OUTSTANDING LIABILITY.]

The amount of any claim otherwise payable under this chapter may be applied by the commissioner against any delinquent tax liability of the claimant or spouse of the claimant payable to the department of revenue. This section does not apply to (1) refunds under section 290A.04, subdivision 2, that have been certified by the commissioner of revenue to the county auditor under section 276.012, or (2) refunds under section 290A.04, subdivision 2h, determined by the county auditor under section 276.012.

Sec. 16. Minnesota Statutes 1994, section 290A.18, is amended to read:

290A.18 [RIGHT TO FILE CLAIM; RIGHT TO RECEIVE CREDIT.]

Subdivision 1. [CLAIM BY SURVIVING SPOUSE OR DEPENDENT.] Except as provided in subdivision 3, if a person entitled to relief under this chapter dies prior to receiving relief, the surviving spouse or dependent of the person shall be entitled to file the claim and receive relief. If there is no surviving spouse or dependent, the right to the credit shall lapse.

Subd. 2. [CLAIMANT CANNOT BE LOCATED.] Except as provided in subdivision 3, if the commissioner cannot locate the claimant within two years from the date that the original warrant was issued, or if a claimant to whom a warrant has been issued does not cash that warrant within two years from the date the warrant was issued, the right to the credit shall lapse, and the warrant shall be deposited in the general fund.

Subd. 3. [RIGHT TO RECEIVE REFUND NOT PERSONAL TO CLAIMANT.] Property tax refunds under section 290A.04, subdivisions 2 and 2h, are paid as a deduction on the property tax statement of the property as provided in section 290A.07, subdivision 3. The right to receive the deduction is not personal to the claimant or to a surviving spouse or dependent of the claimant.

Sec. 17. [290A.26] [APPROPRIATION; COUNTY COSTS.]

$2,650,000 is appropriated for fiscal year 1997, and $2,370,000 is appropriated for fiscal year 1998, and each year thereafter, to the commissioner of revenue to pay counties for the costs of implementing and administering the property tax refunds for homeowners. The commissioner shall make the payments annually, on July 20 of each year. Each county auditor shall determine the county's costs and certify the costs to the commissioner at the time and in the manner directed by the commissioner. The commissioner shall review the costs, and may limit or correct them, return them to the county for changes, or request additional information or documentation. The commissioner shall apportion the available appropriation to each county in the same proportion that the county's expenses as finally determined by the commissioner are to the sum of all the counties' expenses.

Sec. 18. [1996 LEVY; TRUTH IN TAXATION NOTICE.]

For taxes payable in 1997 only, the notice of proposed property taxes under Minnesota Statutes, section 275.065, subdivision 3, shall state that beginning with property taxes payable in 1997, the homestead property tax refund calculated under Minnesota Statutes, section 290A.04, subdivision 2, and the special refund for property tax increases under Minnesota Statutes, section 290A.04, subdivision 2h, shall be paid as a deduction from the net tax on the property for all qualifying properties other than manufactured homes assessed under Minnesota Statutes, section 273.125, subdivision 8, paragraph (c). The notice shall clearly notify the taxpayer that these deductions are shown on the notice of proposed taxes for taxes payable in 1997, and that the actual tax for taxes payable in 1997 may be greater than the amount shown on the notice if the ownership or classification of the property changes before the refunds are paid. The commissioner of revenue shall prescribe the form and wording of the statement required in this section. The commissioner may prescribe that the statement be included with the notice of proposed property taxes as a separate addendum. At least five working days before distribution to the counties, the notice prescribed by the commissioner of revenue under this section must be submitted to the chairs of the senate committee on taxes and tax laws and the house tax committee for their advice and approval.

Sec. 19. [PROPERTY TAX REFUNDS FOR TAXES PAYABLE IN 1997; TRANSITION PROVISION.]

Notwithstanding the provisions of Minnesota Statutes, chapter 290A, or any other law to the contrary, the property tax refund amounts under Minnesota Statutes, section 290A.04, subdivisions 2 and 2h, relating to property taxes payable in 1996, as paid by the commissioner to the claimants under Minnesota Statutes, section 290A.07, subdivision 3, shall be the amounts certified on October 1, 1996, by the commissioner of revenue to the county auditors. The refund amounts under Minnesota Statutes, section 290A.04, subdivision 2, are the amounts that the county auditor shall show as a deduction on the property tax statement for taxes payable in 1997. The county auditor shall calculate the amounts of the refund under Minnesota Statutes, section 290A.04, subdivision 2h, for taxes payable in 1997, and show that amount as a deduction on the 1997 property tax statement.

Sec. 20. [APPROPRIATION.]

$95,000 is appropriated for the fiscal year ending June 30, 1997, from the general fund in the state treasury to the commissioner of revenue for purposes of implementing and administering this article.

Sec. 21. [EFFECTIVE DATE.]

Sections 1 to 16 are effective for property tax refunds payable as deductions on property tax statements in 1997 and thereafter.

ARTICLE 6

ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 1994, 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. [270.0683] [REPORT ON THE EFFECT OF TAX INCENTIVES UPON THE NUMBER OF JOBS.]

On a biennial basis, the commissioner of trade and economic development shall analyze the effect of all business related tax reductions or waivers on the aggregate number of jobs created and wages paid in those new jobs. The commissioner of trade and economic development shall present the results of the analysis to the legislature.

Sec. 3. [270.0684] [GOALS FOR NEW TAX EXPENDITURES.]

Each newly enacted business related tax expenditure shall include measurable goals for jobs and wages and require a biennial review conducted by the commissioner of trade and economic development for continuation based upon meeting those goals. The commissioner of trade and economic development shall report the results of the review to the legislature.

Sec. 4. Minnesota Statutes 1994, section 273.1399, subdivision 6, is amended to read:

Subd. 6. [EXEMPTION; ETHANOL PROJECTS.] (a) The provisions of this section do not apply to a tax increment financing district that satisfies all of the following requirements:

(1) The district is an economic development district, that qualifies under section 469.176, subdivision 4c, paragraph (a), clause (1).

(2) The facility is certified by the commissioner of revenue to qualify for state payments for ethanol development under section 41A.09 to the extent funds are available.

(3) Increments from the district are used only to finance the qualifying ethanol development project located in the district or to pay for administrative costs of the district.

(4) The district is located outside of the seven-county metropolitan area, as defined in section 473.121.

(5) The tax increment financing plan was approved by a resolution of the county board.

~~(6)~~ (b) The exemption provided by this subdivision does not apply beginning for the first year after the total amount of increment for the district ~~does not exceed $1,000,000~~ exceeds $1,500,000. The county auditor shall notify the commissioners of revenue and education of the expiration of the exemption by June 1 of the year in which the revenues from increments will exceed $1,500,000 if all the levied taxes for that year are paid when due.

Sec. 5. Minnesota Statutes 1994, section 273.1399, is amended by adding a subdivision to read:

Subd. 7. [EXEMPTION; AGRICULTURAL PROCESSING FACILITIES.] The provisions of this section do not apply to a tax increment financing district that satisfies all of the following requirements:

(1) the district is established to construct or expand an agricultural processing facility;

(2) the construction or expansion of the facility creates, or upon completion will create, a minimum of five permanent full-time jobs;

(3) the district is located outside of the seven-county metropolitan area, as defined in section 473.121;

(4) the tax increment financing plan was approved by a resolution of the county board;

(5) the total amount of increment for the district does not exceed $1,500,000; and

(6) the commissioner of agriculture has certified to the county auditor that the requirements of this subdivision have been met.

For purposes of this section, "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, and including livestock products, poultry products, and wood products, but not the raising of livestock or poultry.

Sec. 6. Minnesota Statutes 1994, section 375.83, is amended to read:

375.83 [ECONOMIC AND AGRICULTURAL DEVELOPMENT.]

A county board may appropriate ~~not more than $50,000 annually~~ money out of the general revenue fund of the county to be paid to any incorporated development society or organization of this state which, in the board's opinion, will use the money for the best interests of the county in promoting, advertising, improving, or developing the economic and agricultural resources of the county. ~~The limitation on appropriations in this section does not prohibit accumulation of amounts in excess of $50,000 in a fund to be used for the purposes of this section. The total amount accumulated in the fund must not exceed $300,000.~~

Sec. 7. Minnesota Statutes 1994, section 469.169, subdivision 9, is amended to read:

Subd. 9. [ADDITIONAL BORDER CITY ALLOCATIONS.] In addition to tax reductions authorized in subdivisions 7 and 8, the commissioner may allocate $1,100,000 for tax reductions to border city enterprise zones in cities located on the western border of the state, and $300,000 to the border city enterprise zone in the city of Duluth. The commissioner shall make allocations to zones in cities on the western border by evaluating which cities' applications for allocations relate to business prospects that have the greatest positive economic impact. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, ~~1994~~ 1995.

Sec. 8. Minnesota Statutes 1994, section 469.169, is amended by adding a subdivision to read:

Subd. 10. [ADDITIONAL BORDER CITY ALLOCATIONS.] In addition to tax reductions authorized in subdivisions 7, 8, and 9, the commissioner may allocate $1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 269.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, 1996.

Sec. 9. [CITY OF SPRINGFIELD; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] The city of Springfield may establish a tax increment financing district for the purpose of expanding an agricultural production facility. The expansion of the facility must create or preserve a minimum of 25 jobs. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.178, except that it is exempt from the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] Subdivision 1 is effective upon compliance by the governing body of the city of Springfield with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 10. [CITY OF ST. LOUIS PARK; ESTABLISHMENT OF SPECIAL SERVICE DISTRICTS.]

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

(b) "City" means the city of St. Louis Park.

(c) "Special services" means:

(1) all services rendered or contracted for by the city, including the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) maintenance of landscape and streetscape improvements installed by the city; and

(3) any other service provided to the public by the city as authorized by law or charter.

Subd. 2. [ESTABLISHMENT OF DISTRICTS.] The governing body of the city of St. Louis Park may adopt ordinances establishing special service districts. The provisions of Minnesota Statutes, chapter 428A, govern the establishment and operation of special service districts in the city.

Sec. 11. [TAX INCREMENT FINANCING DISTRICT EXTENSION.]

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1c, the St. Louis Park economic development authority may collect and expend tax increments from the Excelsior Boulevard Redevelopment Project and Oak Park Village tax increment financing districts (Hennepin county project numbers 1300 and 1301, respectively) located within the city of St. Louis Park, after April 1, 2001, for eligible activities within the redevelopment area. The authority under this section expires August 1, 2009.

Sec. 12. [EXEMPTION FROM LGA/HACA OFFSET.]

The hazardous substance subdistrict created in the Excelsior Boulevard tax increment financing district in the city of St. Louis Park is exempt from Minnesota Statutes, section 273.1399.

Sec. 13. [CITY OF COLUMBIA HEIGHTS; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] The Sheffield tax increment financing district, including area added to its geographic area pursuant to Minnesota Statutes, section 469.175, subdivision 4, is exempt from the provisions of Minnesota Statutes, section 273.1399, provided that at least five percent of the district costs are paid by the city from its general fund, a property tax levy, or other unrestricted money not including tax increments.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Columbia Heights and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 14. [CITY OF HASTINGS; DISTRICT EXTENSION.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, the Housing and Redevelopment Authority may collect and expend tax increments from the downtown redevelopment tax increment financing district, located within the city of Hastings, after April 1, 2001, for eligible activities within the district. The authority under this section expires December 31, 2006.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Hastings with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 15. [CITY OF HOPKINS; TAX INCREMENT DISTRICT.]

Subdivision 1. [DURATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, tax increment collected by the housing and redevelopment authority in and for the city of Hopkins from tax increment financing district no. 1-1 may be expended by the authority or the city of Hopkins to pay or defease (1) bonds or obligations issued within two years after the effective date of this section, or (2) bonds issued to refund the principal of the outstanding

bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded. Tax increment from district no. 1-1 will not be paid to the authority after August 1, 2009.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Hopkins with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 16. [COTTONWOOD COUNTY; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTIONS.] The southwest Minnesota multicounty housing redevelopment authority may establish an economic development tax increment financing district in Cottonwood county under Minnesota Statutes, sections 469.174 to 469.179, for an ethanol facility that is certified by the commissioner of revenue to qualify for state payments for ethanol development under Minnesota Statutes, section 41A.09, to the extent funds are available.

Subd. 2. [SPECIAL RULES.] (a) The district established under the authority of subdivision 1 is subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) Minnesota Statutes, section 273.1399, does not apply.

(c) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, tax increments from the district may be paid to the authority for up to 18 years from the date of the receipt of the first increment.

(d) The adjustment to original net tax capacity under Minnesota Statutes, section 469.177, subdivision 1, paragraph (f), does not apply.

(e) The tax rate used to determine the amount of revenues from tax increments is the sum of the local tax rates for the taxes payable year, notwithstanding contrary provisions of Minnesota Statutes, section 469.177, subdivision 1a, limiting increments to the original tax capacity rate.

(f) The county board in which the district is located shall approve, by resolution:

(1) the tax increment financing plan;

(2) amendments to the tax increment financing plan that require notice and a public hearing under Minnesota Statutes, section 469.175, subdivision 4; and

(3) any modifications, whether an amendment to the tax increment financing plan or otherwise, that change the distribution to or sharing of the revenues derived from increments with the county and school district under Minnesota Statutes, section 469.176, subdivision 2, or otherwise.

If the county board declines to approve the plan, or an amendment or a modification required to be approved under this paragraph, the action is not effective.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the southwest Minnesota multicounty housing redevelopment authority with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 17. [SWIFT COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY.]

Subdivision 1. [ESTABLISHMENT.] The Swift county board may, by adopting a written enabling resolution, establish a county rural development finance authority that, subject to subdivision 2, has the following powers: powers of an economic development authority under Minnesota Statutes, sections 469.090 to 469.107; and powers of a rural development financing authority under sections 469.142 to 469.151.

Subd. 2. [ECONOMIC DEVELOPMENT AUTHORITY POWERS.] If the county rural development finance authority exercises the powers of an economic development authority, 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 469.108, except for the authority to issue general obligation bonds under Minnesota Statutes, section 469.102. The levy imposed by the county board under Minnesota Statutes, section 469.107, may be levied in addition to levies otherwise authorized by law. The county rural development finance authority may create and

define the boundaries of economic development districts at any place or places within the county. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 3. [LIMIT OF POWERS.] (a) The enabling resolution may impose the following limits on the actions of the authority:

(1) that the authority may not exercise any of the powers contained in subdivision 1 unless those powers are specifically authorized in the enabling resolution; and

(2) any other limitation or control established by the county board by the enabling resolution.

(b) The enabling resolution may be modified at any time, but may not be applied in a manner that impairs contracts executed before the modification is made. All modifications to the enabling resolution must be by written resolution.

(c) Before the commencement of a project by the authority, the governing body of the municipality in which the project is to be located or the Swift county board, if the project is outside municipal corporate limits, shall by majority vote approve the project as recommended by the authority.

Subd. 4. [BOARD OF DIRECTORS.] (a) The authority consists of a board of seven directors. The directors shall be appointed by the Swift county board. Each director shall be appointed to serve for three years or until a successor is appointed and qualified. No director may serve more than two consecutive terms. The initial appointment of directors must be made so that no more than one-third of the directors' positions will require appointment in any one year due to fulfillment of their three-year appointment. The appointment of directors must be made to reflect representation of the entire county by population, appointing one director to represent each of the five county commissioner districts. The other two directors must be representatives of various county-based economic development organizations or be directors at-large. No more than two directors may reside in any one county commissioner district.

(b) Two of the directors initially appointed shall serve for terms of one year, two for two years, and three for three years. Each vacancy must be filled for the unexpired term in the manner in which the original appointment was made. A vacancy occurs if a director no longer resides in the county. No director shall be an officer, employee, director, shareholder, or member of any corporation, firm, or association with which the authority has entered into any operating lease, or other agreement. The directors may be removed by the county for the reasons and in the manner provided under Minnesota Statutes, section 469.010, and shall receive no compensation other than reimbursement for expenses incurred in the performance of their duties. Directors shall have no personal liability for obligations of the authority or the methods of enforcement and collection of the obligations.

Subd. 5. [EFFECTIVE DATE.] This section is effective upon compliance by the Swift county board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 18. [CITY OF MORRIS; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4, paragraph (b), the economic development authority of the city of Morris may, within one year after the effective date of this section, enlarge the geographic area of tax increment financing district No. 5 to include a parcel identified as lot 2, block 2, Morris industrial park. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.178, except:

(1) Minnesota Statutes, section 273.1399, does not apply to the enlarged geographic area of the district;

(2) the duration limit for the district and enlarged area is December 31, 2010; and

(3) the buildings to be constructed in the enlarged geographic area of the district may, notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 4c, include

space necessary for and related to the manufacturing facility located on parcels contiguous to the district.

Subd. 2. [EFFECTIVE DATE.] This section is effective after compliance by the governing body of the city of Morris under Minnesota Statutes, section 645.021, subdivision 3.

Sec. 19. [CITY OF BROOTEN; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] A tax increment financing district created by the city of Brooten for the purpose of financing the construction of an agricultural processing facility as defined in article 2, section 25, is exempt from the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Brooten with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 20. [CITY OF MANKATO; ECONOMIC DEVELOPMENT DISTRICT.]

Subdivision 1. [ESTABLISHMENT.] The city of Mankato may establish economic development tax increment financing districts that include all properties in the Eastwood Industrial Centre Industrial Park. The districts are established subject to Minnesota Statutes, sections 469.174 to 469.179, except that the provisions of Minnesota Statutes, section 273.1399, do not apply.

Subd. 2. [EXEMPTION.] Minnesota Statutes, section 273.1399, does not apply to tax increment financing district No. 19-2, located in the city of Mankato.

Subd. 3. [ESTABLISHMENT.] The city of Mankato may establish a redevelopment tax increment district that includes all properties in the area between Poplar Street and River Front Drive South. The district is subject to Minnesota Statutes, sections 469.174 to 469.178, except that Minnesota Statutes, section 273.1399, does not apply to this district.

Subd. 4. [EFFECTIVE DATE.] This section is effective after compliance by the governing body of the city of Mankato with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. [CITY OF GLENVILLE; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTIONS.] The city of Glenville may establish an economic development tax increment financing district for the purpose of establishing an industrial park, including acquiring land, construction of rail services, construction of roads, extension of utilities, and the construction of a sewer collection line to carry effluent from one or more locations in Glenville to the city of Albert Lea sewage treatment plant. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.179, except:

(1) Minnesota Statutes, section 273.1399, does not apply; and

(2) the city may not establish the tax increment financing district under this section unless the tax increment financing plan is approved by resolution of the governing body of the city of Albert Lea.

Subd. 2. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Glenville with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 22. [CITY OF ALBERT LEA TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [INDUSTRIAL PROJECT; EXCEPTIONS.] The city of Albert Lea may establish economic development tax increment financing district 5-6 for industrial and manufacturing projects. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.179, except:

(1) Minnesota Statutes, section 273.1399, does not apply; and

(2) the city must pay at least five percent of the project costs from its general fund, a property tax levy, or other unrestricted money (other than tax increments).

Subd. 2. [TAX INCREMENT FINANCING DISTRICTS; EXCEPTIONS.] Minnesota Statutes, section 273.1399, does not apply to tax increment financing districts 5-3, 5-4, and 5-5, located in the city of Albert Lea.

Subd. 3. [EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Albert Lea with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. [CITY OF OAKDALE; TAX INCREMENT DISTRICTS.]

Subdivision 1. [DURATION.] (a) Notwithstanding Minnesota Statutes, section 469.176, subdivisions 1 and 1b, tax increments from the city of Oakdale tax increment financing district number 1-2 may be collected and expended by the authority through December 31, 2011.

(b) Notwithstanding Minnesota Statutes, section 469.176, subdivisions 1 and 1b, tax increments from the city of Oakdale tax increment financing district number 9 may be collected and expended by the authority through December 31, 2004.

Subd. 2. [TAX INCREMENT DISTRICT 1-2; EXEMPTIONS AND HOUSING ACTIVITIES.] (a) Minnesota Statutes, section 273.1399, shall not apply to the city of Oakdale tax increment financing district number 1-2 during any calendar year after adoption of an amendment to the tax increment financing plan for the district, provided 15 percent of the tax increments from the district in each such calendar year is deposited in the housing development account for expenditure on housing activities pursuant to the plan as provided in paragraphs (b) and (c). The amendment must be adopted within one year of the effective date of this section.

(b) The authority must identify in the amendment to the plan the housing activities that will be assisted by the housing development account. Housing activities may include, but are not limited to, 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 income requirements of a qualified housing district under Minnesota Statutes, section 469.1761, subdivisions 2 and 3.

(c) Tax increments to be expended for housing activities under this subdivision 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. The expenditure of tax increments from the account for housing activities is exempt from the provisions of Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4, and shall be disregarded for purposes of satisfying the provisions of Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4.

Subd. 3. [TAX INCREMENT DISTRICT 6; MODIFICATIONS; SPECIAL RULES.] (a) Notwithstanding the provisions of Minnesota Statutes, sections 469.174, subdivision 10, and 469.175, subdivision 4, paragraph (b), the city of Oakdale may, within one year after the effective date of this section, enlarge the geographic area of city of Oakdale tax increment financing district number 6 to include the southwest one-quarter of the southwest one-quarter of section 29, tract 29, range 21, that is also known as parcel number 57029-2001.

(b) The parcels included in the enlarged area described in paragraph (a) are subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(c) Minnesota Statutes, section 273.1399, does not apply to the district.

(d) Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4, do not apply to the district.

(e) The enlarged area shall be treated as part of a redevelopment district.

(f) The governing body of the city of Oakdale, in addition to the findings required by section 469.175, subdivision 3, shall also find:

(1) that the parcels included in the enlarged area have an estimated market value for the year in which the area is certified that is at least 40 percent less than the estimated market value of three years earlier; and

(2) that the enlarged area is occupied by buildings that are functionally obsolete and

underutilized. "Underutilized," for purposes of this subdivision, means that less than 60 percent of the useable square footage of the existing buildings are not leased.

Subd. 4. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Oakdale with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 24. [CITY OF SAINT PAUL; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] Any tax increment financing districts located in the Phalen Corridor Project Area of the city of Saint Paul that are certified after the date of final enactment of this section are exempt from the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Saint Paul with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. [CITY OF LAKE CITY; TAX INCREMENT DISTRICT.]

Subdivision 1. [DURATION EXTENSION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the duration of tax increment financing district number 3, located within the city of Lake City, may be extended to January 1, 2002, by resolution of the governing body of Lake City.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Lake City with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 26. [CITY OF LAKEFIELD; TAX INCREMENT FINANCING DISTRICTS.]

Subdivision 1. [REDEVELOPMENT DISTRICT.] (a) The governing body of the city of Lakefield may establish a tax increment financing district that is a redevelopment district as defined in Minnesota Statutes, section 469.174, subdivision 10, for the purpose of developing the property previously used as the municipal hospital. The district is subject to Minnesota Statutes, sections 469.174 to 469.179, except that the provisions of Minnesota Statutes, section 273.1399, do not apply.

(b) Notwithstanding Minnesota Statutes, section 469.177, subdivision 1, paragraph (d), for the district established under this subdivision, the original tax capacity of the previously tax exempt property comprising the municipal hospital equals the value of the land only, as determined by the assessor at the time of the transfer.

Subd. 2. [HOUSING DISTRICT.] The governing body of the city of Lakefield may also establish a tax increment financing district that is a housing district as defined in Minnesota Statutes, section 469.174, subdivision 11. The district is subject to Minnesota Statutes, sections 469.174 to 469.179, except that the provisions of Minnesota Statutes, section 273.1399, do not apply.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Lakefield with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 27. [CITY OF CROOKSTON; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] The provisions of Minnesota Statutes, section 273.1399, do not apply to an economic development tax increment financing district in the city of Crookston, if the city establishes the district by July 1, 1996, and the district is used solely to assist a manufacturer of passenger buses to locate a manufacturing facility in the city.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Crookston and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 28. [SWIFT COUNTY; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXCEPTION.] Swift county may establish a redevelopment tax increment financing district in Torning township to facilitate the location of a manufacturing facility in the district. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.178, except that it is not subject to the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of Swift county with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. [CITY OF NORTHFIELD; TAX INCREMENT DISTRICT.]

Subdivision 1. [EXEMPTIONS.] Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, the duration of the tax increment districts within development district No. 2 and development district No. 3 are extended through December 31, 1999. Notwithstanding any limitation in law on use of increments, all additional tax increment generated by the extensions may be used by the Northfield city council to defray, whether directly or through the issuance of bonds or other obligations, the reasonable costs associated with making or financing building renovations and restorations, public improvements, or other property development and redevelopment activities for the benefit of the city's central business district.

Subd. 2. [LOCAL APPROVAL.] This section is effective upon compliance by the governing body of the city of Northfield with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. [NORTH ST. PAUL; TAX INCREMENT DISTRICT.]

Subdivision 1. [DURATION EXTENSION.] Notwithstanding Minnesota Statutes, section 469.176, subdivision 4c, the city of North St. Paul may elect to extend the duration of tax increment financing district No. 2-2. The city may extend the duration of the district No. 2-2 until the earlier of: (1) December 31, 2010; or (2) the date when it has collected total increments from the district equal to the city's cleanup and related expenditures for the district, less any reimbursement from private parties for these costs.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of North St. Paul with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. [CITIES OF CRYSTAL, FRIDLEY, AND MINNEAPOLIS; HOUSING REPLACEMENT DISTRICTS; DEFINITIONS.]

Subdivision 1. [CAPTURED NET TAX CAPACITY.] "Captured net tax capacity" means the amount by which the current net tax capacity of the improvements to real property in a housing replacement district exceeds the original net tax capacity of improvements to property in the district, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity. No amount of net tax capacity attributable to land is included in captured net tax capacity.

Subd. 2. [ORIGINAL NET TAX CAPACITY.] "Original net tax capacity" means the tax capacity of all taxable real property within a housing replacement district as certified by the commissioner of revenue for the previous assessment year, provided that the request by the authority for certification of a new housing replacement district has been made to the county auditor by June 30. The original net tax capacity of housing replacement districts for which requests are filed after June 30 has an original net tax capacity based on the current assessment year. In any case, the original net tax capacity must be determined together with subsequent adjustments as set forth in Minnesota Statutes, section 469.177, subdivisions 1 and 4. In determining the original net tax capacity, the net tax capacity of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the net tax capacity of the property shall be the net tax capacity as most recently determined by the commissioner of revenue.

Subd. 3. [PARCEL.] "Parcel" means a tract or plat of land established prior to the certification of the district as a single unit for purposes of assessment.

Subd. 4. [AUTHORITY.] For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing development projects in the city of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency.

Sec. 32. [ESTABLISHMENT OF HOUSING REPLACEMENT DISTRICTS.]

Subdivision 1. [CREATION OF PROJECTS.] (a) An authority may create a housing replacement project under sections 31 to 34, as provided in this section.

(b) For the cities of Crystal and Fridley, the authority may designate up to 50 parcels in the city to be included in a housing replacement district over the life of the district. No more than ten parcels may be included in the original district, with up to seven additional parcels added to the district in each of the following nine years. For the city of Minneapolis, the authority may designate up to 500 parcels in the city to be included in a housing replacement district over the life of the district.

(c) The city in which the authority is located must pay at least 25 percent of the project costs from its general fund, property tax levy, or other unrestricted money, not including tax increments.

(d) The project must have as it sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

Subd. 2. [HOUSING REPLACEMENT DISTRICT PLAN.] To establish a housing replacement district under sections 31 to 34, an authority shall develop a housing replacement project plan which shall contain:

(1) a statement of the objectives and a description of the projects proposed by the authority for the housing replacement district;

(2) a statement of the housing replacement project plan, demonstrating the coordination of that plan with the city's comprehensive plan;

(3) estimates of the following:

(i) cost of the program, including administrative expenses;

(ii) sources of revenue to finance or otherwise pay public costs;

(iii) the most recent net tax capacity of taxable real property within the housing replacement district; and

(iv) the estimated captured net tax capacity of the housing replacement district at completion;

(4) statements of the authority's alternate estimates of the impact of the housing replacement district on the net tax capacities of all taxing jurisdictions in which the district is located in whole or in part. For purposes of one statement, the municipality shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the county shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district; and

(5) identification of all parcels to be included in the zone, to the extent known at the time the plan is prepared. At a minimum, the parcels that will be included in the district during its first year must be identified in the original plan. If parcels for subsequent years are not specifically identified, the plan must include the criteria that will be used by the authority to select parcels to be included in the later years.

Subd. 3. [PROCEDURE.] The provisions of Minnesota Statutes, section 469.175, subdivisions 3, 4, 5, and 6, apply to the establishment and operation of the districts created under sections 31 to 34, except as follows:

(1) the determination specified in Minnesota Statutes, section 469.175, subdivision 3, clause (1), is not required; and

(2) addition of parcels not identified in the original plan is not treated as a modification of a plan requiring an approval process provided that the parcels added are consistent with the criteria described in subdivision 2, clause (5).

Sec. 33. [LIMITATIONS.]

Subdivision 1. [DURATION LIMITS.] No tax increment shall be paid to the authority on each parcel in a housing replacement district after 20 years from date of receipt by the county of the first tax increment from that parcel.

Subd. 2. [LIMITATION ON USE OF TAX INCREMENTS.] All revenues derived from tax increments shall be used in accordance with the tax increment financing plan. The revenues shall be used solely to pay the costs of site acquisition, demolition of existing structures, site preparation, and pollution abatement on parcels identified in the plan, as well as public improvements and administrative costs directly related to those parcels.

Sec. 34. [APPLICATION OF OTHER LAWS.]

Subdivision 1. [COMPUTATION OF TAX INCREMENT.] The provisions of Minnesota Statutes, section 469.177, apply to the computation of tax increment for the housing replacement districts created under sections 31 to 34.

Subd. 2. [OTHER PROVISIONS.] References in Minnesota Statutes to tax increment financing districts created and tax increments generated under Minnesota Statutes, sections 469.174 to 469.179, other than references in Minnesota Statutes, section 273.1399, shall include housing replacement districts and tax increments subject to sections 31 to 34, provided that Minnesota Statutes, sections 469.174 to 469.179, apply only to the extent specified in sections 31 to 34.

Sec. 35. [CITY OF FAIRMONT; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] The provisions of Minnesota Statutes, section 273.1399, does not apply to the economic development tax increment financing district in the city of Fairmont designated "Weigh-tronix."

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Fairmont with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. [CITY OF BAYPORT; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [EXEMPTION.] The economic tax increment financing district for the city of Bayport designated as economic development district No. 2 is not subject to the provisions of Minnesota Statutes, section 273.1399.

Subd. 2. [LOCAL APPROVAL.] This section is effective upon compliance by the governing body of the city of Bayport with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 37. [CITY OF ROSEVILLE; ESTABLISHMENT OF SPECIAL SERVICE DISTRICTS.]

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

(b) "City" means the city of Roseville.

(c) "Special services" means:

(1) all services rendered or contracted for by the city, including the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) maintenance of landscape and streetscape improvements installed by the city; and

(3) any other service provided to the public by the city as authorized by law or charter.

Subd. 2. [ESTABLISHMENT OF DISTRICTS.] The governing body of the city of Roseville may adopt ordinances establishing special service districts. The provisions of Minnesota Statutes, chapter 428A, govern the establishment and operation of special service districts in the city.

Sec. 38. [ROSEVILLE; EXEMPTION FROM LGA/HACA OFFSET.]

The hazardous substance subdistrict (No. 11A) created in tax increment financing district No. 11 in the city of Roseville is exempt from Minnesota Statutes, section 273.1399.

Sec. 39. [ROSEVILLE; COMPUTATION OF TAX INCREMENT.]

Notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 3, paragraph (c), the governing body of the city of Roseville may change its election of a method for computing tax increment for the tax increment financing district number 11 certified on March 26, 1990, and known as the Twin Lakes redevelopment district and for Roseville hazardous substance district number 11A. The governing body may change its election from the computation in Minnesota Statutes, section 469.177, subdivision 3, paragraph (b), to the computation in Minnesota Statutes, section 469.177, subdivision 3, paragraph (a), to the computation in Minnesota Statutes, section 469.177, subdivision 3, paragraph (a).

Sec. 40. [ROSEVILLE; ORIGINAL LOCAL TAX RATE.]

Notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a, the original local tax rate for Roseville hazardous substance subdistrict number 11A shall be the sum of all the local tax rates that apply to the property in the subdistrict at the time the subdistrict is certified by the county auditor. The resulting tax capacity rate is the original local tax rate for the life of the subdistrict. The original local tax rate shall revert to the original local tax rate of the overlying tax increment district number 11 once the subdistrict is decertified.

Sec. 41. [REPEALER.]

Minnesota Statutes 1994, sections 273.1399; and 469.175, subdivision 7a, are repealed.

Sec. 42. [EFFECTIVE DATE.]

Sections 1 and 41 are effective for districts for which certification is requested after April 30, 1990.

Sections 2 and 3 apply to state grants, state loans, and tax increment financing authorized on or after August 1, 1995.

Section 4 is effective the day following final enactment and applies to all tax increment financing districts, regardless of when the request for certification was made.

Section 5 is effective for taxes payable in 1996, and thereafter, and applies to districts for which certification is requested after the date of final enactment.

Section 7 is effective January 1, 1995.

Sections 10 to 12 are effective the day following final enactment, after the governing body of the city of St. Louis Park complies with Minnesota Statutes, section 645.021, subdivision 3.

Sections 31 to 34 are effective, for the city of Crystal, upon compliance by the Crystal city council with Minnesota Statutes, section 645.021, subdivision 3, and, for the city of Fridley, upon compliance by the Fridley city council with Minnesota Statutes, section 645.021, subdivision 3, and, for the city of Minneapolis, upon compliance by the Minneapolis city council with Minnesota Statutes, section 645.021, subdivision 3.

Sections 37 to 40 are effective the day following final enactment, after the governing body of the city of Roseville complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 7

TACONITE TAX

Section 1. Minnesota Statutes 1994, section 298.01, subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore ~~or~~, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05,

subdivision 1, clause (a), and 290.17, subdivision 4, do not apply. The tax is in addition to all other taxes.

Sec. 2. Minnesota Statutes 1994, 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 and direct reduced ore 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 1994, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1992, 1993, ~~and~~ 1994, and 1995 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 ~~1995~~ 1996 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)(1) Notwithstanding any other provision of this subdivision, for ~~concentrates produced in~~

~~1994 through 1999~~ the first five years of a plant's production of direct reduced ore, 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 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.

(2) Production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 4. Minnesota Statutes 1994, section 298.25, is amended to read:

298.25 [TAXES ADDITIONAL TO OTHER TAXES.]

The taxes imposed under section 298.24 shall be in addition to the occupation tax imposed upon the business of mining and producing iron ore. Except as herein otherwise provided, such taxes shall be in lieu of all other taxes upon such taconite ~~and~~, iron sulphides, and direct reduced ore or the lands in which they are contained, or upon the mining or quarrying thereof, or the production of concentrate or direct reduced ore therefrom, or upon the concentrate or direct reduced ore produced, or upon the machinery, equipment, tools, supplies and buildings used in such mining, quarrying or production, or upon the lands occupied by, or used in connection with, such mining, quarrying or production facilities. If electric or steam power for the mining, transportation or concentration of such taconite ~~or the~~, concentrates or direct reduced ore produced therefrom is generated in plants principally devoted to the generation of power for such purposes, the plants in which such power is generated and all machinery, equipment, tools, supplies, transmission and distribution lines used in the generation and distribution of such power, shall be considered to be machinery, equipment, tools, supplies and buildings used in the mining, quarrying, or production of taconite ~~and~~, taconite concentrates or direct reduced ore within the meaning of this section. If part of the power generated in such a plant is used for purposes other than the mining or concentration of taconite or direct reduced ore or the transportation or loading of taconite ~~or~~, the concentrates thereof or direct reduced ore, a proportionate share of the value of such generating facilities, equal to the proportion that the power used for such other purpose bears to the generating capacity of the plant, shall be subject to the general property tax in the same manner as other property; provided, power generated in such a plant and exchanged for an equivalent amount of power which is used for the mining, transportation, or concentration of such taconite ~~or~~, concentrates or direct reduced ore produced therefrom, shall be considered as used for such purposes within the meaning of this section. Nothing herein shall prevent the assessment and taxation of the surface of reserve land containing taconite and not occupied by such facilities or used in connection therewith at the value thereof without regard to the taconite or iron sulphides therein, nor the assessment and taxation of merchantable iron ore or other minerals, or iron-bearing materials other than taconite or iron sulphides in such lands in the manner provided by law, nor the assessment and taxation of facilities used in producing sulphur or sulphur products from iron sulphide concentrates, or in refining such sulphur products, under the general property tax laws. Nothing herein shall except from general taxation or from taxation as provided by other laws any property used for residential or townsite purposes, including utility services thereto.

Sec. 5. Minnesota Statutes 1994, 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~~,~~ and 1995, and 11.3 cents per ton for distributions in 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 5/16 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. 6. Minnesota Statutes 1994, section 298.296, subdivision 4, is amended 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~~ 1997.

Sec. 7. [EFFECTIVE DATE.]

This article is effective for production years beginning after December 31, 1994.

ARTICLE 8

JUDGMENT BONDS

Section 1. [16A.67] [JUDGMENT BONDS.]

Subdivision 1. [AUTHORIZATION.] The commissioner of finance, upon request of the governor, is authorized to sell and issue state bonds to fund the judgment rendered against the state by the Minnesota supreme court in Cambridge State Bank et al. v. James, 514 N.W. 2d 565, on April 1, 1994, and interest accrued thereon to fund any bond reserve determined to be necessary, and to pay costs of issuance of the bonds. The proceeds of the bonds are appropriated for these purposes. The principal amount of the bonds shall not exceed $400,000,000. The bonds shall be sold and issued upon such terms and in such manner as the commissioner shall determine to be in the best interests of the state. The final maturity of the bonds shall be not later than June 30, 2005.

Subd. 2. [SECURITY; BONDS NOT PUBLIC DEBT.] The bonds and the interest thereon shall be payable solely from and secured by the revenues appropriated to the debt service fund established for this purpose in subdivision 3 and investment income thereon, and any bond reserve established for the bonds. The bonds are not public debt, and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds and the interest thereon shall not be paid, directly or indirectly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege.

Subd. 3. [DEBT SERVICE FUND.] There is established in the state treasury a separate and special debt service fund. There shall be credited to the fund net proceeds of the lottery in accordance with section 349A.10, subdivision 5, money received for payment or reimbursement of health care costs in accordance with section 246.18, subdivision 7, and investment income thereon. Money appropriated to the fund and investment income thereon on hand or required to be credited to the fund shall be used and are irrevocably appropriated for the payment of the principal of and interest on the bonds when due.

Subd. 4. [COVENANTS; AGREEMENTS.] The commissioner may, for and on behalf of the state, enter into such covenants and agreements not inconsistent with subdivisions 1 to 3 and sections 246.18, subdivisions 4 and 6; and 349A.10, subdivision 5, as may be necessary or desirable to facilitate the sale and issuance of the bonds on terms favorable to the state, including, but not limited to, covenants and agreements relating to the payment of and security for the bonds, tax-exemption, and disclosure of information required by federal and state securities laws. Such covenants may include covenants to continue to operate the state lottery and to continue to seek payment by and reimbursement from nonstate sources of health care costs so long as any bonds issued pursuant to this section are outstanding. The provisions of sections 16A.672 and 16A.675 are applicable to the bonds.

Subd. 5. [LIMITATION ON USE OF GENERAL FUND.] The amount of the refund, including accrued interest, to be paid on the judgment in fiscal year 1996 from the general fund not including the proceeds of these bonds shall not exceed $66,000,000.

Sec. 2. Minnesota Statutes 1994, section 246.18, subdivision 4, is amended to read:

Subd. 4. [COLLECTIONS DEPOSITED IN THE GENERAL FUND.] Except as provided in subdivisions ~~2 and~~ 5, 6, and 7, all receipts from collection efforts for the regional treatment centers, state nursing homes, and other state facilities as defined in section 246.50, subdivision 3, must be deposited in the general fund. The commissioner shall ensure that the departmental financial reporting systems and internal accounting procedures comply with federal standards for reimbursement for program and administrative expenditures and fulfill the purpose of this paragraph.

Sec. 3. Minnesota Statutes 1994, section 246.18, is amended by adding a subdivision to read:

Subd. 6. [COLLECTIONS DEDICATED.] Except for state-operated programs and services funded through a direct appropriation from the legislature, money received within the regional treatment center system for the following state-operated services is dedicated to the commissioner for the provision of those services:

(1) community-based residential and day training and habilitation services for mentally retarded persons;

(2) community health clinic services;

(3) accredited hospital outpatient department services;

(4) certified rehabilitation agency and rehabilitation hospital services; or

(5) community-based transitional support services for adults with serious and persistent mental illness.

This money must be deposited in the state treasury in a revolving account and money in the revolving account is appropriated to the commissioner to operate the services authorized. Any unexpended balances do not cancel but are available until spent.

Sec. 4. Minnesota Statutes 1994, section 246.18, is amended by adding a subdivision to read:

Subd. 7. [USE OF CERTAIN REIMBURSEMENT FUNDS.] Except as provided in subdivisions 2, 5, and 6, and unless otherwise required by federal law, during any period in which bonds are issued and outstanding under section 16A.67, all money received from the federal government or other nonstate source for payment or reimbursement of health care costs incurred at regional treatment centers, state nursing homes, and other state facilities as defined in section 246.50, subdivision 3, must be credited to a separate and special fund in the state treasury. Money credited to the special fund must be credited to the debt service fund established in section 16A.67 at the times and in the amounts determined by order of the commissioner of finance to be necessary to provide for the payment and security of bonds issued pursuant to section 16A.67. On or after the tenth day of each month, any money in the special fund not required to be credited to the debt service fund must be credited to the general fund.

Sec. 5. Minnesota Statutes 1994, section 349A.10, subdivision 5, is amended to read:

Subd. 5. [DEPOSIT OF NET PROCEEDS.] Within 30 days after the end of each month, the director shall deposit in the state treasury the net proceeds of the lottery, which is the balance in the lottery fund after transfers to the lottery prize fund and credits to the lottery operations account. Of the net proceeds, (1) 40 percent must be credited to the Minnesota environment and natural resources trust fund, (2) an amount determined by order of the commissioner of finance to be necessary to provide for the payment and security of bonds issued pursuant to section 16A.67 must be credited to the debt service fund established in section 16A.67, and (3) the remainder must be credited to the general fund.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective the day following final enactment.

ARTICLE 9

BUDGET RESERVE

Section 1. Minnesota Statutes 1994, section 16A.152, subdivision 1, is amended to read:

Subdivision 1. [BUDGET RESERVE AND CASH FLOW ACCOUNT ESTABLISHED.] (a) A budget reserve and cash flow account is created in the general fund in the state treasury. The commissioner of finance shall restrict part or all of the balance before reserves in the general fund as may be necessary to fund the budget reserve and cash flow account as provided by law from time to time.

(b) The commissioner of finance shall transfer the amount necessary to bring the total amount of the budget reserve and cash flow account, including any existing balance in the account on ~~June 30, 1993~~ July 1, 1995, to ~~$360,000,000~~ $350,000,000. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under subdivision 2.

ARTICLE 10

MISCELLANEOUS

Section 1. Minnesota Statutes 1994, section 270A.08, subdivision 1, is amended to read:

Subdivision 1. [NOTICE TO DEBTOR.] Not later than five days after the claimant agency has sent notification to the department pursuant to section 270A.07, subdivision 1, the claimant agency shall send a written notification to the debtor asserting the right of the claimant agency to the refund or any part thereof. If the debt, other than a debt based on child support under section 518.17 or medical support under section 518.171, is not satisfied by the debtor or decertified by the claimant agency, the claimant agency shall provide written notification to the debtor on an annual basis. If the notice is returned to the claimant agency as undeliverable, or the claimant agency has reason to believe the debtor did not receive the notice, the claimant agency shall obtain the current address of the debtor from the commissioner and resend the corrected notice.

Sec. 2. [410.325] [TAX ANTICIPATION CERTIFICATES.]

Notwithstanding a contrary provision of other law or charter, a home rule charter city may issue tax anticipation certificates in the manner and subject to the limitations applicable to statutory cities under section 412.261. The certificates may also be issued in anticipation of federal and state aids, but the total amount of certificates issued against any fund for any year with interest on them must not exceed any limits in the charter relating to the total of the anticipated tax levy and the anticipated state aids for any fund not yet collected or received.

Sec. 3. Minnesota Statutes 1994, 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, a local unit of government acting in conjunction with 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. The application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. 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 the scoring system in section 465.802. The amount of a grant under this section may not exceed $50,000.

Sec. 4. Minnesota Statutes 1994, 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 application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. 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 the scoring system in section 465.802. The amount of a grant under this section may not exceed $50,000.

Sec. 5. Minnesota Statutes 1994, section 465.801, is amended to read:

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. The application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. 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 the scoring system in section 465.802. The amount of a grant under this section may not exceed $100,000.

Sec. 6. Minnesota Statutes 1994, section 465.81, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] Sections 465.81 to 465.87 establish procedures to be used by counties, cities, or towns that adopt by resolution an agreement providing a plan to provide combined services during an initial ~~two-year~~ cooperation period that may not exceed two years and then to merge into a single unit of government over the succeeding two-year period.

Sec. 7. Minnesota Statutes 1994, section 465.82, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF PLAN.] The plan ~~shall~~ must state:

(1) the specific cooperative activities the units will engage in during the first two years of the venture;

(2) the steps to be taken to effect the merger of the governmental units, ~~beginning in the third year of the process,~~ with completion no later than four years after the process begins;

(3) the steps by which a single governing body will be created. ~~Notwithstanding any other law to the contrary, all current members of the governing bodies of the local government units that propose to combine under sections 465.81 to 465.87 may serve on the initial governing body of the combined unit, until a gradual reduction in membership is achieved by foregoing election of new members when terms expire until the number permitted by other law is reached~~;

(4) changes in services provided, facilities used, administrative operations and staffing to effect the preliminary cooperative activities and the final merger and a two-, five-, and ten-year projection of expenditures for each unit if it combined and if it remained separate;

(5) treatment of employees of the merging governmental units, specifically including provisions for reassigning employees, dealing with unions, and providing financial incentives to encourage early retirements;

(6) financial arrangements for the merger, specifically including responsibility for debt service on outstanding obligations of the merging entities;

(7) ~~two, five, and ten year projections prepared by the department of revenue at the request of the local government unit, of revenues, expenditures, and property taxes for each unit if it combined and if it remained separate;~~ one- and two-year impact analysis, prepared by the granting state agency at the request of the local government unit, of major state aid revenues received for each unit if it combined and if it remained separate. This would also include an impact analysis, prepared by the department of revenue, of property tax revenue implications, if any, associated with tax increment financing districts and fiscal disparities resulting from the merger;

(8) procedures for a referendum to be held ~~prior to the year of~~ before the proposed combination to approve combining the local government units, specifically stating whether a majority of those voting in each district proposed for combination or a majority of those voting on the question in the entire area proposed for combination would be needed to pass the referendum; and

(9) a time schedule for implementation.

Notwithstanding clause (3) or any other law to the contrary, all current members of the governing bodies of the local governmental units that propose to combine under sections 465.81 to 465.87 may serve on the initial governing body of the combined unit until a gradual reduction in membership is achieved by foregoing election of new members when terms expire until the number permitted by other law is reached.

Sec. 8. Minnesota Statutes 1994, section 465.84, is amended to read:

465.84 [REFERENDUM.]

During the first or second year of cooperation, and after approval of the plan by the ~~department~~ board under section 465.83, a referendum on the question of combination ~~shall~~ must be conducted. The referendum ~~shall~~ must be on a date called by the governing bodies of the units that propose to combine. The referendum ~~shall~~ must be conducted according to the Minnesota election law, as defined in section 200.01. If the referendum fails, the same question or a modified question may be submitted the following year. If the referendum fails again, the same question may not be submitted. Referendums shall be conducted on the same date in all local government units.

Sec. 9. Minnesota Statutes 1994, section 465.85, is amended to read:

465.85 [COUNTY AUDITOR TO PREPARE PLAT.]

Upon the request of two or more local government units that have adopted a resolution to cooperate and combine, the county auditor shall prepare a plat. If the proposed combined local government unit is located in more than one county, the request ~~shall~~ must be submitted to the county auditor of the county that has the greatest land area in the proposed district. The plat must show:

(1) the boundaries of each of the present units;

(2) the boundaries of the proposed unit;

(3) the boundaries of proposed election districts, if requested; and

(4) other information deemed pertinent by the governing bodies or the county auditor.

Sec. 10. Minnesota Statutes 1994, section 465.87, is amended to read:

465.87 [AIDS TO COOPERATING AND COMBINING UNITS.]

Subdivision 1. [ELIGIBILITY.] A local government unit is eligible to apply for aid under this section if the board has approved its plan to cooperate and combine under section 465.83.

Subd. 1a. [ADDITIONAL ELIGIBILITY.] A local government unit is eligible to apply for aid under this section if it has combined with another unit of government in accordance with any process within chapter 414 that results in the elimination of at least one local government unit and a copy of the municipal board's order combining the two units of government is forwarded to the board. If two units of government cooperate in the orderly annexation of the entire area of a third unit of government that has a population of at least 8,000, the two units of government are each eligible for the amount of aid specified in subdivision 2.

Subd. 1b. [APPLICATION PROCEDURES.] A local government unit covered by subdivision 1 may submit an application to the board along with the final plan for cooperation and combination required by section 465.83. A local government unit covered by subdivision 1a may submit an application to the board after the issuance of the municipal board's order combining the two units of government. The application must be on a form prescribed by the board and must specify the total amount of aid requested up to the maximum authorized by subdivision 2. The application must also include a detailed explanation of the need for the aid and provide a budget indicating how the requested aid would be used.

Subd. 1c. [AID AWARD.] The board may grant or deny an application for aid made by a local government under subdivision 1b. The board may also grant aid to an applicant in an amount that is less than the amount requested by the applicant. The board shall base its decision on the following criteria:

(1) whether the local government unit has adequately demonstrated that the requested aid is essential to accomplishing the proposed combination;

(2) whether the activities to be funded by the requested aid are directly related to the combination;

(3) whether other sources of funding for the activities identified in the application, including short-term cost savings, are available to the applicant as a direct result of the combination; and

(4) whether there are competing needs for the funding available to the board that would provide a greater public benefit than would be realized by the combination or activities described in the application.

The board may award money to an applicant for a period not to exceed four years. Any funding awarded for a period beyond the biennium in which an award is made, however, is contingent on future appropriations to the board.

Subd. 2. [AMOUNT OF AID.] The annual amount of aid to be paid to each eligible local government unit ~~is equal to~~ may not exceed the following per capita amounts, based on the combined population of the units, ~~not to exceed $100,000 per year for any unit~~ as estimated by the state demographer, or $100,000, whichever is less.

Combined Population after Combination	Aid Per Capita
0 - 2,500	$25
2,500 - 5,000	20
5,000 - 20,000	15
over 20,000	10

Payments ~~shall~~ must be made on the dates provided for payments of local government aid under section 477A.013, beginning in the year during which a combination in any form is expected to be ordered by the municipal board as evidenced in resolutions adopted by July 1 by the affected local government units declaring their intent to combine, or during which substantial cooperative activities under the plan initially occur, unless those activities begin after July 1, in which case the initial aid payment ~~shall~~ must be made in the following calendar year. Payments to a local government unit that qualifies for aid pursuant to subdivision 1a must be made on the dates provided for payments of local government aids under section 477A.013, beginning in the calendar year during which a combination in any form is expected to be ordered by the Minnesota municipal board as evidenced in a resolution adopted by July 1 by the affected local government units declaring their intent to combine. The resolutions must certify that the combination agreement addressing all issues relative to the combination is substantially complete. The total amount of aid paid may not exceed the amount appropriated to the board for purposes of this section.

Subd. 3. [TERMINATION OF AID; RECAPTURE.] If a second referendum under section 465.84 fails, or if an initial referendum fails and the governing body does not schedule a second referendum within one year after the first has failed, or if one or more of the local government units that proposed to combine terminates its participation in the cooperation or combination, no additional aid ~~will~~ may be paid under this section. The amount previously paid under this section to a unit must be repaid if the governing body of the unit acts to terminate its current level of participation in the plan. The amount previously paid to the unit must be repaid in annual installments equal to the total amount paid to the unit for all years under ~~subdivision~~ subdivisions 1c and 2, divided by the number of years when payments were made.

Sec. 11. [465.88] [CONSOLIDATION STUDY GRANTS.]

A local unit of government with a population no greater than 2,500 involved in a consolidation proceeding initiated by the municipal board on its own motion under section 414.041, subdivision 1, may apply to the board for a grant under this section. The grant may not exceed $20,000. A grant under this section must be used to cover costs associated with the consolidation proceeding.

Sec. 12. [APPROPRIATION.]

$3,000,000 is appropriated from the general fund to the board of government innovation and cooperation, $1,500,000 to be available for the fiscal year ending June 30, 1996, and $1,500,000 to be available for the fiscal year ending June 30, 1997. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

Sec. 13. [EFFECTIVE DATE.]

Section 2 is effective the day following final enactment."

Renumber the articles in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Hottinger moved to amend H.F. No. 602, as amended pursuant to Rule 49, adopted by the Senate March 20, 1995, as follows:

(The text of the amended House File is identical to S.F. No. 513.)

Page 22, line 14, delete "filing a notice of appeal" and insert "serving copies of a petition for

review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01"

Page 22, line 16, delete everything after the period

Page 22, delete lines 17 and 18

Page 22, line 19, delete everything before "If" and insert "The appeal shall be governed by the tax court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2."

Page 26, line 34, delete "filing a notice of appeal" and insert "serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01"

Page 26, line 36, delete everything after the period

Page 27, delete lines 1 and 2

Page 27, line 3, delete everything before the period and insert "The appeal shall be governed by the tax court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2"

Page 31, line 10, strike "filing a notice of appeal" and insert "serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01"

Page 31, lines 11 to 15, delete the new language and insert "The appeal shall be governed by the tax court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2."

The motion prevailed. So the amendment was adopted.

Mr. Hottinger then moved to amend the Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 54, line 24, delete "conducted under Minnesota Statutes, section 465.84"

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

Ms. Olson moved to amend the Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 4, after line 17, insert:

"Sec. 2. Minnesota Statutes 1994, section 290.06, is amended by adding a subdivision to read:

Subd. 25. [1995 FILING CREDIT.] A taxpayer who is required to file a Minnesota individual income tax return pursuant to section 289A.08, subdivision 1, for the tax year beginning after December 31, 1994, may take against the tax due from the taxpayer under this chapter a credit of $62 for a married couple filing a joint return or $31 for any other taxpayer. If the amount of the credit which a taxpayer would be eligible to receive pursuant to this subdivision exceeds the taxpayer's tax liability under chapter 290, the excess amount of the credit shall be refunded to the taxpayer. The commissioner is not required to factor this credit into the withholding tax tables provided under section 290.92, subdivision 2a, clause (3)."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate for the balance of the proceedings on H.F. No. 602. The Sergeant at Arms was instructed to bring in the absent members.

Ms. Reichgott Junge moved to amend the Olson amendment to H.F. No. 602 as follows:

Page 1, delete lines 3 to 17 and insert:

"Page 59, after line 16, insert:

"Section 1. Minnesota Statutes 1994, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. [LEVY RECOGNITION.] (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to section 124.914, subdivision 1.

(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 ~~37.4~~ 44.4 percent for fiscal year ~~1994~~ 1996 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) ~~37.4~~ 44.4 percent for fiscal year ~~1994~~ 1996 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;

(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 1994, section 121.904, subdivision 4c, is amended to read:

Subd. 4c. [~~PROPERTY TAX SHIFT REDUCTION~~ CHANGE IN LEVY RECOGNITION PERCENT.] (a) Money 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 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 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 increased or decreased as provided in this subdivision, a special aid adjustment shall be made to each school district with an operating referendum levy:

(i) When the levy recognition percent is increased from the prior fiscal year, the commissioner of education shall calculate the difference between (1) the amount of the levy under section 124A.03, that is recognized as revenue for the current fiscal year according to subdivision 4a; and (2) the amount of the levy, under section 124A.03, that would have been recognized as revenue for the current fiscal year had the percentage according to subdivision 4a, not been increased. The commissioner shall reduce other aids due the district by the amount of the difference. This aid reduction shall be in addition to the aid reduction required because of the increase pursuant to this subdivision of the levy recognition percent.

(ii) When the levy recognition percent is reduced ~~as provided in this subdivision~~ from the prior fiscal year, 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~~ when the levy recognition percent was last increased. 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. ~~An additional adjustment shall be made on June 30, 1995, for the final payment otherwise due July 1, 1995, under Minnesota Statutes 1992, section 136C.36.~~

(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.""

The question was taken on the adoption of the Reichgott Junge amendment to the Olson amendment.

The roll was called, and there were yeas 54 and nays 8, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Kramer	Moe, R.D.	Reichgott Junge
Beckman	Hanson	Krentz	Mondale	Riveness
Berg	Hottinger	Kroening	Morse	Robertson
Bertram	Janezich	Laidig	Murphy	Runbeck
Betzold	Johnson, D.E.	Langseth	Novak	Sams
Chandler	Johnson, D.J.	Larson	Oliver	Samuelson
Chmielewski	Johnson, J.B.	Lesewski	Olson	Spear
Cohen	Johnston	Lessard	Pappas	Terwilliger
Dille	Kelly	Marty	Piper	Vickerman
Finn	Kleis	Merriam	Pogemiller	Wiener
Flynn	Knutson	Metzen	Ranum	

Those who voted in the negative were:

Belanger	Limmer	Ourada	Scheevel	Stevens
Kiscaden	Neuville	Pariseau		

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

The question was taken on the Olson amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Mr. Belanger moved to amend the Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Pages 25 to 59, delete article 3

Renumber the articles in sequence

Amend the title accordingly

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

The roll was called, and there were yeas 29 and nays 37, as follows:

Those who voted in the affirmative were:

Belanger	Johnston	Laidig	Neuville	Runbeck
Berg	Kelly	Larson	Oliver	Scheevel
Day	Kiscaden	Lesewski	Olson	Spear
Dille	Kleis	Limmer	Ourada	Stevens
Frederickson	Knutson	Marty	Pariseau	Terwilliger
Johnson, D.E.	Kramer	Merriam	Robertson	

Those who voted in the negative were:

Anderson	Finn	Kroening	Novak	Sams
Beckman	Flynn	Langseth	Pappas	Samuelson
Berglin	Hanson	Lessard	Piper	Solon
Bertram	Hottinger	Metzen	Pogemiller	Vickerman
Betzold	Janezich	Moe, R.D.	Price	Wiener
Chandler	Johnson, D.J.	Mondale	Ranum	
Chmielewski	Johnson, J.B.	Morse	Reichgott Junge	
Cohen	Krentz	Murphy	Riveness	

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

Mr. Berg moved to amend the Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 154, after line 15, insert:

"Section 1. Minnesota Statutes 1994, section 270.60, subdivision 1, is amended to read:

Subdivision 1. [TAXES PAID BY INDIANS.] The commissioner of revenue is authorized to enter into a tax refund agreement with the governing body of any federally recognized Indian reservation in Minnesota. The agreement may provide for a mutually agreed upon amount as a refund to the governing body of any sales or excise tax paid by the total resident Indian population on or adjacent to a reservation into the state treasury, ~~or for an amount which measures the economic value of an agreement by the tribal government to pay the equivalent of the state sales tax on items included in the sales tax base but exempt on the reservation,~~ notwithstanding any other law which limits the refundment of taxes. The total resident Indian population on or adjacent to a reservation shall be defined according to the United States Department of the Interior, Bureau of Indian Affairs, as determined and stated in its Report on Service Population and Labor Force. The amount of the tax estimated to have been paid must be based on a reasonable estimate of per capita expenditures or consumption."

Page 154, after line 32, insert:

"Sec. 3. Minnesota Statutes 1994, section 297.03, subdivision 4, is amended to read:

Subd. 4. [STAMPS; DESIGN, PRINTING.] The commissioner shall adopt the design of two stamps. One stamp shall be designed for application to cigarette packages destined for retail sale on an Indian reservation which is a party to an agreement pursuant to section 270.60, ~~subdivision 2,~~ and only to those packages. A second stamp shall be designed for all other cigarette packages subject to the provisions of this chapter. The commissioner shall arrange for the printing thereof in such amounts and denominations as the commissioner deems necessary."

Page 163, after line 22, insert:

"Sec. 15. [REPEALER.]

Minnesota Statutes 1994, section 270.60, subdivision 2, is repealed."

Page 163, after line 24, insert:

"Sections 1, 3, and 15 are effective for all agreements entered into after June 30, 1995."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

The roll was called, and there were yeas 27 and nays 37, as follows:

Those who voted in the affirmative were:

Beckman	Dille	Kroening	Neuville	Scheevel
Belanger	Johnston	Laidig	Novak	Solon
Berg	Kelly	Langseth	Oliver	Stevens
Bertram	Kiscaden	Larson	Ourada	
Chandler	Kramer	Lesewski	Pariseau	
Chmielewski	Krentz	Lessard	Runbeck	

Those who voted in the negative were:

Anderson	Hottinger	Marty	Pappas	Sams
Berglin	Janezich	Merriam	Piper	Samuelson
Betzold	Johnson, D.E.	Metzen	Pogemiller	Spear
Cohen	Johnson, D.J.	Moe, R.D.	Price	Terwilliger
Finn	Johnson, J.B.	Mondale	Ranum	Wiener
Flynn	Kleis	Morse	Reichgott Junge	
Frederickson	Knutson	Murphy	Riveness	
Hanson	Limmer	Olson	Robertson	

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

Mr. Johnson, D.J. moved to amend the Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 50, line 10, delete "3 and 4" and insert "4 and 5"

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

Ms. Krentz moved to amend the Johnson, D.J. amendments to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 50, line 10, delete "and 4" and insert "to 6"

Page 50, after line 32, insert:

"Subd. 6. [INCREASE AUTHORIZED.] Notwithstanding the limitation of subdivision 1, a taxing authority other than a school district may increase its levy for taxes payable in 1996 over that certified to the county pursuant to Minnesota Statutes, section 275.07, subdivision 1, in the prior year by an amount equal to the taxing authority's net tax capacity pursuant to section 74, subdivision 1, times its tax rate for taxes payable in 1995 less the taxing authority's levy under subdivision 1."

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

Mr. Metzen moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 87, line 27, strike "two" and insert "1.8" and after "percent" insert "for taxes payable in 1997 and thereafter"

Page 98, after line 6, insert:

"Sec. 21. [COMPUTATION OF TAX RATES.]

In computing the basic transportation tax rate under Minnesota Statutes, section 124.226, subdivision 1, and the general education tax rate under Minnesota Statutes, section 124A.23, subdivision 1, the commissioner shall, notwithstanding Minnesota Statutes, section 124.2131, subdivision 1, use adjusted net tax capacities that do not reflect the class rate reduction in section 7. Notwithstanding the dollar amounts specified in Minnesota Statutes, section 124.226, subdivision 1, and section 124A.23, subdivision 1, the resulting rate shall be applied to the adjusted net tax capacities as computed under Minnesota Statutes, section 124.2131, for purposes of determining the basic transportation levy under Minnesota Statutes, section 124.226, subdivision 1, and the general education levy under Minnesota Statutes, section 124A.23, subdivision 2. The equalization factor under Minnesota Statutes, section 124A.02, shall be computed using the tax rate computed under this section."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Ms. Runbeck moved to amend the Metzen amendment to H.F. No. 602 as follows:

Page 1, line 4, delete "1997" and insert "1996"

The question was taken on the adoption of the Runbeck amendment to the Metzen amendment.

Mr. Moe, R.D. moved that those not voting be excused from voting. The motion prevailed.

The roll was called, and there were yeas 31 and nays 33, as follows:

Those who voted in the affirmative were:

Belanger	Kiscaden	Lesewski	Ourada	Stevens
Bertram	Kleis	Lessard	Pariseau	Terwilliger
Dille	Knutson	Limmer	Robertson	Wiener
Frederickson	Kramer	Neuville	Runbeck	
Johnson, D.E.	Kroening	Novak	Sams	
Johnston	Laidig	Oliver	Samuelson	
Kelly	Larson	Olson	Scheevel	

Those who voted in the negative were:

Anderson	Cohen	Johnson, J.B.	Mondale	Ranum
Beckman	Finn	Krentz	Morse	Reichgott Junge
Berg	Flynn	Langseth	Murphy	Riveness
Berglin	Hanson	Marty	Pappas	Solon
Betzold	Hottinger	Merriam	Piper	Spear
Chandler	Janezich	Metzen	Pogemiller	
Chmielewski	Johnson, D.J.	Moe, R.D.	Price	

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

The question recurred on the adoption of the Metzen amendment.

The roll was called, and there were yeas 43 and nays 22, as follows:

Those who voted in the affirmative were:

Beckman	Janezich	Krentz	Mondale	Samuelson
Belanger	Johnson, D.E.	Kroening	Neuville	Scheevel
Bertram	Johnson, D.J.	Laidig	Novak	Solon
Betzold	Johnson, J.B.	Langseth	Ourada	Stevens
Chandler	Johnston	Larson	Pogemiller	Terwilliger
Cohen	Kelly	Lessard	Reichgott Junge	Vickerman
Dille	Kleis	Limmer	Riveness	Wiener
Frederickson	Knutson	Marty	Robertson	
Hanson	Kramer	Metzen	Sams	

Those who voted in the negative were:

Anderson	Flynn	Moe, R.D.	Pappas	Runbeck
Berg	Hottinger	Morse	Pariseau	Spear
Berglin	Kiscaden	Murphy	Piper	
Chmielewski	Lesewski	Oliver	Price	
Finn	Merriam	Olson	Ranum	

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

Mr. Neuville moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 143, after line 36, insert:

"Sec. 41. [FARIBAULT ECONOMIC DEVELOPMENT AUTHORITY; EXEMPTIONS FROM TAX INCREMENT FINANCING RESTRICTIONS.]

Subdivision 1. [AUTHORIZATION.] The Faribault economic development authority may create an economic development tax increment financing district as provided in this section.

Subd. 2. [SPECIAL RULES.] (a) The district is subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) Minnesota Statutes, section 273.1399 does not apply.

(c) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, tax increments from the district may be paid to the authority for up to 15 years from the date of the receipt of the first increment from the district.

(d) Notwithstanding Minnesota Statutes, section 469.176, subdivision 4, the Faribault economic development authority may agree to pay revenues derived from the tax increments from the district for any costs provided in the tax increment plan for the district, including assistance to companies locating or expanding within the boundaries of the district for any costs related to the companies' operations, including the costs of acquiring, constructing, and equipping a new or expanded facility and financing costs and interest expenses associated with the location or expansion of the companies' operations within the district, as reasonably determined by the authority.

Revenues derived from tax increments from the district may also be used to provide

improvements, loans, or interest rate subsidies, for a project which is established by a Faribault regional treatment center employee, or which gives hiring preference to displaced regional treatment center employees. No revenues may be used to subdsidize the operating cost of any such enterprise.

(e) The limitations on expenditures of revenue outside districts under Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4, do not apply to this district or to tax increment district No. 3 Central.

Subd. 3. [LOCAL APPROVAL.] This section is effective upon compliance by the governing body of the city of Faribault with Minnesota Statutes, section 645.021, subdivision 3."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

Ms. Lesewski moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 59, delete section 1

Page 65, delete lines 33 to 36 and insert:

"(21) (A) Wind energy conversion systems, as defined in section 216C.06, subdivision 12, installed after January 1, 1991, ~~and~~ including the foundation or support pad, which are (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce one megawatt or less of electricity as measured by nameplate ratings, are exempt.

(B) With respect to a wind energy conversion system installed after January 1, 1995, that is located within one county and owned by the same owner, but is not exempt under clause (A) because it produces more than one megawatt of electricity as measured by nameplate ratings, the devices in the system that convert wind energy to a form of usable energy, including any associated supporting or protective structures that are not part of a foundation or support pad, are exempt for the first five assessment years after they have been constructed. Turbines, blades, transformers, and related equipment are exempt without any time limitation."

Page 66, delete lines 1 to 16

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

The roll was called, and there were yeas 25 and nays 37, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Kramer	Neuville	Robertson
Berg	Johnston	Laidig	Oliver	Runbeck
Bertram	Kiscaden	Larson	Olson	Stevens
Dille	Kleis	Lesewski	Ourada	Terwilliger
Frederickson	Knutson	Limmer	Pariseau	Vickerman

Those who voted in the negative were:

Anderson	Hanson	Langseth	Novak	Sams
Beckman	Hottinger	Lessard	Pappas	Scheevel
Berglin	Janezich	Marty	Piper	Solon
Betzold	Johnson, D.J.	Merriam	Pogemiller	Spear
Chandler	Johnson, J.B.	Metzen	Price	Wiener
Cohen	Kelly	Moe, R.D.	Ranum	
Finn	Krentz	Mondale	Reichgott Junge	
Flynn	Kroening	Morse	Riveness	

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

Mr. Pogemiller moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 19, after line 20, insert:

"Sales of telephone services and equipment to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision."

Page 163, line 17, delete "$3,000,000" and insert "$2,000,000"

Page 163, lines 18 and 20, delete "$1,500,000" and insert "$1,000,000"

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

Ms. Kiscaden moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 5, after line 21, insert:

"Sec. 3. Minnesota Statutes 1994, section 295.52, subdivision 1, is amended to read:

Subdivision 1. [HOSPITAL TAX.] A tax is imposed on each hospital equal to ~~two~~ one percent of its gross revenues.

Sec. 4. Minnesota Statutes 1994, section 295.52, subdivision 1a, is amended to read:

Subd. 1a. [SURGICAL CENTER TAX.] A tax is imposed on each surgical center equal to ~~two~~ one percent of its gross revenues.

Sec. 5. Minnesota Statutes 1994, section 295.52, subdivision 1b, is amended to read:

Subd. 1b. [PHARMACY TAX.] A tax is imposed on each pharmacy equal to ~~two~~ one percent of its gross revenues.

Sec. 6. Minnesota Statutes 1994, section 295.52, subdivision 2, is amended to read:

Subd. 2. [PROVIDER TAX.] A tax is imposed on each health care provider equal to ~~two~~ one percent of its gross revenues.

Sec. 7. Minnesota Statutes 1994, section 295.52, subdivision 3, is amended to read:

Subd. 3. [WHOLESALE DRUG DISTRIBUTOR TAX.] A tax is imposed on each wholesale drug distributor equal to ~~two~~ one percent of its gross revenues.

Sec. 8. Minnesota Statutes 1994, section 295.52, subdivision 4, is amended to read:

Subd. 4. [USE TAX; PRESCRIPTION DRUGS.] A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that paid the tax under subdivision 3, is subject to a tax equal to ~~two~~ one percent of the price paid. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person."

Page 10, after line 15, insert:

"Sec. 24. Minnesota Statutes 1994, section 297.02, subdivision 1, is amended to read:

Subdivision 1. [RATES.] A tax is hereby imposed upon the sale of cigarettes in this state or having cigarettes in possession in this state with intent to sell and upon any person engaged in business as a distributor thereof, at the following rates, subject to the discount provided in section 297.03:

(1) On cigarettes weighing not more than three pounds per thousand, ~~24~~ 36.5 mills on each such cigarette;

(2) On cigarettes weighing more than three pounds per thousand, ~~48~~ 73 mills on each such cigarette.

On July 1, 1997, and July 1 of each subsequent odd-numbered year, the rate of the tax imposed under this subdivision in the previous year is increased by the following amounts:

(1) On cigarettes weighing not more than three pounds per thousand, 3.5 mills on each such cigarette; and

(2) On cigarettes weighing more than three pounds per thousand, seven mills on each such cigarette.

Sec. 25. [297.026] [FLOOR STOCKS TAX.]

Subdivision 1. [CIGARETTES.] A floor stocks tax is imposed on every person engaged in business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes in the person's possession or under the person's control at 12:01 a.m. on July 1, 1995. The tax is imposed at the following rates, subject to the discounts in section 297.03:

(1) on cigarettes weighing not more than three pounds per thousand, 20 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, 40 mills on each cigarette.

Each distributor, by July 8, 1995, shall file a report with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1, 1995, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable by August 1, 1995, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative shall file a return with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1, 1995, and pay the tax due thereon by August 11, 1995. Tax not paid by the due date bears interest at the rate of one percent a month.

Subd. 2. [DEPOSIT OF PROCEEDS.] The revenue from the tax imposed under this section shall be deposited by the commissioner in the state treasury and credited to the health care access account.

Subd. 3. [SUBSEQUENT FLOOR STOCK TAXES.] On July 1, 1997, and July 1 of each subsequent odd-numbered year, the floor stocks tax as contained in subdivisions 1 and 2 shall be imposed on the increased tax amount, except that the amount of tax imposed and the dates shall correspond to the appropriate year and tax rate increase resulting from that specific year's increase.

Sec. 26. Minnesota Statutes 1994, section 297.03, subdivision 5, is amended to read:

Subd. 5. [SALE OF STAMPS.] The commissioner shall sell stamps to any person licensed as a distributor at a discount of ~~1.0~~ .80 percent from the face amount of the stamps for the first $1,500,000 of such stamps purchased in any fiscal year; and at a discount of ~~.60~~ .45 percent on the remainder of such stamps purchased in any fiscal year. The commissioner shall not sell stamps to any other person. The commissioner may prescribe the method of shipment of the stamps to the distributor as well as the quantities of stamps purchased.

Sec. 27. Minnesota Statutes 1994, section 297.13, subdivision 1, is amended to read:

Subdivision 1. [CIGARETTE TAX APPORTIONMENT.] Revenues received from taxes, penalties, and interest under sections 297.01 to 297.13 and from license fees and miscellaneous sources of revenue shall be deposited by the commissioner of revenue in the state treasury and credited as follows:

(a) first to the general obligation special tax bond debt service account in each fiscal year the amount required to increase the balance on hand in the account on each December 1 to an amount

equal to the full amount of principal and interest to come due on all outstanding bonds whose debt service is payable primarily from the proceeds of the tax to and including the second following July 1; ~~and~~

(b) the revenue produced by 12.5 mills of the tax on cigarettes weighing not more than three pounds per thousand, and 25 mills of the tax on cigarettes weighing more than three pounds per thousand must be credited to the health care access account in the state treasury; and

(c) after the requirements of ~~paragraph~~ paragraphs (a) and (b) have been met:

(1) the revenue produced by one mill of the tax on cigarettes weighing not more than three pounds a thousand and two mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the Minnesota future resources fund;

(2) the balance of the revenues derived from taxes, penalties, and interest under sections 297.01 to 297.13 and from license fees and miscellaneous sources of revenue shall be credited to the general fund.

Sec. 28. Minnesota Statutes 1994, section 297.32, subdivision 1, is amended to read:

Subdivision 1. A tax is hereby imposed upon all tobacco products in this state and upon any person engaged in business as a distributor thereof, at the rate of ~~35~~ 52 percent of the wholesale sales price of such tobacco products. Such tax shall be imposed at the time the distributor (1) brings, or causes to be brought, into this state from without the state tobacco products for sale; (2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or (3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

The rate of the tax imposed under this subdivision and subdivision 2 is increased on July 1, 1997, and July 1 of each subsequent odd-number year thereafter by a percentage equal to the percentage increase in the rate of the tax imposed on cigarettes under section 297.02, subdivision 1.

Sec. 29. Minnesota Statutes 1994, section 297.32, subdivision 2, is amended to read:

Subd. 2. A tax is hereby imposed upon the use or storage by consumers of tobacco products in this state, and upon such consumers, at the rate of ~~35~~ 52 percent of the cost of such tobacco products.

The tax imposed by this subdivision shall not apply if the tax imposed by subdivision 1 on such tobacco products has been paid.

This tax shall not apply to the use or storage of tobacco products in quantities of:

1. not more than 50 cigars;

2. not more than ten oz. snuff or snuff powder;

3. not more than one lb. smoking or chewing tobacco or other tobacco products not specifically mentioned herein, in the possession of any one consumer.

Sec. 30. Minnesota Statutes 1994, section 297.32, subdivision 9, is amended to read:

Subd. 9. Revenue derived from the taxes imposed by this section must be deposited by the commissioner in the following manner:

(1) 35 percent of the revenue must be deposited in the state treasury and credited to the health care access account; and

(2) 65 percent must be deposited in the state treasury and credited to the general fund."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Ms. Piper requested division of the amendment as follows:

First portion:

Page 5, after line 21, insert:

"Sec. 3. Minnesota Statutes 1994, section 295.52, subdivision 1, is amended to read:

Subdivision 1. [HOSPITAL TAX.] A tax is imposed on each hospital equal to ~~two~~ one percent of its gross revenues.

Sec. 4. Minnesota Statutes 1994, section 295.52, subdivision 1a, is amended to read:

Subd. 1a. [SURGICAL CENTER TAX.] A tax is imposed on each surgical center equal to ~~two~~ one percent of its gross revenues.

Sec. 5. Minnesota Statutes 1994, section 295.52, subdivision 1b, is amended to read:

Subd. 1b. [PHARMACY TAX.] A tax is imposed on each pharmacy equal to ~~two~~ one percent of its gross revenues.

Sec. 6. Minnesota Statutes 1994, section 295.52, subdivision 2, is amended to read:

Subd. 2. [PROVIDER TAX.] A tax is imposed on each health care provider equal to ~~two~~ one percent of its gross revenues.

Sec. 7. Minnesota Statutes 1994, section 295.52, subdivision 3, is amended to read:

Subd. 3. [WHOLESALE DRUG DISTRIBUTOR TAX.] A tax is imposed on each wholesale drug distributor equal to ~~two~~ one percent of its gross revenues.

Sec. 8. Minnesota Statutes 1994, section 295.52, subdivision 4, is amended to read:

Subd. 4. [USE TAX; PRESCRIPTION DRUGS.] A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that paid the tax under subdivision 3, is subject to a tax equal to ~~two~~ one percent of the price paid. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Second portion: The remainder of the amendment.

The question was taken on the adoption of the second portion of the Kiscaden amendment.

The roll was called, and there were yeas 17 and nays 48, as follows:

Those who voted in the affirmative were:

Anderson	Dille	Kiscaden	Piper	Stevens
Berglin	Flynn	Marty	Price	
Betzold	Frederickson	Merriam	Ranum	
Cohen	Hottinger	Pappas	Spear	

Those who voted in the negative were:

Beckman	Johnson, D.J.	Langseth	Neuville	Runbeck
Belanger	Johnson, J.B.	Larson	Novak	Sams
Berg	Johnston	Lesewski	Oliver	Samuelson
Bertram	Kelly	Lessard	Olson	Scheevel
Chandler	Kleis	Limmer	Ourada	Solon
Day	Knutson	Metzen	Pariseau	Terwilliger
Finn	Kramer	Moe, R.D.	Pogemiller	Vickerman
Hanson	Krentz	Mondale	Reichgott Junge	Wiener
Janezich	Kroening	Morse	Riveness	
Johnson, D.E.	Laidig	Murphy	Robertson	

The motion did not prevail. So the second portion of the amendment to the amendment was not adopted.

Ms. Kiscaden withdrew the first portion of the amendment to the amendment.

Mr. Larson moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 68, after line 23, insert:

"Sec. 3. Minnesota Statutes 1994, section 272.115, subdivision 1, is amended to read:

Subdivision 1. Whenever any real estate is sold for a consideration in excess of $1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270.066, the certificate of value must include the social security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

Mr. Larson then moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 68, after line 23, insert:

"Sec. 3. Minnesota Statutes 1994, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, or noncommercial seasonal recreational residential, the assessor shall compare the value with that determined in the preceding assessment. The amount of the increase entered in the current assessment shall not exceed ~~the greater of (1) ten percent of the value in the preceding assessment, or (2) one third of the difference between the current assessment and the preceding assessment~~ an amount equal to the value determined for the preceding assessment year, multiplied by the rate of increase in the consumer price index for all urban consumers as determined by the United States Bureau of Labor Statistics. This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

For the first assesment year after the sale or conveyance of property for which the actual market value is less than the value determined under this subdivision, the market value of the property will be increased to its actual market value.

The provisions of this subdivision shall be in effect ~~only~~ for assessment years ~~1993 through 1997~~ 1996 and thereafter.

For purposes of the assessment/sales ratio study conducted under section 124.2131, and the computation of state aids paid under chapters 124, 124A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

Mr. Knutson moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 36, delete section 26

Page 36, delete section 29

Page 38, delete section 39

Pages 38 and 39, delete section 40

Page 41, delete section 49

Pages 45 and 46, delete section 66

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Mr. Frederickson requested division of the amendment as follows:

First portion:

Page 36, delete section 26

Second portion:

Page 36, delete section 29

Third portion:

Page 38, delete section 39

Fourth portion:

Pages 38 and 39, delete section 40

Fifth portion:

Page 41, delete section 49

Sixth portion:

Pages 45 and 46, delete section 66

The question was taken on the adoption of the first portion of the amendment to the amendment.

The roll was called, and there were yeas 31 and nays 34, as follows:

Those who voted in the affirmative were:

Belanger	Johnston	Larson	Oliver	Spear
Berg	Kelly	Lesewski	Olson	Stevens
Cohen	Kiscaden	Limmer	Ourada	Terwilliger
Day	Kleis	Marty	Pariseau	
Dille	Knutson	Merriam	Robertson	
Frederickson	Kramer	Metzen	Runbeck	
Johnson, D.E.	Laidig	Neuville	Scheevel	

Those who voted in the negative were:

Anderson	Finn	Krentz	Murphy	Riveness
Beckman	Flynn	Kroening	Pappas	Sams
Berglin	Hanson	Langseth	Piper	Samuelson
Bertram	Hottinger	Lessard	Pogemiller	Solon
Betzold	Janezich	Moe, R.D.	Price	Vickerman
Chandler	Johnson, D.J.	Mondale	Ranum	Wiener
Chmielewski	Johnson, J.B.	Morse	Reichgott Junge	

The motion did not prevail. So the first portion of the amendment to the amendment was not adopted.

The question was taken on the adoption of the second portion of the amendment to the amendment.

The roll was called, and there were yeas 33 and nays 33, as follows:

Those who voted in the affirmative were:

Belanger	Johnston	Larson	Oliver	Scheevel
Berg	Kelly	Lesewski	Olson	Spear
Cohen	Kiscaden	Limmer	Ourada	Stevens
Day	Kleis	Marty	Pariseau	Terwilliger
Dille	Knutson	Merriam	Riveness	Wiener
Frederickson	Kramer	Metzen	Robertson	
Johnson, D.E.	Laidig	Neuville	Runbeck	

Those who voted in the negative were:

Anderson	Finn	Krentz	Murphy	Reichgott Junge
Beckman	Flynn	Kroening	Novak	Sams
Berglin	Hanson	Langseth	Pappas	Samuelson
Bertram	Hottinger	Lessard	Piper	Solon
Betzold	Janezich	Moe, R.D.	Pogemiller	Vickerman
Chandler	Johnson, D.J.	Mondale	Price	
Chmielewski	Johnson, J.B.	Morse	Ranum	

The motion did not prevail. So the second portion of the amendment to the amendment was not adopted.

The question was taken on the adoption of the third portion of the amendment to the amendment.

The roll was called, and there were yeas 27 and nays 39, as follows:

Those who voted in the affirmative were:

Belanger	Kiscaden	Lesewski	Olson	Spear
Betzold	Kleis	Limmer	Ourada	Stevens
Day	Knutson	Marty	Pariseau	Terwilliger
Frederickson	Kramer	Merriam	Robertson	
Johnson, D.E.	Laidig	Neuville	Runbeck	
Johnston	Larson	Oliver	Scheevel	

Those who voted in the negative were:

Anderson	Dille	Kelly	Morse	Reichgott Junge
Beckman	Finn	Krentz	Murphy	Riveness
Berg	Flynn	Kroening	Novak	Sams
Berglin	Hanson	Langseth	Pappas	Samuelson
Bertram	Hottinger	Lessard	Piper	Solon
Chandler	Janezich	Metzen	Pogemiller	Vickerman
Chmielewski	Johnson, D.J.	Moe, R.D.	Price	Wiener
Cohen	Johnson, J.B.	Mondale	Ranum	

The motion did not prevail. So the third portion of the amendment to the amendment was not adopted.

The question was taken on the adoption of the fourth portion of the amendment to the amendment.

The roll was called, and there were yeas 27 and nays 38, as follows:

Those who voted in the affirmative were:

Belanger	Johnston	Larson	Olson	Spear
Bertram	Kiscaden	Lesewski	Ourada	Stevens
Betzold	Kleis	Limmer	Pariseau	Terwilliger
Day	Knutson	Merriam	Robertson	
Frederickson	Kramer	Neuville	Runbeck	
Johnson, D.E.	Laidig	Oliver	Scheevel	

Those who voted in the negative were:

Anderson	Finn	Krentz	Murphy	Riveness
Beckman	Flynn	Kroening	Novak	Sams
Berg	Hanson	Langseth	Pappas	Samuelson
Berglin	Hottinger	Lessard	Piper	Solon
Chandler	Janezich	Metzen	Pogemiller	Vickerman
Chmielewski	Johnson, D.J.	Moe, R.D.	Price	Wiener
Cohen	Johnson, J.B.	Mondale	Ranum	
Dille	Kelly	Morse	Reichgott Junge	

The motion did not prevail. So the fourth portion of the amendment to the amendment was not adopted.

The question was taken on the adoption of the fifth portion of the amendment to the amendment.

The roll was called, and there were yeas 31 and nays 34, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Laidig	Olson	Spear
Berg	Johnston	Larson	Ourada	Stevens
Bertram	Kelly	Lesewski	Pariseau	Terwilliger
Cohen	Kiscaden	Limmer	Robertson	
Day	Kleis	Merriam	Runbeck	
Dille	Knutson	Neuville	Sams	
Frederickson	Kramer	Oliver	Scheevel	

Those who voted in the negative were:

Anderson	Flynn	Kroening	Murphy	Reichgott Junge
Beckman	Hanson	Langseth	Novak	Riveness
Berglin	Hottinger	Lessard	Pappas	Samuelson
Betzold	Janezich	Metzen	Piper	Solon
Chandler	Johnson, D.J.	Moe, R.D.	Pogemiller	Vickerman
Chmielewski	Johnson, J.B.	Mondale	Price	Wiener
Finn	Krentz	Morse	Ranum	

The motion did not prevail. So the fifth portion of the amendment to the amendment was not adopted.

The question was taken on the adoption of the sixth portion of the amendment to the amendment.

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

Those who voted in the affirmative were:

Belanger	Kiscaden	Laidig	Merriam	Runbeck
Day	Kleis	Larson	Neuville	Scheevel
Frederickson	Knutson	Lesewski	Oliver	Stevens
Johnson, D.E.	Kramer	Lessard	Pariseau	Terwilliger
Johnston	Kroening	Limmer	Robertson	

Those who voted in the negative were:

Anderson	Chandler	Hanson	Krentz	Murphy
Beckman	Chmielewski	Hottinger	Langseth	Novak
Berg	Cohen	Janezich	Metzen	Olson
Berglin	Dille	Johnson, D.J.	Moe, R.D.	Pappas
Bertram	Finn	Johnson, J.B.	Mondale	Piper
Betzold	Flynn	Kelly	Morse	Pogemiller

Price	Reichgott Junge	Sams	Solon	Vickerman
Ranum	Riveness	Samuelson	Spear	Wiener

The motion did not prevail. So the sixth portion of the amendment to the amendment was not adopted.

Mr. Oliver moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 79, after line 21, insert:

"Sec. 6. Minnesota Statutes 1994, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first $72,000 of market value of class 1a property has a net class rate of one percent of its market value for taxes payable in 1995; 1.1 percent for taxes payable in 1996; 1.2 percent for taxes payable in 1997; 1.3 percent for taxes payable in 1998; 1.4 percent for taxes payable in 1999; and 1.5 percent for taxes payable in 2000, and thereafter; and a gross class rate of 2.17 percent of its market value. ~~For taxes payable in 1992, the market value of class 1a property that exceeds $72,000 but does not exceed $115,000 has a class rate of two percent of its market value; and the market value of class 1a property that exceeds $115,000 has a class rate of 2.5 percent of its market value. For taxes payable in 1993 and thereafter,~~ The market value of class 1a property that exceeds $72,000 has a class rate of two percent for taxes payable in 1995; 1.9 percent for taxes payable in 1996; 1.8 percent for taxes payable in 1997; 1.7 percent for taxes payable in 1998; 1.6 percent for taxes payable in 1999; and 1.5 percent for taxes payable in 2000, and thereafter.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any blind person, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first $32,000 market value of class 1b property has a net class rate of .45 percent of its market value and a gross class rate of .87 percent of its market value. The remaining market value of class 1b property has a gross or net class rate using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property has a class rate of one percent of total market value for taxes payable in 1993 and thereafter with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore."

Page 89, after line 36, insert:

"Sec. 9. Minnesota Statutes 1994, section 273.1398, subdivision 1, is amended to read:

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

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of local tax rates.

(c) "Net tax capacity" means the product of (i) the appropriate net class rates for the year in which the aid is payable, except that for aid payable in ~~1993 the class rate applicable to class 4a shall be 3.5 percent; and the class rate applicable to class 4b shall be 2.65 percent; and for aid payable in 1994 the class rate applicable to class 4b shall be 2.4 percent and the class rate applicable to class 2a property over $115,000 market value and less than 320 acres is 1.15 percent,~~ 1996 to 2000 the class rates applied to class 1a, 1b, and the part of class 2a with the same class rates as 1a, shall be the rates applied to the property the year prior to the year the aid is payable; and (ii) estimated market values for the assessment two years prior to that in which aid is payable. The exclusion of the value of the house, garage, and one acre from the first tier of agricultural homestead property must not be considered in determining net tax capacity for purposes of this paragraph for aids payable in 1994. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the net tax

capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. For purposes of determining the net tax capacity of property referred to in clauses (1), (2), and (3), the net tax capacity shall be multiplied by the ratio of the highest class rate for class 3a property for taxes payable in the year in which the aid is payable to the highest class rate for class 3a property in the prior year. Net tax capacity cannot be less than zero.

(d) "Previous net tax capacity" means the product of the appropriate net class rates for the year previous to the year in which the aid is payable, and estimated market values for the assessment two years prior to that in which aid is payable. "Total previous net tax capacity" means the previous net tax capacities for all property within the unique taxing jurisdiction. The total previous net tax capacity shall be reduced by the sum of (1) the unique taxing jurisdiction's previous net tax capacity of commercial-industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the previous net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the previous net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. Previous net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. The equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Equalized school levies" means the amounts levied for:

(1) general education under section 124A.23, subdivision 2;

(2) supplemental revenue under section 124A.22, subdivision 8a;

(3) capital expenditure facilities revenue under section 124.243, subdivision 3;

(4) capital expenditure equipment revenue under section 124.244, subdivision 2;

(5) basic transportation under section 124.226, subdivision 1; and

(6) referendum revenue under section 124A.03.

(g) "Current local tax rate" means the quotient derived by dividing the taxes levied within a unique taxing jurisdiction for taxes payable in the year prior to that for which aids are being calculated by the total previous net tax capacity of the unique taxing jurisdiction.

(h) For purposes of calculating and allocating homestead and agricultural credit aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties," "gross taxes," or "taxes levied" means the total net tax capacity based taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction. "Gross taxes" are before any reduction for disparity reduction aid but "taxes levied" are after any reduction for disparity reduction aid. Gross taxes levied or taxes levied cannot be less than zero.

"Taxes levied" excludes equalized school levies.

(i) "Human services aids" means:

(1) aid to families with dependent children under sections 256.82, subdivision 1, and 256.935, subdivision 1;

(2) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(3) general assistance medical care under section 256D.03, subdivision 6;

(4) general assistance under section 256D.03, subdivision 2;

(5) work readiness under section 256D.03, subdivision 2;

(6) emergency assistance under section 256.871, subdivision 6;

(7) Minnesota supplemental aid under section 256D.36, subdivision 1;

(8) preadmission screening and alternative care grants;

(9) work readiness services under section 256D.051;

(10) case management services under section 256.736, subdivision 13;

(11) general assistance claims processing, medical transportation and related costs; and

(12) medical assistance, medical transportation and related costs.

(j) "Household adjustment factor" means the number of households for the second most recent year preceding that in which the aids are payable divided by the number of households for the third most recent year. The household adjustment factor cannot be less than one.

(k) "Growth adjustment factor" means the household adjustment factor in the case of counties. In the case of cities, towns, school districts, and special taxing districts, the growth adjustment factor equals one. The growth adjustment factor cannot be less than one.

(l) For aid payable in 1992 and subsequent years, "homestead and agricultural credit base" means the previous year's certified homestead and agricultural credit aid determined under subdivision 2 less any permanent aid reduction in the previous year to homestead and agricultural credit aid under section 477A.0132, plus, for aid payable in 1992, fiscal disparity homestead and agricultural credit aid under subdivision 2b.

(m) "Net tax capacity adjustment" means (1) the total previous net tax capacity minus the total net tax capacity, multiplied by (2) the unique taxing jurisdiction's current local tax rate. The net tax capacity adjustment cannot be less than zero.

(n) "Fiscal disparity adjustment" means the difference between (1) a taxing jurisdiction's fiscal disparity distribution levy under section 473F.08, subdivision 3, clause (a), for taxes payable in the year prior to that for which aids are being calculated, and (2) the same distribution levy multiplied by the ratio of the highest class rate for class 3 property for taxes payable in the year prior to that for which aids are being calculated to the highest class rate for class 3 property for taxes payable in the second prior year to that for which aids are being calculated. In the case of school districts, the fiscal disparity distribution levy shall exclude that part of the levy attributable to equalized school levies."

Page 98, after line 21, insert:

"Section 6 is effective for taxes levied in 1995, payable in 1996, and thereafter. Section 9 is effective for aids paid in 1996, and thereafter."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

The roll was called, and there were yeas 7 and nays 55, as follows:

Those who voted in the affirmative were:

Dille	Kiscaden	Oliver	Pariseau	Runbeck
Johnston	Limmer			

Those who voted in the negative were:

Anderson	Flynn	Kramer	Moe, R.D.	Reichgott Junge
Belanger	Frederickson	Krentz	Mondale	Riveness
Berg	Hanson	Kroening	Morse	Sams
Berglin	Hottinger	Laidig	Murphy	Samuelson
Bertram	Janezich	Langseth	Neuville	Scheevel
Betzold	Johnson, D.E.	Larson	Ourada	Solon
Chandler	Johnson, D.J.	Lesewski	Pappas	Spear
Chmielewski	Johnson, J.B.	Lessard	Piper	Stevens
Cohen	Kelly	Marty	Pogemiller	Terwilliger
Day	Kleis	Merriam	Price	Vickerman
Finn	Knutson	Metzen	Ranum	Wiener

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

Mr. Finn moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 154, after line 15, insert:

"Section 1. Minnesota Statutes 1994, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, integrated service networks, community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs ~~(b) and (e)~~ (d) and (e), installments must be based on a sum equal to two percent of the premiums described in paragraph ~~(c)~~ (b).

(b) ~~For town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) writing life insurance, or (ii) whose total assets on December 31, 1989, exceeded $1,600,000,000, the installments must be based on an amount equal to the following percentages of the premiums described in paragraph (c):~~

~~(1) for premiums paid after December 31, 1988, and before January 1, 1992, one percent; and~~

~~(2) for premiums paid after December 31, 1991, one half of one percent.~~

~~(c)~~ Installments under paragraph (a)~~, (b), or,~~ ~~(e)~~ (d), or (e) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

~~(d)~~ (c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is $500 or less.

~~(e)~~ (d) For health maintenance organizations, nonprofit health services plan corporations, integrated service networks, and community integrated service networks, the installments must be based on an amount equal to one percent of premiums described in paragraph ~~(c)~~ (b) that are paid after December 31, 1995.

(e) For insurance other than fire, lightning, sprinkler leakage and extended coverage insurance and automobile insurance written by town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) writing life insurance, or (ii) whose total assets on December 31, 1989, exceeded $1,600,000,000, the installments must be based on an amount equal to one-half of one percent of the percentages of the premiums described in paragraph (b).

(f) Premiums under medical assistance, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan are not subject to tax under this section.

Sec. 2. Minnesota Statutes 1994, section 69.021, subdivision 2, is amended to read:

Subd. 2. [REPORT OF PREMIUMS.] Each insurer, including township and farmers mutual insurers where applicable, shall return to the commissioner with its annual financial statement the reports described in subdivision 1 certified by its secretary and president or chief financial officer. The Minnesota Firetown Premium Report shall contain a true and accurate statement of the total premium for all gross direct fire, lightning, sprinkler leakage, and extended coverage insurance of all domestic mutual insurers and the total premiums for all gross direct fire, lightning, sprinkler leakage and extended coverage insurance of all other insurers, less return premiums and dividends received by them on that business written or done during the preceding calendar year upon property located within the state or brought into the state for temporary use. The fire and extended coverage portion of multiperil and multiple peril package premiums and all other combination premiums shall be determined by applying percentages determined by the commissioner or by rating bureaus recognized by the commissioner. The Minnesota Aid to Police Premium Report shall contain a true and accurate statement of the total premiums, less return premiums and dividends, on all direct business received by such insurer in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for perils described in section 69.011, subdivision 1, clause (f)~~, except that domestic mutual insurance companies must not file a report~~."

Page 163, after line 23, insert:

"Sections 1 and 2 are effective retroactively to January 1, 1995."

Page 163, line 24, delete "2" and insert "4"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

Mr. Neuville moved to amend the Reichgott Junge amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 1, delete lines 4 to 36 and insert:

"Page 1, line 8, delete "FEDERAL UPDATE" and insert "INCOME TAX"

Page 4, after line 17, insert:

"Sec. 2. Minnesota Statutes 1994, section 290.06, is amended by adding a subdivision to read:

Subd. 25. [CREDIT FOR DEPENDENTS.] An individual taxpayer may take a credit against the tax due under this chapter in an amount equal to $60 for each dependent of the taxpayer who is 18 years of age or less at the close of the taxable year. If the credit provided under this subdivision exceeds the individual's tax liability under chapter 290 for the taxable year, the commissioner of revenue shall refund the excess amount of the credit to the taxpayer."

Page 4, after line 35, insert:

"Sec. 5. [EFFECTIVE DATE.]

Section 2 is effective for taxable years beginning after December 31, 1994.""

Page 2, delete lines 1 to 36

Page 3, delete lines 1 to 36

Page 4, delete lines 1 to 29

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

The roll was called, and there were yeas 28 and nays 35, as follows:

Those who voted in the affirmative were:

Belanger	Frederickson	Kramer	Olson	Scheevel
Berg	Johnson, D.E.	Larson	Ourada	Stevens
Chmielewski	Johnston	Lesewski	Pariseau	Terwilliger
Day	Kiscaden	Limmer	Robertson	Vickerman
Dille	Kleis	Neuville	Runbeck	
Finn	Knutson	Oliver	Sams	

Those who voted in the negative were:

Anderson	Hanson	Kroening	Mondale	Ranum
Berglin	Hottinger	Langseth	Morse	Reichgott Junge
Bertram	Janezich	Lessard	Murphy	Riveness
Betzold	Johnson, D.J.	Marty	Pappas	Samuelson
Chandler	Johnson, J.B.	Merriam	Piper	Solon
Cohen	Kelly	Metzen	Pogemiller	Spear
Flynn	Krentz	Moe, R.D.	Price	Wiener

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

Mr. Scheevel moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 20, line 12, strike "From July 1, 1994, until June"

Page 20, line 13, strike "30," and delete "1996" and strike the second comma

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

Mr. Dille moved to amend the first Johnson, D.J. amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 51, after line 27, insert:

"Sec. 79. [PREVAILING WAGE REDUCTION.]

Notwithstanding any other law to the contrary, any taxing authority that is subject to this article and required to pay a prevailing wage set under Minnesota Statutes, sections 177.41 to 177.44, or any other provision during calendar year 1996, may reduce the wages paid by ten percent of the amount otherwise required. Wages required to be paid under binding contracts entered into before April 11, 1995, are not subject to this section."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Mr. Johnson, D.J. questioned whether the amendment was germane.

The President ruled that the amendment was not germane.

Ms. Runbeck moved to amend the Metzen amendment to H.F. No. 602, adopted by the Senate April 12, 1995, as follows:

Page 1, delete lines 3 to 23 and insert:

"Page 87, delete lines 22 to 28 and insert "value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes under clause (5) has a class rate ~~of 2.2 percent of market value for taxes payable in 1992, and for taxes payable in 1993 and thereafter,~~ as follows: the first $72,000 of market value on each parcel has a class rate of ~~two~~ 1.8 percent for taxes payable in 1996, 1.6 percent for taxes payable in 1997, and 1.5 percent for taxes payable in 1998 and thereafter, and the market value of each parcel that exceeds $72,000 has a class rate of ~~2.5~~ 2.3 percent for taxes payable in 1996, 2.1 percent for taxes payable in 1997, and two percent for taxes payable in 1998 and thereafter, and (ii)"

Page 89, after line 36, insert:

"Sec. 8. Minnesota Statutes 1994, section 273.1398, subdivision 1, is amended to read:

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

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of local tax rates.

(c) "Net tax capacity" means the product of

(i) the appropriate net class rates for the year in which the aid is payable, except that for aid payable in 1993 the class rate applicable to class 4a shall be 3.5 percent; and the class rate applicable to class 4b shall be 2.65 percent; ~~and~~ for aid payable in 1994 the class rate applicable to class 4b shall be 2.4 percent and the class rate applicable to class 2a property over $115,000 market value and less than 320 acres is 1.15 percent; and for aid payable in 1997 the class rate for class 4c noncommercial seasonal residential recreational property is 1.8 percent on the first $72,000 of market value and 2.3 percent on the market value of each parcel that exceeds $72,000, and for aid payable in 1998 the class rate for class 4c noncommercial seasonal residential recreational property is 1.6 percent on the first $72,000 of market value and 2.1 percent on the market value of each parcel that exceeds $72,000, and

(ii) estimated market values for the assessment two years prior to that in which aid is payable. The exclusion of the value of the house, garage, and one acre from the first tier of agricultural homestead property must not be considered in determining net tax capacity for purposes of this paragraph for aids payable in 1994. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. For purposes of determining the net tax capacity of property referred to in clauses (1), (2), and (3), the net tax capacity shall be multiplied by the ratio of the highest class rate for class 3a property for taxes payable in the year in which the aid is payable to the highest class rate for class 3a property in the prior year. Net tax capacity cannot be less than zero.

(d) "Previous net tax capacity" means the product of the appropriate net class rates for the year previous to the year in which the aid is payable, and estimated market values for the assessment two years prior to that in which aid is payable. "Total previous net tax capacity" means the previous net tax capacities for all property within the unique taxing jurisdiction. The total previous net tax capacity shall be reduced by the sum of (1) the unique taxing jurisdiction's previous net tax capacity of commercial-industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the previous net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the previous net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. Previous net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. The equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Equalized school levies" means the amounts levied for:

(1) general education under section 124A.23, subdivision 2;

(2) supplemental revenue under section 124A.22, subdivision 8a;

(3) capital expenditure facilities revenue under section 124.243, subdivision 3;

(4) capital expenditure equipment revenue under section 124.244, subdivision 2;

(5) basic transportation under section 124.226, subdivision 1; and

(6) referendum revenue under section 124A.03.

(g) "Current local tax rate" means the quotient derived by dividing the taxes levied within a unique taxing jurisdiction for taxes payable in the year prior to that for which aids are being calculated by the total previous net tax capacity of the unique taxing jurisdiction.

(h) For purposes of calculating and allocating homestead and agricultural credit aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties," "gross taxes," or "taxes levied" means the total net tax capacity based taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction. "Gross taxes" are before any reduction for disparity reduction aid but "taxes levied" are after any reduction for disparity reduction aid. Gross taxes levied or taxes levied cannot be less than zero.

"Taxes levied" excludes equalized school levies.

(i) "Human services aids" means:

(1) aid to families with dependent children under sections 256.82, subdivision 1, and 256.935, subdivision 1;

(2) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(3) general assistance medical care under section 256D.03, subdivision 6;

(4) general assistance under section 256D.03, subdivision 2;

(5) work readiness under section 256D.03, subdivision 2;

(6) emergency assistance under section 256.871, subdivision 6;

(7) Minnesota supplemental aid under section 256D.36, subdivision 1;

(8) preadmission screening and alternative care grants;

(9) work readiness services under section 256D.051;

(10) case management services under section 256.736, subdivision 13;

(11) general assistance claims processing, medical transportation and related costs; and

(12) medical assistance, medical transportation and related costs.

(j) "Household adjustment factor" means the number of households for the second most recent year preceding that in which the aids are payable divided by the number of households for the third most recent year. The household adjustment factor cannot be less than one.

(k) "Growth adjustment factor" means the household adjustment factor in the case of counties. In the case of cities, towns, school districts, and special taxing districts, the growth adjustment factor equals one. The growth adjustment factor cannot be less than one.

(l) For aid payable in 1992 and subsequent years, "homestead and agricultural credit base" means the previous year's certified homestead and agricultural credit aid determined under subdivision 2 less any permanent aid reduction in the previous year to homestead and agricultural credit aid under section 477A.0132, plus, for aid payable in 1992, fiscal disparity homestead and agricultural credit aid under subdivision 2b.

(m) "Net tax capacity adjustment" means (1) the total previous net tax capacity minus the total

net tax capacity, multiplied by (2) the unique taxing jurisdiction's current local tax rate. The net tax capacity adjustment cannot be less than zero.

(n) "Fiscal disparity adjustment" means the difference between (1) a taxing jurisdiction's fiscal disparity distribution levy under section 473F.08, subdivision 3, clause (a), for taxes payable in the year prior to that for which aids are being calculated, and (2) the same distribution levy multiplied by the ratio of the highest class rate for class 3 property for taxes payable in the year prior to that for which aids are being calculated to the highest class rate for class 3 property for taxes payable in the second prior year to that for which aids are being calculated. In the case of school districts, the fiscal disparity distribution levy shall exclude that part of the levy attributable to equalized school levies.""

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

The roll was called, and there were yeas 30 and nays 32, as follows:

Those who voted in the affirmative were:

Belanger	Johnston	Kroening	Olson	Sams
Bertram	Kelly	Lesewski	Ourada	Samuelson
Day	Kiscaden	Limmer	Pariseau	Scheevel
Dille	Kleis	Metzen	Riveness	Stevens
Frederickson	Knutson	Novak	Robertson	Terwilliger
Johnson, D.E.	Kramer	Oliver	Runbeck	Wiener

Those who voted in the negative were:

Anderson	Finn	Krentz	Murphy	Reichgott Junge
Berg	Flynn	Lessard	Neuville	Solon
Berglin	Hanson	Marty	Pappas	Spear
Betzold	Hottinger	Merriam	Piper	Vickerman
Chandler	Janezich	Moe, R.D.	Pogemiller	
Chmielewski	Johnson, D.J.	Mondale	Price	
Cohen	Johnson, J.B.	Morse	Ranum	

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

Pursuant to Rule 22, Mr. Terwilliger moved to be excused from voting on H.F. No. 602. The motion prevailed.

H.F. No. 602 was read the third time, as amended, and placed on its final passage.

Mr. Moe, R.D. moved that those not voting be excused from voting. The motion prevailed.

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

The roll was called, and there were yeas 44 and nays 17, as follows:

Those who voted in the affirmative were:

Anderson	Finn	Krentz	Murphy	Reichgott Junge
Belanger	Flynn	Kroening	Neuville	Riveness
Berglin	Frederickson	Larson	Novak	Sams
Bertram	Hanson	Lesewski	Pappas	Samuelson
Betzold	Hottinger	Lessard	Pariseau	Solon
Chandler	Janezich	Metzen	Piper	Spear
Chmielewski	Johnson, D.J.	Moe, R.D.	Pogemiller	Vickerman
Cohen	Johnson, J.B.	Mondale	Price	Wiener
Dille	Kelly	Morse	Ranum	

Those who voted in the negative were:

Day	Kleis	Marty	Ourada	Stevens
Johnson, D.E.	Knutson	Merriam	Robertson	
Johnston	Kramer	Oliver	Runbeck	
Kiscaden	Limmer	Olson	Scheevel	

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

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate revert to the Orders of Business of Reports of Committees and Second Reading of Senate Bills. The motion prevailed.

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. 897, 882 and 503. The motion prevailed.

Mr. Lessard from the Committee on Environment and Natural Resources, to which was referred

S.F. No. 897: A bill for an act relating to waters; planning, development, review, reporting, and coordination of surface and groundwater management in the metropolitan area; amending Minnesota Statutes 1994, sections 103B.205, by adding a subdivision; 103B.211, subdivision 1; 103B.231, subdivisions 3, 4, 6, 7, 8, 9, 11, and by adding a subdivision; 103B.235, subdivision 3; 103B.241, subdivision 1; 103B.245, subdivisions 1 and 4; 103B.251, subdivisions 3 and 7; 103B.255, subdivisions 6, 7, 8, 9, 10, and 12; 103B.311, subdivisions 4 and 6; 103B.3369, subdivisions 5 and 6; and 103B.355; proposing coding for new law in Minnesota Statutes, chapter 103B; repealing Minnesota Statutes 1994, sections 103B.211, subdivision 4; 103B.227, subdivision 6; 103B.231, subdivisions 5 and 12; and 103B.3365.

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

Page 1, delete section 1 and insert:

"Section 1. Minnesota Statutes 1994, section 103B.205, is amended by adding a subdivision to read:

Subd. 10b. [STATE REVIEW AGENCIES.] "State review agencies" means the commissioners of natural resources, the pollution control agency, agriculture, and health."

Page 5, line 15, delete everything after "plans"

Page 5, line 16, delete everything before the period and insert "required under this chapter"

Page 9, line 10, delete "department of natural resources, the"

Page 9, line 11, delete "pollution control agency, the department of health" and insert "state review agencies"

Page 9, line 23, delete "any"

Page 9, line 24, delete "provision to the contrary in"

Page 10, line 25, after "STATE" insert "REVIEW"

Page 10, delete line 31

Page 10, line 32, delete "the department of health" and insert "state review agencies"

Page 11, line 13, before "review" insert "state"

Page 11, line 15, before the second "review" insert "state"

Page 13, line 1, delete "any provision to the"

Page 13, line 2, delete "contrary in"

Page 16, line 2, delete "any"

Page 16, line 3, delete "provision to the contrary in"

Page 18, line 7, delete "department of natural resources,"

Page 18, line 8, delete "the pollution control agency, the department of health" and insert "state review agencies"

Page 18, line 23, delete "any"

Page 18, line 24, delete "provision to the contrary in"

Page 19, line 12, delete "department of"

Page 19, delete line 13

Page 19, line 14, delete "of health" and insert "state review agencies"

Page 19, lines 33 and 35, before "review" insert "state"

Page 22, line 28, after "to" insert "watershed management organizations in the seven-county metropolitan area or" and strike "only" and delete "in greater Minnesota and to counties and"

Page 22, delete line 29

Page 22, line 30, delete "metropolitan area"

Page 24, after line 8, insert:

"Sec. 29. [REVISOR INSTRUCTION.]

In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall renumber section 103B.205, subdivision 10a, as subdivision 10b, and shall renumber section 103B.205, subdivision 10b, as subdivision 10a."

Page 24, line 10, delete "103B.211, subdivision 4;"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 15, delete "103B.211, subdivision 4;"

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. Flynn from the Committee on Judiciary, to which was re-referred

S.F. No. 836: A bill for an act relating to commerce; rental-purchase agreements; regulating the cost of lease services; providing for the application of certain other law; amending Minnesota Statutes 1994, sections 325F.84, by adding a subdivision; 325F.85; and 325F.91, 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 1994, section 325F.84, subdivision 3, is amended to read:

Subd. 3. [CASH PRICE.] "Cash price" means ~~an amount equal to~~ the ~~equivalent~~ fair market value ~~for goods offered under a consumer credit sale as provided under section 325G.15~~ of the property. "Fair market value" means the price at which retail sellers are selling and retail buyers

are buying the same or substantially similar property for cash in the same trade area in which the lessor's place of business is located. Cash price may be evidenced as provided in section 325F.931.

Sec. 2. Minnesota Statutes 1994, section 325F.91, subdivision 1, is amended to read:

Subdivision 1. [PROHIBITED RENTAL AGREEMENT PROVISIONS.] A rental-purchase agreement may not contain a provision:

(1) requiring a confession of judgment;

(2) authorizing a lessor or an agent of the lessor to commit a breach of the peace in the repossession of property;

(3) waiving a defense, counterclaim, or right the lessee may have against the lessor or an agent of the lessor;

(4) requiring the payment of a late charge unless a lease payment is delinquent for more than two business days for a weekly lease or three business days for a monthly lease, and the charge or fee shall not be in an amount more than the greater of five percent of the delinquent lease payment or $3;

(5) requiring a separate payment in addition to lease payments in order to acquire ownership of the property, other than by exercising an early purchase option pursuant to section 325F.93; ~~and~~

(6) authorizing a lessor to charge a penalty for early termination of a rental-purchase agreement; or

(7) disclosing or requiring a cash price not complying with section 325F.84, subdivision 3.

Sec. 3. Minnesota Statutes 1994, section 325F.91, is amended by adding a subdivision to read:

Subd. 2a. [FINANCE CHARGES.] A lessor may contract for and receive a finance charge on the cash price only in an amount not to exceed an annual percentage rate of 36 percent, including the cost of lease services.

Sec. 4. [325F.931] [RECORDS AND EVIDENCE OF CASH PRICE.]

(a) A lessor shall maintain records that establish that the price disclosed as the cash price in a rental-purchase agreement is the cash price as defined in section 325F.84, subdivision 3. A copy of each rental-purchase agreement and of the records required by this subdivision must be maintained for two years following the termination of the agreement.

(b) Evidence of the cash price of new property may include published prices or advertisements by retailers of substantially similar products selling in the same trade area in which the lessor's business is located, if the prices were published or disseminated within the 90-day period preceding the date of the rental-purchase agreement, or an amount equal to twice the documented actual cost, including freight charges, of the rental purchase property from an unaffiliated wholesaler, distributor, or manufacturer.

Sec. 5. Minnesota Statutes 1994, section 325F.97, subdivision 2, is amended to read:

Subd. 2. [APPLICATION OF OTHER LAW.] A violation of section 325F.90, 325F.91, or 325F.93 shall be treated as a violation of section 325F.69. The remedies provided by section 325F.90, 325F.91, or 325F.93 are cumulative and shall not be construed as restricting any remedy that is otherwise available. Section 334.01 does not apply to rental-purchase agreements made pursuant to sections 325F.84 to 325F.97.

Sec. 6. [REPEALER.]

Minnesota Statutes 1994, section 325F.91, subdivision 2, is repealed."

Delete the title and insert:

"A bill for an act relating to commerce; rental-purchase agreements; regulating cash price and finance charges; providing for the application of certain other law; amending Minnesota Statutes 1994, sections 325F.84, subdivision 3; 325F.91, subdivision 1, and by adding a subdivision; and 325F.97, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 325F; repealing Minnesota Statutes 1994, section 325F.91, subdivision 2."

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

Ms. Flynn from the Committee on Judiciary, to which was re-referred

S.F. No. 1204: A bill for an act relating to insurance; no-fault auto; regulating rental vehicle coverages; determining when a vehicle is rented; modifying the right to compensation for loss of use of a damaged rented motor vehicle; providing for limits of liability for motor vehicle lessors; amending Minnesota Statutes 1994, section 65B.49, subdivision 5a.

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

Page 4, line 4, before "liable" insert "vicariously" and delete "basic"

Page 4, line 5, delete "economic losses or other"

Page 4, line 7, delete "$100,000" and insert "$250,000"

Page 4, line 8, delete "$300,000" and insert "$500,000"

Page 4, line 10, delete "$10,000" and insert "$20,000"

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

Ms. Flynn from the Committee on Judiciary, to which was re-referred

S.F. No. 347: A bill for an act relating to landlords and tenants; regulating certain tenant screening practices; amending Minnesota Statutes 1994, section 504.30, subdivision 4, and by adding a subdivision.

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

Page 2, lines 1 to 9, delete the new language

Page 2, line 14, delete "an"

Page 2, lines 15 to 19, reinstate the stricken language

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

Ms. Flynn from the Committee on Judiciary, to which was referred

S.F. No. 732: A bill for an act relating to commerce; enacting the revised article 8 of the uniform commercial code proposed by the national conference of commissioners on uniform state laws; regulating investment securities; amending Minnesota Statutes 1994, sections 336.1-105; 336.1-206; 336.4-104; 336.5-114; 336.9-103; 336.9-105; 336.9-106; 336.9-203; 336.9-301; 336.9-302; 336.9-304; 336.9-305; 336.9-306; 336.9-309; 336.9-312; and 336.10-104; proposing coding for new law in Minnesota Statutes, chapter 336; repealing Minnesota Statutes 1994, sections 336.8-101; 336.8-102; 336.8-103; 336.8-104; 336.8-105; 336.8-106; 336.8-107; 336.8-108; 336.8-201; 336.8-202; 336.8-203; 336.8-204; 336.8-205; 336.8-206; 336.8-207; 336.8-208; 336.8-301; 336.8-302; 336.8-303; 336.8-304; 336.8-305; 336.8-306; 336.8-307; 336.8-308; 336.8-309; 336.8-310; 336.8-311; 336.8-312; 336.8-313; 336.8-314; 336.8-315; 336.8-316; 336.8-317; 336.8-318; 336.8-319; 336.8-320; 336.8-321; 336.8-401; 336.8-402; 336.8-403; 336.8-404; 336.8-405; 336.8-406; 336.8-407; and 336.8-408.

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

Ms. Flynn from the Committee on Judiciary, to which was re-referred

S.F. No. 1091: A bill for an act relating to transportation; expanding authority of commissioner of transportation to regulate providers of special transportation service; classifying data; providing for administrative fees and penalties; amending Minnesota Statutes 1994, sections 13.99, by adding subdivisions; 174.30, subdivisions 2, 3, 4, 6, and by adding subdivisions; and 174.315.

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

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 910: A bill for an act relating to telecommunications; eliminating the telecommunication access for communication-impaired persons board; creating telecommunication access duties for the departments of public service and human services; amending Minnesota Statutes 1994, sections 237.50, subdivision 4; 237.51, subdivisions 1, 5, and by adding a subdivision; 237.52, subdivisions 2, 4, and 5; 237.53, subdivisions 1, 3, 5, and 7; 237.54, subdivision 2; and 237.55; repealing Minnesota Statutes 1994, sections 237.50, subdivision 2; 237.51, subdivisions 2, 3, 4, and 6; and 237.54, subdivision 1.

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

Page 2, line 33, strike ", including emergency rules,"

Page 4, line 30, delete ", using fund proceeds," and insert "contract with the message relay service operator to"

Page 7, after line 2, insert:

"Sec. 14. Minnesota Statutes 1994, section 256C.24, subdivision 3, is amended to read:

Subd. 3. [ADVISORY COMMITTEE.] The commissioner of human services shall appoint an advisory committee of ~~eight~~ nine persons for each regional service ~~center~~ area. Members shall include persons who are deaf and hard of hearing, persons who are communication-impaired, parents of children who are deaf and hard of hearing, parents of communication-impaired children, and representatives of county and regional human services, including representatives of private service providers. At least 50 percent of the members must be deaf or hard of hearing or communication-impaired. Committee members shall serve for a three-year term and shall serve no more than two consecutive terms. The commissioner of human services shall designate one member as chair. The commissioner of human services shall assign staff to serve as ex officio members of the committee. The compensation, removal of members, and filling of vacancies on the committee shall be as provided in section 15.0575."

Page 7, line 9, delete everything before the period and insert "applies only to the classified positions"

Page 7, after line 9, insert:

"Sec. 16. [REPORT.]

The department of public service shall make a report to the legislature by February 15, 1997, comparing:

(1) the telecommunication relay system management performance of the telecommunication access for communication-impaired persons board and the system's relay operator for 1994; and

(2) the telecommunication relay system management performance of the department of public service and the system's relay operator for 1996."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, after the semicolon, insert "specifying the membership of regional service for deaf and hard of hearing advisory committees;"

Page 1, line 10, delete "and" and after "237.55" insert "; and 256C.24, subdivision 3"

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

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 705: A bill for an act relating to economic development; requiring private businesses with state financial assistance to pay a livable wage and increase employment; proposing coding for new law in Minnesota Statutes, chapter 177.

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

Delete everything after the enacting clause and insert:

"Section 1. [177.255] [STATE ASSISTANCE; EMPLOYMENT; POVERTY LEVEL WAGE.]

Subdivision 1. [APPLICATION.] (a) This section applies to any for profit corporation, partnership, limited liability company, or sole proprietorship that does not meet the definition of a small business in section 645.445 and that receives state assistance in the form of a state grant, state loan, or tax increment financing, if:

(1) the sum of all three types of assistance exceeds $25,000 in a fiscal year; and

(2) the purpose of the assistance is economic development or job growth.

(b) The state assistance recipient must:

(1) produce a net increase in jobs in Minnesota within two years of receiving the state assistance. If without state assistance the recipient would decrease their number of employees, then the state assistance recipient must show a net retention in the number of jobs or lose the assistance; and

(2) pay every employee at least a poverty level wage when they are hired to work in a job created by an economic development project or job growth project which receives assistance from a state grant, a state loan, or tax increment financing. For purposes of this section, a poverty level wage on an annualized basis is equal to 100 percent of the federal poverty level for a family of four. The commissioner of trade and economic development shall determine whether or not any job created is a result of an economic development project or a job growth project which receives assistance from a state grant, state loan, or tax increment financing.

If the state assistance recipient fails to comply with clause (2), the recipient shall pay the local human service agency an amount equal to two times the difference between the wage required under clause (2) and the wage actually paid.

For the purpose of this section a state grant or loan includes a loan or grant from the iron range resources and rehabilitation board or any of the funds it controls.

Subd. 2. [ON-THE-JOB TRAINING EXEMPTION.] (a) The requirement to pay at least a poverty level wage under subdivision 1 does not apply to an employee engaged in on-the-job training. For purposes of this section, on-the-job training means:

(1) an apprenticeship program for an apprentice defined by section 178.06;

(2) a preapprenticeship program that assists learners to explore occupational areas and assess their skills and interests in those areas, and acquire knowledge and skills necessary to succeed in youth apprenticeship programs; or

(3) a training program, not to exceed six months, that is offered to an individual while

employed in productive work that provides training, technical and other related skills, and personal skills that are essential to the full and adequate performance of the employment.

(b) An employer must pay at least a poverty level wage to an employee who would otherwise be exempt under paragraph (a), clause (1), (2), or (3), if:

(1) any other individual has been laid off by the employer from the position to be filled by the employee engaged in on-the-job training or from any substantially equivalent position; or

(2) the employer has terminated the employment of any regular employee or otherwise reduced the number of employees with the intention of replacing the employee by hiring an employee who is not required to receive at least a poverty level wage.

Subd. 3. [APPLICATION FOR ON-THE-JOB TRAINING EXEMPTION.] An employer seeking exemption under subdivision 2 must:

(1) notify the commissioner of labor and industry. The commissioner must certify that the on-the-job training program meets the criteria stated in subdivision 2; and

(2) describe the program in writing, retain a copy, and provide a copy to the commissioner of labor and industry and to the employee.

Subd. 4. [EMPLOYER EXEMPTIONS.] The requirement to pay at least a poverty level wage under subdivision 1 does not apply to the following types of state assistance:

(1) tax increment financing for redevelopment activities, including assistance financed with increments (i) from districts defined as redevelopment districts or renewal and renovation districts under section 469.174, or (ii) from another type of district used to pay for redevelopment activities as defined in section 469.176, subdivision 4j;

(2) state grant and state loan assistance to businesses located in districts which meet the criteria of a redevelopment district or renewal and renovation district defined in section 469.174;

(3) tax increment assistance financed by districts defined as housing districts under section 469.174;

(4) tax increment assistance financed by districts created as hazardous substance subdistricts under section 469.175;

(5) state grant and state loan assistance for the removal or remediation of a hazardous substance, hazardous waste, pollutant, or contaminant, including human waste, as defined by section 115B.02;

(6) loan or loan guarantee assistance from the tourism loan program under section 116J.617; and

(7) grant assistance from contamination cleanup grants under section 116J.552.

Subd. 5. [EMPLOYEE EXEMPTION.] This section does not apply to an employee who is a blind or disabled eligible individual as that term is defined in United States Code, title 42, section 1382, paragraph (a).

Sec. 2. [270.0683] [REPORT ON THE EFFECT OF TAX INCENTIVES UPON THE NUMBER OF JOBS.]

On a biennial basis, the commissioner of revenue shall analyze the effect of all business related tax reductions or waivers on the aggregate number of jobs created and wages paid in those new jobs. The commissioner of revenue shall present the results of their analysis to the legislature.

Sec. 3. [270.0684] [GOALS FOR NEWLY LEGISLATED TAX EXPENDITURES.]

Each new legislated business related tax expenditure shall include measurable goals for jobs and wages and require a biennial review conducted by the commissioner of revenue for continuation based upon meeting those goals. The commissioner of revenue shall report the results of the review to the legislature.

Sec. 4. [EFFECTIVE DATE; APPLICABILITY.]

Sections 1 to 3 apply to state grants, state loans, and tax increment financing authorized on or after August 1, 1995."

Delete the title and insert:

"A bill for an act relating to economic development; requiring private businesses with state financial assistance to pay at least a poverty level wage and increase employment; proposing coding for new law in Minnesota Statutes, chapters 177; and 270."

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

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

S.F. No. 558: A bill for an act relating to commerce; requiring inspections of, reports on, and training for tobacco retailers and employees; proposing coding for new law in Minnesota Statutes, chapter 461.

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 1994, section 325F.76, is amended by adding a subdivision to read:

Subd. 2a. [DISPLAY ALLOWANCE.] "Display allowance" means any credit, payment of money, or value given to a seller of cigarettes, smokeless tobacco products, cigars, pipe tobacco, or other tobacco products in exchange for the seller's agreement to display or place the tobacco products in any prescribed manner, format, or location.

Sec. 2. [325F.775] [DISPLAY ALLOWANCES PROHIBITED.]

No manufacturer or distributor of cigarettes or other tobacco products may directly or indirectly pay or give any display allowance to a retail seller of cigarettes or other tobacco products.

Sec. 3. Minnesota Statutes 1994, section 325F.78, is amended to read:

325F.78 [REMEDIES.]

The attorney general may institute a civil action in the name of the state of Minnesota in the district court for an injunction prohibiting any violation of section 325F.77 or 325F.775. The court, upon notice to the defendant of not less than five days, and upon proof that defendant has engaged in the practice prohibited by section 325F.77 or 325F.775, may enjoin the future commission of the practice. The court may impose a civil penalty in an amount not to exceed $5,000 for each violation. The attorney general may recover costs and disbursements, including costs of investigation and reasonable attorneys fees.

Sec. 4. Minnesota Statutes 1994, section 461.12, is amended to read:

461.12 [MUNICIPAL ~~CIGARETTE~~ TOBACCO LICENSE.]

Subdivision 1. [AUTHORIZATION.] ~~The~~ A town board or the governing body of ~~each town and~~ a home rule charter ~~and~~ or statutory city may license and regulate the retail sale ~~at retail~~ of ~~cigarettes, cigarette paper, or cigarette wrappers~~ tobacco and ~~fix the~~ establish a license fee for sales. ~~The town or city may charge a uniform annual fee for all sellers or different annual fees for different classes of sellers. It may provide for the punishment of any violation of the regulations, and make other provisions for the regulation of the sale of cigarettes within its jurisdiction as are permitted by law.~~ The county board ~~may make like provisions for licensing and regulating the sale of cigarettes in~~ shall license and regulate the sale of tobacco in unorganized territory of the county and in a town or a home rule charter or statutory city if the town or city does not license or

regulate retail tobacco sales. ~~The provisions of this section shall not apply to the licensing of sale of cigarettes in cars of common carriers.~~

Subd. 2. [LICENSEES; PENALTIES.] If a licensee or employee of a licensee is found to have sold tobacco to a person under the age of 18 years, and the licensee has not conducted a training program under section 461.17, the licensee shall be subject to an administrative penalty of no more than $50. An administrative penalty of no more than $200 shall be imposed for a second violation at the same location occurring within 24 months of the initial violation, except that an administrative penalty of no more than $100 shall be imposed against a licensee that has conducted a training program under section 461.17. An administrative penalty of no more than $400 shall be imposed for a third violation at the same location occurring within 24 months of the initial violation, except that an administrative penalty of no more than $200 shall be imposed against a licensee that has conducted a training program under section 461.17. If a fourth violation at the same location occurs within 24 months of the initial violation, the licensee's authority to sell tobacco at that location shall be suspended for no more than seven days. Additional violations at the same location that occur within 24 months of the initial violation shall be subject to the penalties described for a fourth violation. No suspension or penalty may take effect until the licenseholder has been given reasonable notice of an alleged violation and has been afforded an opportunity for a hearing before the town board, the governing body of a home rule charter or statutory city, or the county board. A decision that a violation has occurred must be in writing and based on the record compiled at the hearing. A decision may be appealed to the district court in the county in which the sale occurred.

Subd. 3. [ADMINISTRATIVE PENALTY; INDIVIDUALS.] The local government unit shall impose on any individual who sells tobacco to a person under the age of 18 years an administrative penalty of no more than $50 and on any individual under 18 who attempts to purchase, purchases, or possesses tobacco, an administrative penalty of no more than $50. Before the penalty may be imposed, the individual must be given reasonable notice of an alleged violation and afforded an opportunity for a hearing before the governing body of a home rule charter or statutory city, the town board, or the county board. A decision that a violation has occurred must be in writing and based on the record compiled at the hearing. A decision may be appealed to the district court in the county where the sale, purchase, or possession occurred.

Subd. 4. [DEFENSE.] It is a defense to the charge of selling tobacco to a person under the age of 18 years in violation of subdivision 2 or 3, that the licensee or individual, in making the sale, reasonably and in good faith relied upon representation of proof of age described in section 340A.503, subdivision 6, paragraph (a).

Subd. 5. [EFFECT ON LOCAL ORDINANCE.] This section does not preempt a local ordinance which provides for more restrictive regulation of retail tobacco sales.

Sec. 5. [461.16] [TOBACCO SALES LOCATIONS; INSPECTIONS, REPORTS.]

Each statutory or home rule charter city and, in those areas of each county outside of the cities, the county, shall coordinate annual, random, unannounced inspections at locations where tobacco products are sold to test compliance with section 609.685 and to conform with the requirements of federal law. The inspections shall be performed by local units of government. A person no younger than 15 and no older than 17 shall assist in the tests of compliance only under the supervision of a law officer and only with the written consent of a parent. Each city or county which performs compliance checks shall report results to the commissioner of human services. The commissioner shall annually submit the report required by United States Code, title 42, section 300x-26, and otherwise ensure the state's compliance with that law and any regulations adopted to implement it.

Sec. 6. [461.17] [TOBACCO PRODUCT SALESPERSONS; TRAINING.]

Subdivision 1. [TRAINING PROGRAM.] The employer at each retail location where tobacco products are sold shall conduct a training program for the individuals who sell tobacco products at the location that instructs them about the law, the related penalties, and the employer's policy with regard to tobacco sales. The employer shall maintain a written record of training provided to each employee and the record shall be made available to inspectors on demand. If an inspection at any location discloses a violation of section 609.685, notice shall be given to the employer, and the employees shall be retrained as provided by this section.

Subd. 2. [SIGNAGE.] Each licensee shall display on the premises at each location where tobacco products are sold, language stating that the sale of tobacco to persons under age 18 is prohibited by law."

Delete the title and insert:

"A bill for an act relating to commerce; requiring inspections of, reports on, and training for tobacco retailers and employees; establishing administrative penalties; defining display allowance; prohibiting payment of display allowance; establishing penalties; amending Minnesota Statutes 1994, sections 325F.76, by adding a subdivision; 325F.78; and 461.12; proposing coding for new law in Minnesota Statutes, chapters 325F; and 461."

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

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

S.F. No. 882: A bill for an act relating to crime; expanding the scope of the patterned sex offender sentencing law; requiring training for judges, prosecutors, peace officers, and sex offender assessors on sentencing laws applicable to repeat and patterned sex offenders; amending Minnesota Statutes 1994, sections 480.30; and 609.1352, subdivisions 1, 3, and 5; proposing coding for new law in Minnesota Statutes, chapter 388.

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

Pages 2 and 3, delete section 3 and insert:

"Sec. 3. Minnesota Statutes 1994, section 609.1352, is amended by adding a subdivision to read:

Subd. 1a. [STATUTORY MAXIMUMS LENGTHENED.] If the factfinder determines, at the time of the trial or the guilty plea, that a predatory offense was motivated by, committed in the course of, or committed in furtherance of sexual contact or penetration, as defined in section 609.341, and the court is imposing a sentence under subdivision 1, the statutory maximum imprisonment penalty for the offense is 40 years, notwithstanding the statutory maximum imprisonment penalty otherwise provided for the offense."

Page 4, lines 20 to 22, reinstate the stricken language and delete the new language

Page 5, lines 1 and 2, reinstate the stricken language and delete the new language

Page 5, after line 6, insert:

"Sec. 6. Minnesota Statutes 1994, section 609.341, subdivision 11, is amended to read:

Subd. 11. (a) "Sexual contact," for the purposes of sections 609.343, subdivision 1, clauses (a) to (f), and 609.345, subdivision 1, clauses (a) to (e), and (h) to ~~(k)~~ (l), includes any of the following acts committed without the complainant's consent, except in those cases where consent is not a defense, and committed with sexual or aggressive intent:

(i) the intentional touching by the actor of the complainant's intimate parts, or

(ii) the touching by the complainant of the actor's, the complainant's, or another's intimate parts effected by coercion or the use of a position of authority, or by inducement if the complainant is under 13 years of age or mentally impaired, or

(iii) the touching by another of the complainant's intimate parts effected by coercion or the use of a position of authority, or

(iv) in any of the cases above, the touching of the clothing covering the immediate area of the intimate parts.

(b) "Sexual contact," for the purposes of sections 609.343, subdivision 1, clauses (g) and (h), and 609.345, subdivision 1, clauses (f) and (g), includes any of the following acts committed with sexual or aggressive intent:

(i) the intentional touching by the actor of the complainant's intimate parts;

(ii) the touching by the complainant of the actor's, the complainant's, or another's intimate parts;

(iii) the touching by another of the complainant's intimate parts; or

(iv) in any of the cases listed above, touching of the clothing covering the immediate area of the intimate parts.

(c) "Sexual contact with a person under 13" means the intentional touching of the complainant's bare genitals or anal opening by the actor's bare genitals or anal opening with sexual or aggressive intent or the touching by the complainant's bare genitals or anal opening of the actor's or another's bare genitals or anal opening with sexual or aggressive intent.

Sec. 7. Minnesota Statutes 1994, section 609.746, subdivision 1, is amended to read:

Subdivision 1. [SURREPTITIOUS INTRUSION; OBSERVATION DEVICE.] (a) A person is guilty of a misdemeanor who:

(1) enters upon another's property;

(2) surreptitiously gazes, stares, or peeps in the window or any other aperture of a house or place of dwelling of another; and

(3) does so with intent to intrude upon or interfere with the privacy of a member of the household.

(b) A person is guilty of a misdemeanor who:

(1) enters upon another's property;

(2) surreptitiously installs or uses any device for observing, photographing, recording, amplifying, or broadcasting sounds or events through the window or any other aperture of a house or place of dwelling of another; and

(3) does so with intent to intrude upon or interfere with the privacy of a member of the household.

(c) A person is guilty of a misdemeanor who:

(1) surreptitiously gazes, stares, or peeps in the window or other aperture of a hotel sleeping room or tanning booth occupied by another; and

(2) does so with intent to intrude upon or interfere with the privacy of an occupant of the hotel sleeping room or tanning booth.

(d) A person is guilty of a misdemeanor who:

(1) surreptitiously installs or uses any device for observing, photographing, recording, amplifying, or broadcasting sounds or events through the window or other aperture of a hotel sleeping room or tanning booth occupied by another; and

(2) does so with intent to intrude upon or interfere with the privacy of an occupant of the hotel sleeping room or tanning booth.

(e) A person is guilty of a gross misdemeanor if the person violates this subdivision after a previous conviction under this subdivision or section 609.749.

~~(d) Paragraph (b) does~~ (f) Paragraphs (b) and (d) do not apply to law enforcement officers or corrections investigators, or to those acting under their direction, while engaged in the performance of their lawful duties.

Sec. 8. Minnesota Statutes 1994, section 617.23, is amended to read:

617.23 [INDECENT EXPOSURE; PENALTIES.]

~~Every~~ (a) A person is guilty of a misdemeanor who ~~shall~~ in any public place, or in any place where others are present:

(1) willfully and lewdly ~~expose~~ exposes the person's body, or the private parts thereof~~, in any public place, or in any place where others are present, or shall procure~~;

(2) procures another to expose private parts~~, and every person who shall be guilty of~~; or

(3) engages in any open or gross lewdness or lascivious behavior, or any public indecency other than ~~hereinbefore~~ behavior specified~~, shall be guilty of a misdemeanor~~ in clause (1) or (2) or this clause.

(b) A person is guilty of a gross misdemeanor if:

(1) the person violates this section in the presence of a minor under the age of 16; or

(2) the person violates this section after having been previously convicted of violating this section, sections 609.342 to 609.3451, or a statute from another state in conformity with any of those sections.

Sec. 9. Minnesota Statutes 1994, section 626.13, is amended to read:

626.13 [SERVICE; PERSONS MAKING.]

A search warrant may in all cases be served anywhere within the issuing judge's county by any of the officers mentioned in its directions, but by no other person, except in aid of the officer on the officer's requiring it, the officer being present and acting in its execution. If the warrant is to be served by an agent of the bureau of criminal apprehension, an agent of the division of gambling enforcement, a state patrol trooper, or a conservation officer, the agent, state patrol trooper, or conservation officer shall notify the chief of police of an organized full-time police department of the municipality or, if there is no such local chief of police, the sheriff or a deputy sheriff of the county in which service is to be made prior to execution.

Sec. 10. Minnesota Statutes 1994, section 626.84, subdivision 2, is amended to read:

Subd. 2. [SCOPE.] Notwithstanding sections 12.03, subdivision 4, 12.25, or any other law to the contrary, no individual employed or acting as an agent of any political subdivision shall be authorized to carry a firearm when on duty unless the individual:

(1) has been licensed under sections 626.84 to 626.863; or

(2) has served in Minnesota as a peace officer, meets the current peace officer firearms training requirements, and serves as an investigator in a felony prosecution office.

Nothing herein shall be construed as requiring licensure of a security guard as that term is defined in section 626.88, subdivision 1, clause (c).

Sec. 11. Minnesota Statutes 1994, section 628.26, is amended to read:

628.26 [LIMITATIONS.]

(a) Indictments or complaints for murder may be found or made at any time after the death of the person killed.

(b) Indictments or complaints for violation of section 609.42, subdivision 1, clause (1) or (2), shall be found or made and filed in the proper court within six years after the commission of the offense.

(c) Indictments or complaints for violation of sections 609.342 to 609.345 if the victim was under the age of 18 years at the time the offense was committed, shall be found or made and filed in the proper court within seven years after the commission of the offense or, if the victim failed to report the offense within this limitation period, within three years after the offense was reported to law enforcement authorities.

(d) Indictments or complaints for violation of sections 609.342 to 609.344 if the victim was 18 years old or older at the time the offense was committed, shall be found or made and filed in the proper court within seven years after the commission of the offense.

(e) Indictments or complaints for violation of sections 609.466 and 609.52, subdivision 2, clause (3)(c) shall be found or made and filed in the proper court within six years after the commission of the offense.

(f) Indictments or complaints for violation of section 609.52, subdivision 2, clause (3), items (a) and (b), (4), (15), or (16), 609.631, or 609.821, where the value of the property or services stolen is more than $35,000, shall be found or made and filed in the proper court within five years after the commission of the offense.

(g) Except for violations relating to false material statements, representations or omissions, indictments or complaints for violations of section 609.671 shall be found or made and filed in the proper court within five years after the commission of the offense.

(h) Indictments or complaints for violation of sections 609.561 to 609.563, shall be found or made and filed in the proper court within five years after the commission of the offense.

(i) In all other cases, indictments or complaints shall be found or made and filed in the proper court within three years after the commission of the offense.

(j) The limitations periods contained in this section shall exclude any period of time during which the defendant was not an inhabitant of or usually resident within this state.

(k) The limitations periods contained in this section for an offense shall not include any period during which the alleged offender participated under a written agreement in a pretrial diversion program relating to that offense.

(l) The limitations periods contained in this section shall not include any period of time during which physical evidence relating to the offense was undergoing DNA analysis, as defined in section 299C.155, unless the defendant demonstrates that the prosecuting or law enforcement agency purposefully delayed the DNA analysis process in order to gain an unfair advantage."

Page 5, line 8, delete "5" and insert "8"

Page 5, line 9, after the period, insert "Section 11 is effective August 1, 1995, and applies to crimes committed on or after that date, and to crimes committed before that date if the limitations period for the offense did not expire before August 1, 1995."

Renumber the sections in sequence

Delete the title and insert:

"A bill for an act relating to crime; expanding the scope of the patterned sex offender sentencing law; requiring training for judges, prosecutors, peace officers, and sex offender assessors on sentencing laws applicable to repeat and patterned sex offenders; expanding the interference with privacy crime to include persons who intrude on the privacy of occupants of hotel sleeping rooms and tanning booths; increasing penalties for committing the crime of indecent exposure in the presence of a child under the age of 16; clarifying where service of a search warrant may be made; expanding the authority of agents of a political subdivision to carry firearms when on duty; tolling the statute of limitations while physical evidence relating to a crime is undergoing DNA analysis; amending Minnesota Statutes 1994, sections 480.30; 609.1352, subdivisions 3, 5, and by adding a subdivision; 609.341, subdivision 11; 609.746, subdivision 1; 617.23; 626.13; 626.84, subdivision 2; and 628.26; proposing coding for new law in Minnesota Statutes, chapter 388."

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. Flynn from the Committee on Judiciary, to which was re-referred

S.F. No. 503: A bill for an act relating to state government; providing for the Minnesota collection enterprise; imposing duties and providing powers; providing for the disclosure of certain data; imposing a collection penalty; appropriating money; amending Minnesota Statutes 1994, sections 8.16, by adding a subdivision; 16D.02, subdivision 6, and by adding a subdivision; 16D.04, subdivisions 1 and 3; 16D.06; and 16D.08, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 16D.

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

Page 1, line 20, after "collection" insert "and exclude the power to subpoena personal appearance of witnesses unless the attorney general is so authorized by other statute or court rule"

Page 3, line 1, reinstate the stricken "a"

Page 3, lines 2 and 3, delete the new language and reinstate the stricken language

Page 5, line 33, delete "by referring the debt on" and insert "when referred by the commissioner"

Pages 7 and 8, delete section 10 and insert:

"Sec. 10. [16D.13] [VENUE.]

Subdivision 1. [AUTHORIZATION.] The commissioner or the attorney general may bring an action to recover debts owed to the state in Ramsey county district court or Ramsey county conciliation court at the discretion of the state. In order to bring a cause of action under this section in any county other than the county where the debtor resides or where the cause of action arose, the commissioner or the attorney general must notify the debtor as provided in subdivisions 2 to 4, unless that venue is authorized by other law.

Subd. 2. [CONCILIATION COURT; CLAIMS FOR $2,500 OR LESS.] (a) Before bringing a conciliation court action for a claim for $2,500 or less under this section in any county other than where the debtor resides or where the cause of action arose, the commissioner or the attorney general shall send a form by first class mail to the debtor's last known address notifying the debtor of the intent to bring an action in Ramsey county. The commissioner or attorney general must enclose a form for the debtor to use to request that the action not be brought in Ramsey county and a self-addressed, postage paid envelope. The form must advise the debtor of the right to request that the action not be brought in Ramsey county and that the debtor has 30 days from the date of the form to make this request.

(b) If the debtor timely returns the form requesting the action not be brought in Ramsey county, the commissioner or attorney general may only file the action in the county of the debtor's residence, the county where the cause of action arose, or as provided by other law. The commissioner or attorney general shall notify the debtor of the action taken. If the debtor does not timely return the form, venue is as chosen by the commissioner or attorney general as authorized under this section.

(c) If a judgment is obtained in Ramsey county conciliation court when the form was sent by first class mail under this subdivision and the debtor reasonably demonstrates that the debtor did not reside at the address where the form was sent or that the debtor did not receive the form, the commissioner or the attorney general shall vacate the judgment without prejudice and return any funds collected as a result of enforcement of the judgment. Evidence of the debtor's correct address include, but are not limited to, a driver's license, homestead declaration, school registration, utility bills, or a lease or rental agreement.

Subd. 3. [CONCILIATION COURT CLAIMS EXCEEDING $2,500.] (a) In order to bring a conciliation court claim that exceeds $2,500 under this section in a county other than where the debtor resides or where the cause of action arose, the commissioner or the attorney general shall serve with the conciliation court claim a change of venue form for the debtor to use to request that venue be changed and a self-addressed, postage paid return envelope. This form must advise the

debtor that the form must be returned within 30 days of the date of service or venue will remain in Ramsey county.

(b) If the debtor timely returns the change of venue form requesting a change of venue, the commissioner or attorney general shall change the venue of the action to the county of the debtor's residence, the county where the cause of action arose, as provided by other law, or dismiss the action. The commissioner or attorney general must notify the debtor of the action taken. If the debtor does not timely return the form, venue is as chosen by the commissioner or attorney general as authorized under this section. The commissioner or the attorney general shall file the signed return receipt card or the proof of service with the court.

Subd. 4. [DISTRICT COURT.] (a) In order to bring a district court action under this section in any county other than where the debtor resides or where the cause of action arose, the commissioner or attorney general shall serve the change of venue form with the summons and complaint or petition commencing the collection action. Two copies of the form must be served along with a self-addressed, postage paid return envelope. The form must advise the debtor that the form must be returned within 20 days of the date of service or venue will remain in Ramsey county. If the debtor timely returns the change of venue form, the time to answer the summons and complaint or petition runs from the date of debtor's request for change of venue.

(b) If the debtor timely returns the change of venue form requesting that the action not be brought in Ramsey county, the commissioner or attorney general shall change the venue of the action to the county of the debtor's residence, the county where the cause of action arose, as provided by other law, or dismiss the action. The commissioner or attorney general shall notify the debtor of the action taken. If the debtor is served the form to change venue along with the district court summons and complaint or petition, in accordance with court rules, but does not return the form within the statutory timelines, venue is as chosen by the commissioner or attorney general as authorized under this section. The commissioner or attorney general shall file the proof of service along with the summons and complaint or petition commencing the lawsuit.

Subd. 5. [FEES.] No court filing fees, docketing fees, or release of judgment fees may be assessed against the state for collection actions filed under this chapter."

Page 8, line 32, delete "that" and insert "tax refunds, earned income tax credit, child care tax credit, prejudgment debts of $5,000 or less," and before "or" insert a comma

Page 8, line 34, after "setoff" insert "under this chapter"

Page 9, line 4, before "The" insert "Before setoff,"

Page 9, line 8, delete "The"

Page 9, delete line 9

Page 9, line 10, delete everything before "The" and insert "For debts owed to the state that have not been reduced to judgment, if no opportunity to be heard or administrative appeal process has yet been made available to the debtor to contest the validity or accuracy of the debt, before setoff for a prejudgment debt, the notice to the debtor must advise that the debtor has a right to make a written request for a contested case hearing on the validity of the debt or the right to setoff."

Page 9, delete section 13 and insert:

"Sec. 13. Minnesota Statutes 1994, section 491A.01, subdivision 8, is amended to read:

Subd. 8. [JURISDICTION; ~~MULTIPLE DEFENDANTS~~ VENUE.] The conciliation court ~~also~~ has jurisdiction to determine a civil action commenced against ~~two~~ one or more defendants in the county in which one or more of the defendants resides or where the cause of action, or some part of it, arose. Counterclaims may be commenced in the county where the original action was commenced.

Sec. 14. Minnesota Statutes 1994, section 491A.02, subdivision 4, is amended to read:

Subd. 4. [REPRESENTATION.] (a) A corporation, partnership, limited liability company, sole

proprietorship, or association may be represented in conciliation court by an officer, manager, or partner or an agent in the case of a condominium, cooperative, or townhouse association, or may appoint a natural person who is an employee or commercial property manager to appear on its behalf or settle a claim in conciliation court. The state or a political subdivision of the state may be represented in conciliation court by an employee of the pertinent governmental unit without a written authorization. ~~This~~ Representation under this subdivision does not constitute the practice of law for purposes of section 481.02, subdivision 8. In the case of an officer, employee, commercial property manager, or agent of a condominium, cooperative, or townhouse association, an authorized power of attorney, corporate authorization resolution, corporate bylaw, or other evidence of authority acceptable to the court must be filed with the claim or presented at the hearing. This subdivision also applies to appearances in district court by a corporation or limited liability company with five or fewer shareholders or members and to any condominium, cooperative, or townhouse association, if the action was removed from conciliation court.

(b) "Commercial property manager" means a corporation, partnership, or limited liability company or its employees who are hired by the owner of commercial real estate to perform a broad range of administrative duties at the property including tenant relations matters, leasing, repairs, maintenance, the negotiation and resolution of tenant disputes, and related matters. In order to appear in conciliation court, a property manager's employees must possess a real estate license under section 82.20 and be authorized by the owner of the property to settle all disputes with tenants and others within the jurisdictional limits of conciliation court.

(c) A commercial property manager who is appointed to settle a claim in conciliation court may not charge or collect a separate fee for services rendered under paragraph (a)."

Page 9, line 30, delete "issue a request for proposals and place at"

Page 9, line 31, delete "least" and insert "set a goal to place" and after "agencies" insert "licensed by the commissioner of commerce under Minnesota Statutes, chapter 332"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete "state government" and insert "civil actions"

Page 1, line 5, after the second semicolon, insert "providing for venue of conciliation court actions; authorizing certain appearances;"

Page 1, line 9, delete the second "and"

Page 1, line 10, after the semicolon, insert "491A.01, subdivision 8; and 491A.02, subdivision 4;"

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.

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

S.F. No. 1564: A bill for an act relating to crime; amending the definition of manslaughter in the first degree; amending Minnesota Statutes 1994, section 609.20.

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

Page 1, after line 5, insert:

"Section 1. Minnesota Statutes 1994, section 171.07, subdivision 1a, is amended to read:

Subd. 1a. [FILING PHOTOGRAPHS OR IMAGES; DATA CLASSIFICATION.] The department shall file, or contract to file, all photographs or electronically produced images obtained in the process of issuing driver licenses or Minnesota identification cards. The

photographs or electronically produced images shall be private data pursuant to section 13.02, subdivision 12. Notwithstanding section 13.04, subdivision 3, the department shall not be required to provide copies of photographs or electronically produced images to data subjects. The use of the files is restricted:

(1) to the issuance and control of driver licenses;

(2) for law enforcement purposes in the investigation and prosecution of ~~felonies and violations of section 169.09; 169.121; 169.123; 169.129; 171.22; 171.24; 171.30; 609.41; 609.487, subdivision 3; 609.631, subdivision 4, clause (3); 609.821, subdivision 3, clauses (1), item (iv), and (3); or 617.23~~ crimes; and

(3) for child support enforcement purposes under section 256.978.

Sec. 2. [299A.61] [CRIMINAL ALERT NETWORK.]

The commissioner of public safety, in cooperation with the commissioner of administration, shall develop and maintain an integrated criminal alert network to facilitate the communication of crime prevention information by electronic means among state agencies, law enforcement officials, and the private sector. The network shall disseminate data regarding the commission of crimes, including information on missing and endangered children, and attempt to reduce theft and other crime by the use of electronic transmission of information.

Sec. 3. Minnesota Statutes 1994, section 299C.11, is amended to read:

299C.11 [IDENTIFICATION DATA FURNISHED TO BUREAU.]

The sheriff of each county and the chief of police of each city of the first, second, and third classes shall furnish the bureau, upon such form as the superintendent shall prescribe, with such finger and thumb prints, photographs, distinctive physical mark identification data, and other identification data as may be requested or required by the superintendent of the bureau, which may be taken under the provisions of section 299C.10, of persons who shall be convicted of a felony, gross misdemeanor, or who shall be found to have been convicted of a felony or gross misdemeanor, within ten years next preceding their arrest. Upon the determination of all pending criminal actions or proceedings in favor of the arrested person, the arrested person shall, upon demand, have all such finger and thumb prints, photographs, distinctive physical mark identification data, and other identification data, and all copies and duplicates thereof, returned, provided it is not established that the arrested person has been convicted of any felony, either within or without the state, within the period of ten years immediately preceding such determination.

For purposes of this section, "determination of all pending criminal actions or proceedings in favor of the arrested person" does not include:

(1) the sealing of a criminal record pursuant to section 152.18, subdivision 1, 242.31, or 609.168; or

(2) the arrested person's successful completion of a diversion program.

Sec. 4. Minnesota Statutes 1994, section 401.02, subdivision 4, is amended to read:

Subd. 4. [DETAINING PERSON ON CONDITIONAL RELEASE OR PROBATION.] (a) The written order of the chief executive officer or designee of a community corrections agency established under this chapter is sufficient authority for peace officers and probation officers serving the district and juvenile courts of participating counties ~~participating in the subsidy program established by this chapter may, without order or warrant~~, when it appears necessary to prevent escape or enforce discipline, to take and detain a probationer, or any person on conditional release and bring that person before the court or the commissioner of corrections or a designee, whichever is appropriate, for disposition. No probationer or other person on conditional release shall be detained more than 72 hours, exclusive of legal holidays, Saturdays and Sundays, pursuant to this subdivision without being provided with the opportunity for a hearing before the court or the commissioner of corrections or a designee.

(b) The written order of the chief executive officer or designee of a community corrections agency established under this chapter is sufficient authority for probation officers serving the district and juvenile courts of participating counties to release within 72 hours, exclusive of legal holidays, Saturdays, and Sundays, without appearance before the court or the commissioner of corrections or a designee, any person detained pursuant to paragraph (a).

(c) When providing supervision and other correctional services to persons conditionally released pursuant to sections 241.26, 242.19, 243.05, 243.16, 244.05, and 244.065, including intercounty transfer of persons on conditional release, and the conduct of presentence investigations, participating counties shall comply with the policies and procedures relating thereto as prescribed by the commissioner of corrections.

~~(b)~~ (d) The written order of the chief executive officer or designee of a community corrections agency established under this chapter is sufficient authority for any peace officer or county probation officer to take and place in actual custody any person under sentence or on probation who:

(1) fails to report to serve a sentence at a local correctional facility, as defined in section 241.021, subdivision 1;

(2) fails to return from furlough or authorized temporary release from a local correctional facility;

(3) escapes from a local correctional facility; or

(4) absconds from court-ordered home detention.

~~(c)~~ (e) The written order of the chief executive officer or designee of a community corrections agency established under this chapter is sufficient authority for any peace officer or county probation officer to take and place in actual custody any person on a court authorized pretrial release who absconds from pretrial release or fails to abide by the conditions of pretrial release.

Sec. 5. Minnesota Statutes 1994, section 609.10, is amended to read:

609.10 [SENTENCES AVAILABLE.]

Upon conviction of a felony and compliance with the other provisions of this chapter the court, if it imposes sentence, may sentence the defendant to the extent authorized by law as follows:

(1) to life imprisonment; or

(2) to imprisonment for a fixed term of years set by the court; or

(3) to both imprisonment for a fixed term of years and payment of a fine; or

(4) to payment of a fine without imprisonment or to imprisonment for a fixed term of years if the fine is not paid; or

(5) to payment of court-ordered restitution in addition to either imprisonment or payment of a fine, or both; or

(6) to payment of a local correctional fee as authorized under section 609.102 in addition to any other sentence imposed by the court.

As used in this section, "restitution" includes:

(i) payment of compensation to the victim or the victim's family; and

(ii) payment of money to a victim assistance program or other program directed by the court.

Sec. 6. Minnesota Statutes 1994, section 609.125, is amended to read:

609.125 [SENTENCE FOR MISDEMEANOR OR GROSS MISDEMEANOR.]

Upon conviction of a misdemeanor or gross misdemeanor the court, if sentence is imposed, may, to the extent authorized by law, sentence the defendant:

(1) to imprisonment for a definite term; or

(2) to payment of a fine, or to imprisonment for a specified term if the fine is not paid; or

(3) to both imprisonment for a definite term and payment of a fine; or

(4) to payment of court-ordered restitution in addition to either imprisonment or payment of a fine, or both; or

(5) to payment of a local correctional fee as authorized under section 609.102 in addition to any other sentence imposed by the court.

As used in this section, "restitution" includes:

(i) payment of compensation to the victim or the victim's family; and

(ii) payment of money to a victim assistance program or other program directed by the court."

Page 1, lines 15 and 16, delete the new language

Page 2, line 10, delete "or 609.378" and insert "(malicious punishment of a child)"

Page 2, after line 11, insert:

"Sec. 8. Minnesota Statutes 1994, section 609.205, is amended to read:

609.205 [MANSLAUGHTER IN THE SECOND DEGREE.]

A person who causes the death of another by any of the following means is guilty of manslaughter in the second degree and may be sentenced to imprisonment for not more than ten years or to payment of a fine of not more than $20,000, or both:

(1) by the person's culpable negligence whereby the person creates an unreasonable risk, and consciously takes chances of causing death or great bodily harm to another; or

(2) by shooting another with a firearm or other dangerous weapon as a result of negligently believing the other to be a deer or other animal; or

(3) by setting a spring gun, pit fall, deadfall, snare, or other like dangerous weapon or device; or

(4) by negligently or intentionally permitting any animal, known by the person to have vicious propensities or to have caused great or substantial bodily harm in the past, to run uncontrolled off the owner's premises, or negligently failing to keep it properly confined; or

(5) causes the death of another in committing or attempting to commit a violation of section 609.378 (neglect or endangerment of a child), and murder in the first, second, or third degree is not committed thereby.

If proven by a preponderance of the evidence, it shall be an affirmative defense to criminal liability under clause (4) that the victim provoked the animal to cause the victim's death.

Sec. 9. Minnesota Statutes 1994, section 609.323, subdivision 2, is amended to read:

Subd. 2. Whoever, ~~not related by blood, adoption, or marriage to the prostitute,~~ while acting other than as a prostitute or patron, intentionally receives profit, knowing or having reason to know that it is derived from the prostitution, or the promotion of the prostitution, of an individual in circumstances described in section 609.322, subdivision 2, clause (3), may be sentenced to not more than three years imprisonment or to payment of a fine of not more than $5,000, or both.

Sec. 10. Minnesota Statutes 1994, section 609.323, is amended by adding a subdivision to read:

Subd. 3a. [EXCEPTIONS.] Subdivisions 1a and 3 do not apply to a minor who is dependent on an individual acting as a prostitute and who may have benefited from or been supported by the individual's earnings derived from prostitution.

Sec. 11. [609.5051] [CRIMINAL ALERT NETWORK; DISSEMINATION OF FALSE OR MISLEADING INFORMATION PROHIBITED.]

Whoever uses the criminal alert network under section 299A.61 to disseminate information regarding the commission of a crime knowing that it is false or misleading, is guilty of a misdemeanor.

Sec. 12. Minnesota Statutes 1994, section 609.713, subdivision 1, is amended to read:

Subdivision 1. Whoever threatens, directly or indirectly, to commit any crime of violence with purpose to terrorize another or to cause evacuation of a building, place of assembly, vehicle or facility of public transportation or otherwise to cause serious public inconvenience, or in a reckless disregard of the risk of causing such terror or inconvenience may be sentenced to imprisonment for not more than five years or to payment of a fine of not more than $10,000, or both. As used in this subdivision, "crime of violence" has the meaning given "violent crime" in section 609.152, subdivision 1, paragraph (d).

Sec. 13. Minnesota Statutes 1994, section 609.713, subdivision 2, is amended to read:

Subd. 2. Whoever communicates to another with purpose to terrorize another or in reckless disregard of the risk of causing such terror, that explosives or an explosive device or any incendiary device is present at a named place or location, whether or not the same is in fact present, may be sentenced to imprisonment for not more than three years or to payment of a fine of not more than $3,000, or both.

Sec. 14. Minnesota Statutes 1994, section 624.731, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For the purposes of this section:

(a) "authorized tear gas compound" means a lachrymator or any substance composed of a mixture of a lachrymator including chloroacetophenone, alpha-chloroacetophenone; phenylchloromethylketone, orthochlorobenzalmalononitrile or oleoresin capsicum, commonly known as tear gas; and

(b) "electronic incapacitation device" means a portable device which is designed or intended by the manufacturer to be used, offensively or defensively, to temporarily immobilize or incapacitate persons by means of electric pulse or current, including devices operating by means of carbon dioxide propellant. "Electronic incapacitation device" does not include cattle prods, electric fences, or other electric devices ~~which are~~ when used in agricultural, animal husbandry, or food production activities.

Sec. 15. Minnesota Statutes 1994, section 624.731, subdivision 8, is amended to read:

Subd. 8. [PENALTIES.] (a) The following violations of this section shall be considered a felony:

(1) The possession or use of tear gas, a tear gas compound, an authorized tear gas compound, or an electronic incapacitation device by a person specified in subdivision 3, paragraph (b).

(2) Knowingly selling or furnishing of tear gas, a tear gas compound, an authorized tear gas compound, or an electronic incapacitation device to a person specified in subdivision 3, paragraph (b).

(3) The use of an electronic incapacitation device as prohibited in subdivision 4, paragraph (a).

(4) The use of tear gas or a tear gas compound as prohibited in subdivision 4, paragraph (d).

(b) The following violation of this section shall be considered a gross misdemeanor: (1) The prohibited use of tear gas, a tear gas compound, or an authorized tear gas compound as specified in subdivision 4, paragraph (a); (2) the use of an electronic incapacitation device except as allowed by subdivision 2 or 6.

(c) The following violations of this section shall be considered a misdemeanor:

(1) The possession or use of tear gas, a tear gas compound, an authorized tear gas compound, or an electronic incapacitation device which fails to meet the requirements of subdivision 2 by any person except as allowed by subdivision 6.

(2) The possession or use of an authorized tear gas compound or an electronic incapacitation device by a person specified in subdivision 3, paragraph (a) or (c).

(3) The use of tear gas, a tear gas compound, or an authorized tear gas compound~~, or an electronic incapacitation device~~ except as allowed by subdivision 2 or 6.

(4) Knowingly selling or furnishing an authorized tear gas compound or an electronic incapacitation device to a person specified in subdivision 3, paragraph (a) or (c).

(5) Selling or furnishing of tear gas or a tear gas compound other than an authorized tear gas compound to any person except as allowed by subdivision 6.

(6) Selling or furnishing of an authorized tear gas compound or an electronic incapacitation device on premises where intoxicating liquor is sold on an on-sale or off-sale basis or where 3.2 percent malt liquor is sold on an on-sale basis.

(7) Selling an authorized tear gas compound or an electronic incapacitation device in violation of local licensing requirements.

Sec. 16. Minnesota Statutes 1994, section 626.53, is amended to read:

626.53 [REPORT BY TELEPHONE AND LETTER.]

Subdivision 1. [REPORTS TO SHERIFFS AND POLICE CHIEFS.] The report required by section 626.52, subdivision 2, shall be made forthwith by telephone or in person, and shall be promptly supplemented by letter, enclosed in a securely sealed, postpaid envelope, addressed to the sheriff of the county in which the wound is examined, dressed, or otherwise treated; except that, if the place in which the patient is treated for such injury or the patient's wound dressed or bandaged be in a city of the first, second, or third class, such report shall be made and transmitted as herein provided to the chief of police of such city instead of the sheriff. Except as otherwise provided in subdivision 2, the office of any such sheriff and of any such chief of police shall keep the report as a confidential communication and shall not disclose the name of the person making the same, and the party making the report shall not by reason thereof be subpoenaed, examined, or forced to testify in court as a consequence of having made such a report.

Subd. 2. [REPORTS TO DEPARTMENT OF HEALTH.] Upon receiving a report of a wound caused by or arising from the discharge of a firearm, the sheriff or chief of police shall forward the information contained in the report to the commissioner of health. The commissioner of health shall keep the report as a confidential communication, as provided under subdivision 1. The commissioner shall maintain a statewide, computerized record system containing summary data, as defined in section 13.02, on information received under this subdivision.

Sec. 17. Minnesota Statutes 1994, section 629.715, subdivision 1, is amended to read:

Subdivision 1. [JUDICIAL REVIEW; RELEASE.] (a) When a person is arrested for a crime against the person, the judge before whom the arrested person is taken shall review the facts surrounding the arrest and detention. The prosecutor or other appropriate person shall present relevant information involving the victim or the victim's family's account of the alleged crime to the judge to be considered in determining whether to order the arrested person's release. The arrested person must be ordered released pending trial or hearing on the person's personal recognizance or on an order to appear or upon the execution of an unsecured bond in a specified amount unless the judge determines that release (1) will be inimical to public safety, (2) will create a threat of bodily harm to the arrested person, the victim of the alleged crime, or another, or (3) will not reasonably assure the appearance of the arrested person at subsequent proceedings.

(b) If the judge determines release under paragraph (a) is not advisable, the judge may impose any conditions of release that will reasonably assure the appearance of the person for subsequent proceedings, or will protect the victim of the alleged crime, or may fix the amount of money bail without other conditions upon which the arrested person may obtain release.

Sec. 18. [629.725] [NOTICE TO CRIME VICTIM REGARDING BAIL HEARING OF ARRESTED OR DETAINED PERSON.]

When a person arrested or a juvenile detained for a crime of violence or an attempted crime of violence is scheduled to be reviewed under section 629.715 for release from pretrial detention, the court shall make a reasonable and good faith effort to notify the victim of the alleged crime. If the victim is incapacitated or deceased, notice must be given to the victim's family. If the victim is a minor, notice must be given to the victim's parent or guardian. The notification must include:

(1) the date and approximate time of the review;

(2) the location where the review will occur;

(3) the name and telephone number of a person that can be contacted for additional information; and

(4) a statement that the victim and the victim's family may attend the review.

Sec. 19. [629.735] [NOTICE TO LOCAL LAW ENFORCEMENT AGENCY REGARDING RELEASE OF ARRESTED OR DETAINED PERSON.]

When a person arrested or a juvenile detained for a crime of violence or an attempted crime of violence is about to be released from pretrial detention, the agency having custody of the arrested or detained person or its designee shall make a reasonable and good faith effort before release to inform any local law enforcement agencies known to be involved in the case, if different from the agency having custody, of the following matters:

(1) the conditions of release, if any;

(2) the time of release; and

(3) the time, date, and place of the next scheduled court appearance of the arrested or detained person."

Page 2, line 13, delete "Section 1 is" and insert "Sections 7 to 16 are" and delete "applies" and insert "apply"

Renumber the sections in sequence

Delete the title and insert:

"A bill for an act relating to crime; amending the definition of manslaughter in the first degree, manslaughter in the second degree, receiving profits from prostitution; requiring reports on wounds received from gunshots; expanding the definition of electronic incapacitation device and increasing the penalty for its unauthorized use; authorizing use of drivers' license photographs to investigate or prosecute crimes; precluding the expungement of criminal records in diversion cases; authorizing sentencing courts to order the payment of restitution to victim assistance programs; adding a fine provision to the terroristic threats crime; authorizing peace officers to detain probationers based on an order from the chief executive officer of a community corrections agency; requiring certain information to be gathered from crime victims and presented at bail hearings; requiring notification to certain victims of bail hearings; requiring notification to local law enforcement agencies of the pretrial release of certain defendants; codifying the establishment of a criminal alert network; prohibiting the dissemination of false or misleading information on the criminal alert network; providing penalties; amending Minnesota Statutes 1994, sections 171.07, subdivision 1a; 299C.11; 401.02, subdivision 4; 609.10; 609.125; 609.20; 609.205; 609.323, subdivision 2, and by adding a subdivision; 609.713, subdivisions 1 and 2; 624.731, subdivisions 1 and 8; 626.53; and 629.715, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 299A; 609; and 629."

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

SECOND READING OF SENATE BILLS

S.F. Nos. 836, 1204, 347, 732, 1091, 910, 558 and 1564 were read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Pogemiller moved that H.F. No. 493 be withdrawn from the Committee on Rules and Administration and re-referred to the Committee on Finance. The motion prevailed.

Mr. Hottinger 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. 513. The motion prevailed.

Mr. Belanger moved that his name be stricken as a co-author to S.F. No. 513. The motion prevailed.

Mr. Johnson, D.J. moved that the name of Mr. Moe, R.D. be added as a co-author to S.F. No. 513. The motion prevailed.

INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Mses. Runbeck and Robertson introduced--

S.F. No. 1657: A bill for an act relating to education; changing the composition of administrators; amending Minnesota Statutes 1994, section 136E.04, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 135A.

Referred to the Committee on Education.

Messrs. Lessard and Chmielewski introduced--

S.F. No. 1658: A bill for an act relating to waste management; establishing the Aitkin area resource recovery authority; proposing coding for new law as Minnesota Statutes, chapter 116T.

Referred to the Committee on Environment and Natural Resources.

Messrs. Stumpf; Lessard; Janezich; Johnson, D.J. and Merriam introduced--

S.F. No. 1659: A resolution memorializing the President and Congress to act to resolve the Minnesota-Ontario border dispute regarding game fishing by investigating Minnesotans' rights under the Root/Bryce Treaty.

Referred to the Committee on Environment and Natural Resources.

Mr. Knutson, Mses. Reichgott Junge, Flynn, Robertson and Mr. Cohen introduced--

S.F. No. 1660: A bill for an act relating to uniform laws; enacting uniform land security interest act to regulate real estate security in excess of $500,000; proposing coding for new law as Minnesota Statutes, chapter 506.

Referred to the Committee on Judiciary.

Messrs. Knutson, Vickerman and Ourada introduced--

S.F. No. 1661: A bill for an act relating to local government; increasing the age for curfew under countywide curfew ordinances; amending Minnesota Statutes 1994, section 145A.05, subdivision 7a.

Referred to the Committee on Metropolitan and Local Government.

MEMBERS EXCUSED

Mr. Stumpf was excused from the Session of today. Mr. Kroening was excused from the Session of today from 9:30 to 11:10 a.m. Mr. Vickerman was excused from the Session of today from 1:30 to 1:45 p.m. Mr. Day was excused from the Session of today from 1:30 to 2:00 p.m. and from 2:45 to 3:15 p.m. Mr. Beckman was excused from the Session of today at 3:45 p.m.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 9:00 a.m., Thursday, April 13, 1995. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate