

1 Senator Cohen from the Committee on Finance, to which was
2 referred

3 H.F. No. 823: A bill for an act relating to natural
4 resources; modifying designations of forest roads; modifying
5 terms of timber sales on tax-forfeited lands; modifying the
6 State Timber Act; modifying standard measurements for wood;
7 amending Minnesota Statutes 2004, sections 89.71, subdivision 1;
8 90.01, by adding subdivisions; 90.041, subdivision 5; 90.042;
9 90.101, subdivision 2; 90.121; 90.172; 90.173; 90.195; 90.211;
10 90.301, subdivision 4; 239.33; 282.04, subdivision 1; repealing
11 Minnesota Statutes 2004, sections 90.01, subdivision 9; 90.041,
12 subdivisions 3, 4.

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

15 Delete everything after the enacting clause and insert:

16 "Section 1. Minnesota Statutes 2004, section 89.71,
17 subdivision 1, is amended to read:

18 Subdivision 1. [DESIGNATION, INVENTORY, RECORDING.] Forest
19 ~~roads, bridges, and other improvements administered under~~
20 ~~section 89.002, subdivision 3, are designated as state forest~~
21 ~~roads to the width of the actual use including ditches,~~
22 ~~backslopes, fills, and maintained right-of-way, unless otherwise~~
23 ~~specified in a prior easement of record.~~ The commissioner
24 may shall designate forest roads by written order published in
25 the State Register. Designated forest roads, bridges, and other
26 improvements administered under section 89.002, subdivision 3,
27 are designated to the width of the actual use including ditches,
28 backslopes, fills, and maintained right-of-way, unless otherwise
29 specified in a prior easement of record. The commissioner may
30 undesignate, by written order published in the State Register,
31 all or part of a state forest road that is not needed to carry
32 out forest resource management policy. Designations and
33 undesignations are not subject to the rulemaking provisions of
34 chapter 14 and section 14.386 does not apply. The commissioner
35 shall maintain and keep current an inventory listing and
36 describing roads in which the state claims a right or property
37 interest for state forest road purposes. The commissioner may
38 file for record with a county recorder or registrar of titles
39 appropriate documents setting forth the state's interest in all
40 or part of any state forest road.

41 Sec. 2. Minnesota Statutes 2004, section 90.01, is amended

1 by adding a subdivision to read:

2 Subd. 11. [EFFECTIVE PERMIT.] "Effective permit" means a
3 permit for which the commissioner has on file full or partial
4 surety as required by section 90.161, 90.162, 90.163, or 90.173
5 or, in the case of permits issued according to section 90.191 or
6 90.195, the commissioner has received a down payment equal to
7 the full appraised value.

8 Sec. 3. Minnesota Statutes 2004, section 90.01, is amended
9 by adding a subdivision to read:

10 Subd. 12. [RESPONSIBLE BIDDER.] "Responsible bidder" means
11 a person who is financially responsible; demonstrates the
12 judgment, skill, ability, capacity, and integrity requisite and
13 necessary to perform according to the terms of a permit issued
14 under this chapter; and is not currently debarred by another
15 government entity for any cause.

16 Sec. 4. Minnesota Statutes 2004, section 90.041,
17 subdivision 5, is amended to read:

18 Subd. 5. [FOREST IMPROVEMENT CONTRACTS.] The commissioner
19 may contract as part of the timber sale with the purchaser of
20 state timber at either informal or auction sale for the
21 following forest improvement work to be done on the land
22 included within the sale area: preparation of the site for
23 seeding or planting of seedlings or trees, seeding or planting
24 of seedlings or trees, and other activities relating to forest
25 regeneration. A contract issued under this subdivision is not
26 subject to the competitive bidding provisions of chapter 16C and
27 is exempt from the contract approval provisions of section
28 16C.05, subdivision 2.

29 Sec. 5. Minnesota Statutes 2004, section 90.042, is
30 amended to read:

31 90.042 [PUBLIC INVOLVEMENT PROCESS.]

32 Subdivision 1. [REPORT TO LEGISLATURE.] By July 1 each
33 year, the commissioner must provide a complete description of
34 the public involvement process for timber harvest plans to the
35 chairs of the legislative committees with jurisdiction over
36 natural resources policy and finance. The process must provide

1 public notice and public input in affected areas of proposed
2 annual harvest plans.

3 Subd. 2. [PUBLIC MEETINGS.] By May 1 each year, the
4 commissioner shall hold one or more public meetings in the
5 forested area of the state to inform the public of the manner in
6 which the proposed annual harvest plan for the next fiscal year
7 is proposed to be allocated between informal, intermediate, and
8 regular auction sales. The public shall be afforded an
9 opportunity to provide written and oral comments concerning the
10 proposed allocation.

11 Sec. 6. Minnesota Statutes 2004, section 90.101,
12 subdivision 2, is amended to read:

13 Subd. 2. [SALE LIST AND NOTICE.] At least 30 days before
14 the date of sale, the commissioner shall compile a list
15 containing a description of each tract of land upon which any
16 timber to be offered is situated and a statement of the
17 estimated quantity of timber and of the appraised price of each
18 kind of timber thereon as shown by the report of the state
19 appraiser. ~~The commissioner may also list the estimated~~
20 ~~quantity of timber of doubtful market value and the appraised~~
21 ~~price of each kind of such timber within the permit area that~~
22 ~~may be cut at the discretion of the purchaser. --- Optional timber~~
23 ~~will not be considered a part of the sale contract until the~~
24 ~~permit holder has advised the commissioner in writing of an~~
25 ~~intent to cut such timber.~~ No description shall be added after
26 the list is posted and no timber shall be sold from land not
27 described in the list. Copies of the list shall be furnished to
28 all interested applicants. A copy of the list shall be
29 conspicuously posted in the forest office or other public
30 facility most accessible to potential bidders at least 30 days
31 prior to the date of sale. The commissioner shall cause a
32 notice to be published once not less than one week before the
33 date of sale in a legal newspaper in the county or counties
34 where the land is situated. The notice shall state the time and
35 place of the sale and the location at which further information
36 regarding the sale may be obtained. The commissioner may give

1 other published or posted notice as the commissioner deems
2 proper to reach prospective bidders.

3 Sec. 7. Minnesota Statutes 2004, section 90.121, is
4 amended to read:

5 90.121 [INTERMEDIATE AUCTION SALES; MAXIMUM LOTS OF 3,000
6 CORDS.]

7 (a) The commissioner may sell the timber on any tract of
8 state land in lots not exceeding 3,000 cords in volume, in the
9 same manner as timber sold at public auction under section
10 90.101, and related laws, subject to the following special
11 exceptions and limitations:

12 (1) the commissioner shall offer all tracts authorized for
13 sale by this section separately from the sale of tracts of state
14 timber made pursuant to section 90.101;

15 (2) no bidder may be awarded more than 25 percent of the
16 total tracts offered at the first round of bidding unless fewer
17 than four tracts are offered, in which case not more than one
18 tract shall be awarded to one bidder. Any tract not sold at
19 public auction may be offered for private sale as authorized by
20 section 90.101, subdivision 1, to persons eligible under this
21 section at the appraised value; and

22 (3) no sale may be made to a person having more than 20
23 employees. For the purposes of this subdivision, "employee"
24 means an individual working for salary or wages on a full-time
25 or part-time basis.

26 (b) The auction sale procedure set forth in this section
27 constitutes an additional alternative timber sale procedure
28 available to the commissioner and is not intended to replace
29 other authority possessed by the commissioner to sell timber in
30 lots of 3,000 cords or less.

31 Sec. 8. Minnesota Statutes 2004, section 90.172, is
32 amended to read:

33 90.172 [ANNUAL ~~REPORT~~ REPORTS.]

34 Subdivision 1. [REPORT TO LEGISLATURE.] The commissioner
35 shall file an annual report on or before September 30 of each
36 year with the Legislative Reference Library providing detailed

1 information on all auctions and informal sales made in the
2 previous fiscal year. The report shall include but not be
3 limited to the names and addresses of all purchasers, volumes of
4 timber purchased, species, appraised value and sale price. The
5 commissioner shall make copies of the report available to the
6 public upon request.

7 Subd. 2. [REPORT TO EXECUTIVE COUNCIL.] The commissioner
8 shall report on or before September 30 of each year or more
9 frequently, as required, to the state Executive Council
10 concerning the status of the state timber sales and timber
11 management program, including any special problems or changes
12 occurring since the previous report.

13 Sec. 9. Minnesota Statutes 2004, section 90.173, is
14 amended to read:

15 90.173 [PURCHASER'S OR ASSIGNEE'S CASH DEPOSIT IN LIEU OF
16 BOND.]

17 (a) In lieu of filing the bond required by section 90.161
18 or 90.171, as security for the issuance or assignment of a
19 timber permit, the person required to file the bond may deposit
20 with the commissioner of finance cash; a certified check; a
21 cashier's check; a personal check; a postal, bank, or express
22 money order; ~~assignable bonds or notes of the United States; or~~
23 ~~an assignment of a bank savings account or investment~~
24 ~~certificate;~~ or an irrevocable bank letter of credit, in the
25 same amount as would be required for a bond. ~~If securities~~
26 ~~listed in this section are deposited, the par value of the~~
27 ~~securities shall be not less than the amount required for the~~
28 ~~timber sale bond, and the person required to file the timber~~
29 ~~sale bond shall submit an agreement authorizing the commissioner~~
30 ~~to sell or otherwise take possession of the security in the~~
31 ~~event of default under the timber sale.~~ All of the conditions
32 of the timber sale bond shall equally apply to ~~the deposit with~~
33 ~~the commissioner of finance~~ the alternatives in lieu of bond.
34 In the event of a default the state may take from the deposit
35 the sum of money to which it is entitled; the remainder, if any,
36 shall be returned to the person making the deposit. When cash

1 is deposited for a bond, it shall be applied to the amount due
2 when a statement is prepared and transmitted to the permit
3 holder pursuant to section 90.181. Any balance due to the state
4 shall be shown on the statement and shall be paid as provided in
5 section 90.181. Any amount of the deposit in excess of the
6 amount determined to be due pursuant to section 90.181 shall be
7 returned to the permit holder when a final statement is
8 transmitted pursuant to that section. All or part of a cash
9 bond may be withheld from application to an amount due on a
10 nonfinal statement if it appears that the total amount due on
11 the permit will exceed the bid price.

12 (b) If an irrevocable bank letter of credit is provided as
13 security under paragraph (a), at the written request of the
14 permittee the state shall annually allow the amount of the bank
15 letter of credit to be reduced by an amount proportionate to the
16 value of timber that has been harvested and for which the state
17 has received payment under the timber permit. The remaining
18 amount of the bank letter of credit after a reduction under this
19 paragraph must not be less than the value of the timber
20 remaining to be harvested under the timber permit.

21 (c) If cash; a certified check; a cashier's check; a
22 personal check; or a postal, bank, or express money order is
23 provided as security under paragraph (a) and no cutting of state
24 timber has taken place on the permit, the commissioner may
25 credit the security provided, less any deposit required by
26 sections 90.14 and 90.163, to any other permit to which the
27 permit holder requests in writing that it be credited.

28 Sec. 10. Minnesota Statutes 2004, section 90.211, is
29 amended to read:

30 90.211 [PURCHASE MONEY, WHEN FORFEITED.]

31 If the ~~purchaser-of-any-timber-or-the-purchaser's~~
32 assignee holder of an effective permit fails to cut any part
33 thereof before the expiration of the permit, the ~~purchaser-or~~
34 assignee permit holder shall nevertheless pay the price
35 therefor; but under no circumstances shall timber be cut after
36 the expiration of the permit or extension thereof.

1 Sec. 11. Minnesota Statutes 2004, section 90.301,
2 subdivision 4, is amended to read:

3 Subd. 4. [APPREHENSION OF TRESPASSERS; REWARD.] The
4 ~~following-rewards-shall~~ commissioner may offer a reward to be
5 paid to any a person giving to the proper authorities any
6 information which-shall-lead that leads to the detection-and
7 conviction of any-persons a person violating any-of-the
8 provisions-of this chapter:--\$25-reward,-if-the-value-of-the
9 timber-so-unlawfully-cut-or-removed-shall-not-exceed-the-sum-of
10 \$25,-\$50-reward,-if-the-value-of-the-timber-shall-not-exceed
11 \$50,-and-\$100-reward,-if-the-value-of-the-timber-shall-exceed
12 the-sum-of-\$100,-and-the-court-before-whom-the-person-so
13 violating-the-provisions-of-this-chapter-shall-have-been-tried,
14 shall,-upon-application-of-any-person-claiming-to-be-entitled-to
15 such-reward,-examine-the-claim-in-a-summary-manner-and-determine
16 whether-or-not-the-person-claiming-the-reward-is-entitled-to-the
17 same-and,-if-it-should-appear-to-the-satisfaction-of-the-court
18 that-the-person-claiming-the-reward-is-entitled-to-the-same,-a
19 certificate-of-such-facts-shall-be-made-by-the-court-and
20 delivered-to-the-person,-which-shall-be-deemed-evidence-of-a
21 right-to-the-reward. The reward is limited to the greater of
22 \$100 or ten percent of the single stumpage value of any timber
23 unlawfully cut or removed. The Executive-Council commissioner
24 shall pay the same reward from any funds appropriated for its
25 expenses that purpose or from receipts from the sale of state
26 timber. A reward shall not be paid to salaried forest officers,
27 conservation officers, or licensed peace officers.

28 Sec. 12. Minnesota Statutes 2004, section 239.33, is
29 amended to read:

30 239.33 [STANDARD MEASUREMENTS OF WOOD.]

31 In all contracts for sale of wood the term "cord" shall
32 mean 128 cubic feet of wood, bark, and air, if cut in four-foot
33 lengths; and if the sale is of "sawed wood," a cord shall mean
34 110 cubic feet when ranked, or 160 cubic feet when thrown
35 irregularly or loosely into a conveyance for delivery to the
36 purchaser; and if the sale is of "sawed and split wood," a cord

1 shall mean 120 cubic feet, when ranked, and 175 cubic feet when
2 thrown irregularly and loosely into a conveyance for delivery.
3 If a measurement is made by weight, the term "cord" or any other
4 term used to describe freshly cut ~~green-aspen-in-100-inch-or~~
5 ~~pole-lengths-containing-133-1/3-cubic-feet-of-loosely-or~~
6 ~~irregularly-piled-wood-for-transportation-constitutes-4,300~~
7 ~~pounds-during-the-period-of-May-1-through-October-31-and-4,500~~
8 ~~pounds-during-the-period-of-November-1-through-April-30.~~
9 ~~Specified-weights-are~~ wood shall be based on 74 79 cubic feet of
10 solid wood content per cord. The weight per cord may vary by
11 species or species group. In case of any dispute when the
12 parties have not otherwise agreed in writing to the weight per
13 cord by species or species group, the weight most recently
14 established by the commissioner of natural resources prevails.

15 In all contracts for sale of wood, the term "board foot"
16 means 144 cubic inches of wood measured in any combination of
17 length, thickness, and width. If a measurement or scale is made
18 of logs, Scribner's decimal C rule is the standard rule for
19 determining board feet log scale. When measuring or scaling
20 logs, each log must be scaled individually by the largest number
21 of even feet in its length above eight and under 24 feet. All
22 logs of 24 feet or more in length must be scaled as two or more
23 logs. This section does not apply to finished lumber measured
24 in nominal dimensions.

25 Sec. 13. Minnesota Statutes 2004, section 282.04,
26 subdivision 1, is amended to read:

27 Subdivision 1. [TIMBER SALES; LAND LEASES AND USES.] (a)
28 The county auditor may sell timber upon any tract that may be
29 approved by the natural resources commissioner. The sale of
30 timber shall be made for cash at not less than the appraised
31 value determined by the county board to the highest bidder after
32 not less than one week's published notice in an official paper
33 within the county. Any timber offered at the public sale and
34 not sold may thereafter be sold at private sale by the county
35 auditor at not less than the appraised value thereof, until the
36 time as the county board may withdraw the timber from sale. The

1 appraised value of the timber and the forestry practices to be
2 followed in the cutting of said timber shall be approved by the
3 commissioner of natural resources.

4 (b) Payment of the full sale price of all timber sold on
5 tax-forfeited lands shall be made in cash at the time of the
6 timber sale, except in the case of oral or sealed bid auction
7 sales, the down payment shall be no less than 15 percent of the
8 appraised value, and the balance shall be paid prior to entry.
9 In the case of auction sales that are partitioned and sold as a
10 single sale with predetermined cutting blocks, the down payment
11 shall be no less than 15 percent of the appraised price of the
12 entire timber sale which may be held until the satisfactory
13 completion of the sale or applied in whole or in part to the
14 final cutting block. The value of each separate block must be
15 paid in full before any cutting may begin in that block. With
16 the permission of the county contract administrator the
17 purchaser may enter unpaid blocks and cut necessary timber
18 incidental to developing logging roads as may be needed to log
19 other blocks provided that no timber may be removed from an
20 unpaid block until separately scaled and paid for. If payment
21 is provided as specified in this paragraph as security under
22 paragraph (a) and no cutting has taken place on the contract,
23 the county auditor may credit the security provided, less any
24 down payment required for an auction sale under this paragraph,
25 to any other contract issued to the contract holder by the
26 county under this chapter to which the contract holder requests
27 in writing that it be credited, provided the request and
28 transfer is made within the same calendar year as the security
29 was received.

30 (c) The county board may require final settlement on the
31 basis of a scale of cut products. Any parcels of land from
32 which timber is to be sold by scale of cut products shall be so
33 designated in the published notice of sale under paragraph (a),
34 in which case the notice shall contain a description of the
35 parcels, a statement of the estimated quantity of each species
36 of timber, and the appraised price of each species of timber for

1 1,000 feet, per cord or per piece, as the case may be. In those
2 cases any bids offered over and above the appraised prices shall
3 be by percentage, the percent bid to be added to the appraised
4 price of each of the different species of timber advertised on
5 the land. The purchaser of timber from the parcels shall pay in
6 cash at the time of sale at the rate bid for all of the timber
7 shown in the notice of sale as estimated to be standing on the
8 land, and in addition shall pay at the same rate for any
9 additional amounts which the final scale shows to have been cut
10 or was available for cutting on the land at the time of sale
11 under the terms of the sale. Where the final scale of cut
12 products shows that less timber was cut or was available for
13 cutting under terms of the sale than was originally paid for,
14 the excess payment shall be refunded from the forfeited tax sale
15 fund upon the claim of the purchaser, to be audited and allowed
16 by the county board as in case of other claims against the
17 county. No timber, except hardwood pulpwood, may be removed
18 from the parcels of land or other designated landings until
19 scaled by a person or persons designated by the county board and
20 approved by the commissioner of natural resources. Landings
21 other than the parcel of land from which timber is cut may be
22 designated for scaling by the county board by written agreement
23 with the purchaser of the timber. The county board may, by
24 written agreement with the purchaser and with a consumer
25 designated by the purchaser when the timber is sold by the
26 county auditor, and with the approval of the commissioner of
27 natural resources, accept the consumer's scale of cut products
28 delivered at the consumer's landing. No timber shall be removed
29 until fully paid for in cash. Small amounts of timber not
30 exceeding \$3,000 in appraised valuation may be sold for not less
31 than the full appraised value at private sale to individual
32 persons without first publishing notice of sale or calling for
33 bids, provided that in case of a sale involving a total
34 appraised value of more than \$200 the sale shall be made subject
35 to final settlement on the basis of a scale of cut products in
36 the manner above provided and not more than two of the sales,

1 directly or indirectly to any individual shall be in effect at
2 one time.

3 (d) As directed by the county board, the county auditor may
4 lease tax-forfeited land to individuals, corporations or
5 organized subdivisions of the state at public or private sale,
6 and at the prices and under the terms as the county board may
7 prescribe, for use as cottage and camp sites and for
8 agricultural purposes and for the purpose of taking and removing
9 of hay, stumpage, sand, gravel, clay, rock, marl, and black dirt
10 from the land, and for garden sites and other temporary uses
11 provided that no leases shall be for a period to exceed ten
12 years; provided, further that any leases involving a
13 consideration of more than \$12,000 per year, except to an
14 organized subdivision of the state shall first be offered at
15 public sale in the manner provided herein for sale of timber.
16 Upon the sale of any leased land, it shall remain subject to the
17 lease for not to exceed one year from the beginning of the term
18 of the lease. Any rent paid by the lessee for the portion of
19 the term cut off by the cancellation shall be refunded from the
20 forfeited tax sale fund upon the claim of the lessee, to be
21 audited and allowed by the county board as in case of other
22 claims against the county.

23 (e) As directed by the county board, the county auditor may
24 lease tax-forfeited land to individuals, corporations, or
25 organized subdivisions of the state at public or private sale,
26 at the prices and under the terms as the county board may
27 prescribe, for the purpose of taking and removing for use for
28 road construction and other purposes tax-forfeited stockpiled
29 iron-bearing material. The county auditor must determine that
30 the material is needed and suitable for use in the construction
31 or maintenance of a road, tailings basin, settling basin, dike,
32 dam, bank fill, or other works on public or private property,
33 and that the use would be in the best interests of the public.
34 No lease shall exceed ten years. The use of a stockpile for
35 these purposes must first be approved by the commissioner of
36 natural resources. The request shall be deemed approved unless

1 the requesting county is notified to the contrary by the
2 commissioner of natural resources within six months after
3 receipt of a request for approval for use of a stockpile. Once
4 use of a stockpile has been approved, the county may continue to
5 lease it for these purposes until approval is withdrawn by the
6 commissioner of natural resources.

7 (f) The county auditor, with the approval of the county
8 board is authorized to grant permits, licenses, and leases to
9 tax-forfeited lands for the depositing of stripping, lean ores,
10 tailings, or waste products from mines or ore milling plants,
11 upon the conditions and for the consideration and for the period
12 of time, not exceeding 15 years, as the county board may
13 determine. The permits, licenses, or leases are subject to
14 approval by the commissioner of natural resources.

15 (g) Any person who removes any timber from tax-forfeited
16 land before said timber has been scaled and fully paid for as
17 provided in this subdivision is guilty of a misdemeanor.

18 (h) The county auditor may, with the approval of the county
19 board, and without first offering at public sale, grant leases,
20 for a term not exceeding 25 years, for the removal of peat from
21 tax-forfeited lands upon the terms and conditions as the county
22 board may prescribe. Any lease for the removal of peat from
23 tax-forfeited lands must first be reviewed and approved by the
24 commissioner of natural resources if the lease covers 320 or
25 more acres. No lease for the removal of peat shall be made by
26 the county auditor pursuant to this section without first
27 holding a public hearing on the auditor's intention to lease.
28 One printed notice in a legal newspaper in the county at least
29 ten days before the hearing, and posted notice in the courthouse
30 at least 20 days before the hearing shall be given of the
31 hearing.

32 (i) Notwithstanding any provision of paragraph (c) to the
33 contrary, the St. Louis County auditor may, at the discretion of
34 the county board, sell timber to the party who bids the highest
35 price for all the several kinds of timber, as provided for sales
36 by the commissioner of natural resources under section 90.14.

1 Bids offered over and above the appraised price need not be
2 applied proportionately to the appraised price of each of the
3 different species of timber.

4 (j) In lieu of any payment or deposit required in paragraph
5 (b), as directed by the county board and under terms set by the
6 county board, the county auditor may accept an irrevocable bank
7 letter of credit in the amount equal to the amount otherwise
8 determined in paragraph (b), ~~exclusive of the down payment~~
9 ~~required for an auction sale in paragraph (b)~~. If an
10 irrevocable bank letter of credit is provided under this
11 paragraph, at the written request of the purchaser, the county
12 may periodically allow the bank letter of credit to be reduced
13 by an amount proportionate to the value of timber that has been
14 harvested and for which the county has received payment. The
15 remaining amount of the bank letter of credit after a reduction
16 under this paragraph must not be less than 20 percent of the
17 value of the timber purchased. If an irrevocable bank letter of
18 credit or cash deposit is provided for the down payment required
19 in paragraph (b), and no cutting of timber has taken place on
20 the contract for which a letter of credit has been provided, the
21 county may allow the transfer of the letter of credit to any
22 other contract issued to the contract holder by the county under
23 this chapter to which the contract holder requests in writing
24 that it be credited.

25 Sec. 14. [REPEALER.]

26 Minnesota Statutes 2004, sections 90.01, subdivision 9; and
27 90.041, subdivisions 3 and 4, are repealed.

28 Sec. 15. [EFFECTIVE DATE.]

29 This act is effective July 1, 2005."

30 Delete the title and insert:

31 "A bill for an act relating to natural resources; modifying
32 the State Timber Act; modifying timber sale requirements on
33 tax-forfeited land; clarifying state forest road designation;
34 modifying standard measurements for wood; amending Minnesota
35 Statutes 2004, sections 89.71, subdivision 1; 90.01, by adding
36 subdivisions; 90.041, subdivision 5; 90.042; 90.101, subdivision
37 2; 90.121; 90.172; 90.173; 90.211; 90.301, subdivision 4;
38 239.33; 282.04, subdivision 1; repealing Minnesota Statutes
39 2004, sections 90.01, subdivision 9; 90.041, subdivisions 3, 4."

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

1 Report adopted.



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.....
(Committee Chair)

May 13, 2005.....
(Date of Committee recommendation)

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Printed Page No. 89

State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH SESSION

HOUSE FILE No. 823

February 7, 2005

Authored by Blaine, Hackbarth, Ozment, Gazelka, Hoppe and others The bill was read for the first time and referred to the Committee on Environment and Natural Resources

February 21, 2005

Committee Recommendation and Adoption of Report: To Pass as Amended and re-referred to the Committee on Agriculture, Environment and Natural Resources Finance

February 28, 2005

Committee Recommendation and Adoption of Report: To Pass as Amended and re-referred to the Committee on Ways and Means

March 16, 2005

Committee Recommendation and Adoption of Report: To Pass as Amended Read Second Time

1 A bill for an act
2 relating to natural resources; modifying designations
3 of forest roads; modifying terms of timber sales on
4 tax-forfeited lands; modifying the State Timber Act;
5 modifying standard measurements for wood; amending
6 Minnesota Statutes 2004, sections 89.71, subdivision
7 1; 90.01, by adding subdivisions; 90.041, subdivision
8 5; 90.042; 90.101, subdivision 2; 90.121; 90.172;
9 90.173; 90.195; 90.211; 90.301, subdivision 4; 239.33;
10 282.04, subdivision 1; repealing Minnesota Statutes
11 2004, sections 90.01, subdivision 9; 90.041,
12 subdivisions 3, 4.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

14 Section 1. Minnesota Statutes 2004, section 89.71,
15 subdivision 1, is amended to read:

16 Subdivision 1. [DESIGNATION, INVENTORY, RECORDING.] Forest
17 roads, bridges, and other improvements administered under
18 section 89.002, subdivision 3, are designated as state forest
19 roads to the width of the actual use including ditches,
20 backslopes, fills, and maintained right-of-way, unless otherwise
21 specified in a prior easement of record. The commissioner may
22 designate forest roads. Designations of forest roads shall be
23 accomplished by written order of the commissioner published in
24 the State Register. Designated forest roads, bridges, and other
25 improvements administered under section 89.002, subdivision 3,
26 are designated as state forest roads to the width of the actual
27 use including ditches, backslopes, fills, and maintained
28 right-of-way, unless otherwise specified in a prior easement of
29 record. The commissioner may undesignate, by written order

1 published in the State Register, all or part of a state forest
2 road that is not needed to carry out forest resource management
3 policy. Designations and undesignations are not subject to the
4 rulemaking provisions of chapter 14 and section 14.386 does not
5 apply. The commissioner shall maintain and keep current an
6 inventory listing and describing roads in which the state claims
7 a right or property interest for state forest road purposes.
8 The commissioner may file for record with a county recorder or
9 registrar of titles appropriate documents setting forth the
10 state's interest in all or part of any state forest road.

11 Sec. 2. Minnesota Statutes 2004, section 90.01, is amended
12 by adding a subdivision to read:

13 Subd. 11. [EFFECTIVE PERMIT.] "Effective permit" means a
14 permit for which the commissioner has on file full or partial
15 surety as required by section 90.161, 90.162, 90.163, or 90.173
16 or, in the case of permits issued according to section 90.191 or
17 90.195, the commissioner has received a down payment equal to
18 the full appraised value.

19 Sec. 3. Minnesota Statutes 2004, section 90.01, is amended
20 by adding a subdivision to read:

21 Subd. 12. [RESPONSIBLE BIDDER.] "Responsible bidder" means
22 a person who is financially responsible; demonstrates the
23 judgment, skill, ability, capacity, and integrity requisite and
24 necessary to perform according to the terms of a permit issued
25 under this chapter; and is not currently debarred by another
26 government entity for any cause.

27 Sec. 4. Minnesota Statutes 2004, section 90.041,
28 subdivision 5, is amended to read:

29 Subd. 5. [FOREST IMPROVEMENT CONTRACTS.] The commissioner
30 may contract as part of the timber sale with the purchaser of
31 state timber at either informal or auction sale for the
32 following forest improvement work to be done on the land
33 included within the sale area: preparation of the site for
34 seeding or planting of seedlings or trees, seeding or planting
35 of seedlings or trees, and other activities relating to forest
36 regeneration. A contract issued under this subdivision is not

1 subject to the competitive bidding provisions of chapter 16C and
2 is exempt from the contract approval provisions of section
3 16C.05, subdivision 2.

4 Sec. 5. Minnesota Statutes 2004, section 90.042, is
5 amended to read:

6 90.042 [PUBLIC INVOLVEMENT PROCESS.]

7 Subdivision 1. [REPORT TO LEGISLATURE.] By July 1 each
8 year, the commissioner must provide a complete description of
9 the public involvement process for timber harvest plans to the
10 chairs of the legislative committees with jurisdiction over
11 natural resources policy and finance. The process must provide
12 public notice and public input in affected areas of proposed
13 annual harvest plans.

14 Subd. 2. [PUBLIC MEETINGS.] By May 1 each year, the
15 commissioner shall hold one or more public meetings in the
16 forested area of the state to inform the public of the manner in
17 which the proposed annual harvest plan for the next fiscal year
18 is proposed to be allocated between informal, intermediate, and
19 regular auction sales. The public shall be afforded an
20 opportunity to provide written and oral comments concerning the
21 proposed allocation.

22 Sec. 6. Minnesota Statutes 2004, section 90.101,
23 subdivision 2, is amended to read:

24 Subd. 2. [SALE LIST AND NOTICE.] At least 30 days before
25 the date of sale, the commissioner shall compile a list
26 containing a description of each tract of land upon which any
27 timber to be offered is situated and a statement of the
28 estimated quantity of timber and of the appraised price of each
29 kind of timber thereon as shown by the report of the state
30 appraiser. ~~The commissioner may also list the estimated~~
31 ~~quantity of timber of doubtful market value and the appraised~~
32 ~~price of each kind of such timber within the permit area that~~
33 ~~may be cut at the discretion of the purchaser. ---Optional timber~~
34 ~~will not be considered a part of the sale contract until the~~
35 ~~permit holder has advised the commissioner in writing of an~~
36 ~~intent to cut such timber.~~ No description shall be added after

1 the list is posted and no timber shall be sold from land not
2 described in the list. Copies of the list shall be furnished to
3 all interested applicants. A copy of the list shall be
4 conspicuously posted in the forest office or other public
5 facility most accessible to potential bidders at least 30 days
6 prior to the date of sale. The commissioner shall cause a
7 notice to be published once not less than one week before the
8 date of sale in a legal newspaper in the county or counties
9 where the land is situated. The notice shall state the time and
10 place of the sale and the location at which further information
11 regarding the sale may be obtained. The commissioner may give
12 other published or posted notice as the commissioner deems
13 proper to reach prospective bidders.

14 Sec. 7. Minnesota Statutes 2004, section 90.121, is
15 amended to read:

16 90.121 [INTERMEDIATE AUCTION SALES; MAXIMUM LOTS OF 3,000
17 CORDS.]

18 (a) The commissioner may sell the timber on any tract of
19 state land in lots not exceeding 3,000 cords in volume, in the
20 same manner as timber sold at public auction under section
21 90.101, and related laws, subject to the following special
22 exceptions and limitations:

23 (1) the commissioner shall offer all tracts authorized for
24 sale by this section separately from the sale of tracts of state
25 timber made pursuant to section 90.101;

26 (2) no bidder may be awarded more than 25 percent of the
27 total tracts offered at the first round of bidding unless fewer
28 than four tracts are offered, in which case not more than one
29 tract shall be awarded to one bidder. Any tract not sold at
30 public auction may be offered for private sale as authorized by
31 section 90.101, subdivision 1, to persons eligible under this
32 section at the appraised value; and

33 (3) no sale may be made to a person having more than 20
34 employees. For the purposes of this subdivision, "employee"
35 means a natural person working for salary or wages on a
36 full-time or part-time basis.

1 (b) The auction sale procedure set forth in this section
2 constitutes an additional alternative timber sale procedure
3 available to the commissioner and is not intended to replace
4 other authority possessed by the commissioner to sell timber in
5 lots of 3,000 cords or less.

6 Sec. 8. Minnesota Statutes 2004, section 90.172, is
7 amended to read:

8 90.172 [ANNUAL REPORT REPORTS.]

9 Subdivision 1. [REPORT TO LEGISLATURE.] The commissioner
10 shall file an annual report on or before September 30 of each
11 year with the Legislative Reference Library providing detailed
12 information on all auctions and informal sales made in the
13 previous fiscal year. The report shall include but not be
14 limited to the names and addresses of all purchasers, volumes of
15 timber purchased, species, appraised value and sale price. The
16 commissioner shall make copies of the report available to the
17 public upon request.

18 Subd. 2. [REPORT TO EXECUTIVE COUNCIL.] The commissioner
19 shall report on or before September 30 of each year or more
20 frequently, as required, to the state Executive Council
21 concerning the status of the state timber sales and timber
22 management program, including any special problems or changes
23 occurring since the previous report.

24 Sec. 9. Minnesota Statutes 2004, section 90.173, is
25 amended to read:

26 90.173 [PURCHASER'S OR ASSIGNEE'S CASH DEPOSIT IN LIEU OF
27 BOND.]

28 (a) In lieu of filing the bond required by section 90.161
29 or 90.171, as security for the issuance or assignment of a
30 timber permit, the person required to file the bond may deposit
31 with the commissioner ~~of finance~~ cash; a certified check; a
32 cashier's check; a personal check; a postal, bank, or express
33 money order; ~~assignable bonds or notes of the United States; or~~
34 ~~an assignment of a bank savings account or investment~~
35 certificate; or an irrevocable bank letter of credit, in the
36 same amount as would be required for a bond. ~~if securities~~

~~1 listed-in-this-section-are-deposited, the par value of the~~
~~2 securities shall be not less than the amount required for the~~
~~3 timber sale bond, and the person required to file the timber~~
~~4 sale bond shall submit an agreement authorizing the commissioner~~
~~5 to sell or otherwise take possession of the security in the~~
~~6 event of default under the timber sale.~~ All of the conditions
7 of the timber sale bond shall equally apply to the deposit with
8 the commissioner of finance the alternatives in lieu of bond.

9 In the event of a default the state may take from the deposit
10 the sum of money to which it is entitled; the remainder, if any,
11 shall be returned to the person making the deposit. When cash
12 is deposited for a bond, it shall be applied to the amount due
13 when a statement is prepared and transmitted to the permit
14 holder pursuant to section 90.181. Any balance due to the state
15 shall be shown on the statement and shall be paid as provided in
16 section 90.181. Any amount of the deposit in excess of the
17 amount determined to be due pursuant to section 90.181 shall be
18 returned to the permit holder when a final statement is
19 transmitted pursuant to that section. All or part of a cash
20 bond may be withheld from application to an amount due on a
21 nonfinal statement if it appears that the total amount due on
22 the permit will exceed the bid price.

23 (b) If an irrevocable bank letter of credit is provided as
24 security under paragraph (a), at the written request of the
25 permittee the state shall annually allow the amount of the bank
26 letter of credit to be reduced by an amount proportionate to the
27 value of timber that has been harvested and for which the state
28 has received payment under the timber permit. The remaining
29 amount of the bank letter of credit after a reduction under this
30 paragraph must not be less than the value of the timber
31 remaining to be harvested under the timber permit.

32 (c) If cash; a certified check; a cashier's check; a
33 personal check; or a postal, bank, or express money order is
34 provided as security under paragraph (a) and no cutting of state
35 timber has taken place on the permit, the commissioner may
36 credit the security provided, less any deposit required by

1 sections 90.14 and 90.163, to any other permit to which the
2 permit holder requests in writing that it be credited.

3 Sec. 10. Minnesota Statutes 2004, section 90.195, is
4 amended to read:

5 90.195 [SPECIAL USE PERMIT.]

6 The commissioner may issue a permit to salvage or cut not
7 to exceed 12 cords of fuelwood per year for personal use from
8 either or both of the following sources: (1) dead, down, and
9 diseased trees; (2) other trees that are of negative value under
10 good forest management practices. The permits may be issued for
11 a period not to exceed one year. The commissioner shall charge
12 a fee ~~not less than \$57, in an amount up to the stumpage~~ for the
13 permit that shall cover the commissioner's cost of issuing the
14 permit and shall not exceed the current market value of fuelwood
15 of similar species, grade, and volume that is being sold in the
16 area where the salvage or cutting is authorized under the permit.

17 Sec. 11. Minnesota Statutes 2004, section 90.211, is
18 amended to read:

19 90.211 [PURCHASE MONEY, WHEN FORFEITED.]

20 If the ~~purchaser of any timber or the purchaser's~~
21 assignee holder of an effective permit fails to cut any part
22 thereof before the expiration of the permit, the ~~purchaser or~~
23 assignee permit holder shall nevertheless pay the price
24 therefor; but under no circumstances shall timber be cut after
25 the expiration of the permit or extension thereof.

26 Sec. 12. Minnesota Statutes 2004, section 90.301,
27 subdivision 4, is amended to read:

28 Subd. 4. [APPREHENSION OF TRESPASSERS; REWARD.] The
29 ~~following rewards shall~~ commissioner may offer a reward to be
30 paid to any a person giving to the proper authorities any
31 information which shall lead that leads to the detection and
32 conviction of ~~any persons~~ a person violating ~~any of the~~
33 ~~provisions of this chapter:--\$25 reward, if the value of the~~
34 ~~timber so unlawfully cut or removed shall not exceed the sum of~~
35 ~~\$25, \$50 reward, if the value of the timber shall not exceed~~
36 ~~\$50, and \$100 reward, if the value of the timber shall exceed~~

1 the-sum-of-\$100-and-the-court-before-whom-the-person-so
 2 violating-the-provisions-of-this-chapter-shall-have-been-tried,
 3 shall-upon-application-of-any-person-claiming-to-be-entitled-to
 4 such-reward-examine-the-claim-in-a-summary-manner-and-determine
 5 whether-or-not-the-person-claiming-the-reward-is-entitled-to-the
 6 same-and-if-it-should-appear-to-the-satisfaction-of-the-court
 7 that-the-person-claiming-the-reward-is-entitled-to-the-same-a
 8 certificate-of-such-facts-shall-be-made-by-the-court-and
 9 delivered-to-the-person-which-shall-be-deemed-evidence-of-a
 10 right-to-the-reward. The reward is limited to the greater of
 11 \$100 or ten percent of the single stumpage value of any timber
 12 unlawfully cut or removed. The ~~Executive Council~~ commissioner
 13 shall pay the same from any funds appropriated for ~~its expenses~~
 14 such purposes or from receipts from the sale of state timber. A
 15 reward shall not be paid to salaried forest officers,
 16 conservation officers, or licensed peace officers.

17 Sec. 13. Minnesota Statutes 2004, section 239.33, is
 18 amended to read:

19 239.33 [STANDARD MEASUREMENTS OF WOOD.]

20 In all contracts for sale of wood the term "cord" shall
 21 mean 128 cubic feet of wood, bark, and air, if cut in four-foot
 22 lengths; and if the sale is of "sawed wood," a cord shall mean
 23 110 cubic feet when ranked, or 160 cubic feet when thrown
 24 irregularly or loosely into a conveyance for delivery to the
 25 purchaser; and if the sale is of "sawed and split wood," a cord
 26 shall mean 120 cubic feet, when ranked, and 175 cubic feet when
 27 thrown irregularly and loosely into a conveyance for delivery.
 28 If a measurement is made by weight, the term "cord" or any other
 29 term used to describe freshly cut ~~green-aspen-in-100-inch-or~~
 30 ~~pole-lengths-containing-133-1/3-cubic-feet-of-loosely-or~~
 31 ~~irregularly-piled-wood-for-transportation-constitutes-4,300~~
 32 ~~pounds-during-the-period-of-May-1-through-October-31-and-4,500~~
 33 ~~pounds-during-the-period-of-November-1-through-April-30.~~
 34 Specified-weights-are wood shall be based on 74 79 cubic feet of
 35 solid wood content per cord. The weight per cord may vary by
 36 species or species group. In case of any dispute when the

1 parties have not otherwise agreed in writing to the weight per
2 cord by species or species group, the weight most recently
3 established by the commissioner of natural resources prevails.

4 In all contracts for sale of wood, the term "board foot"
5 means 144 cubic inches of wood measured in any combination of
6 length, thickness, and width. If a measurement or scale is made
7 of logs, Scribner's decimal C rule is the standard rule for
8 determining board feet log scale. When measuring or scaling
9 logs, each log must be scaled individually by the largest number
10 of even feet in its length above eight and under 24 feet. All
11 logs of 24 feet or more in length must be scaled as two or more
12 logs. This section does not apply to finished lumber measured
13 in nominal dimensions.

14 Sec. 14. Minnesota Statutes 2004, section 282.04,
15 subdivision 1, is amended to read:

16 Subdivision 1. [TIMBER SALES; LAND LEASES AND USES.] (a)
17 The county auditor may sell timber upon any tract that may be
18 approved by the natural resources commissioner. The sale of
19 timber shall be made for cash at not less than the appraised
20 value determined by the county board to the highest bidder after
21 not less than one week's published notice in an official paper
22 within the county. Any timber offered at the public sale and
23 not sold may thereafter be sold at private sale by the county
24 auditor at not less than the appraised value thereof, until the
25 time as the county board may withdraw the timber from sale. The
26 appraised value of the timber and the forestry practices to be
27 followed in the cutting of said timber shall be approved by the
28 commissioner of natural resources.

29 (b) Payment of the full sale price of all timber sold on
30 tax-forfeited lands shall be made in cash at the time of the
31 timber sale, except in the case of oral or sealed bid auction
32 sales, the down payment shall be no less than 15 percent of the
33 appraised value, and the balance shall be paid prior to entry.

In the case of auction sales that are partitioned and sold as a
35 single sale with predetermined cutting blocks, the down payment
36 shall be no less than 15 percent of the appraised price of the

1 entire timber sale which may be held until the satisfactory
2 completion of the sale or applied in whole or in part to the
3 final cutting block. The value of each separate block must be
4 paid in full before any cutting may begin in that block. With
5 the permission of the county contract administrator the
6 purchaser may enter unpaid blocks and cut necessary timber
7 incidental to developing logging roads as may be needed to log
8 other blocks provided that no timber may be removed from an
9 unpaid block until separately scaled and paid for. If payment
10 is provided as specified in this paragraph as security under
11 paragraph (a) and no cutting has taken place on the contract,
12 the county auditor may credit the security provided, less any
13 down payment required for an auction sale under this paragraph,
14 to any other contract issued to the contract holder by the
15 county under this chapter to which the contract holder requests
16 in writing that it be credited, provided the request and
17 transfer is made within the same calendar year as the security
18 was received.

19 (c) The county board may require final settlement on the
20 basis of a scale of cut products. Any parcels of land from
21 which timber is to be sold by scale of cut products shall be so
22 designated in the published notice of sale under paragraph (a),
23 in which case the notice shall contain a description of the
24 parcels, a statement of the estimated quantity of each species
25 of timber, and the appraised price of each species of timber for
26 1,000 feet, per cord or per piece, as the case may be. In those
27 cases any bids offered over and above the appraised prices shall
28 be by percentage, the percent bid to be added to the appraised
29 price of each of the different species of timber advertised on
30 the land. The purchaser of timber from the parcels shall pay in
31 cash at the time of sale at the rate bid for all of the timber
32 shown in the notice of sale as estimated to be standing on the
33 land, and in addition shall pay at the same rate for any
34 additional amounts which the final scale shows to have been cut
35 or was available for cutting on the land at the time of sale
36 under the terms of the sale. Where the final scale of cut

1 products shows that less timber was cut or was available for
2 cutting under terms of the sale than was originally paid for,
3 the excess payment shall be refunded from the forfeited tax sale
4 fund upon the claim of the purchaser, to be audited and allowed
5 by the county board as in case of other claims against the
6 county. No timber, except hardwood pulpwood, may be removed
7 from the parcels of land or other designated landings until
8 scaled by a person or persons designated by the county board and
9 approved by the commissioner of natural resources. Landings
10 other than the parcel of land from which timber is cut may be
11 designated for scaling by the county board by written agreement
12 with the purchaser of the timber. The county board may, by
13 written agreement with the purchaser and with a consumer
14 designated by the purchaser when the timber is sold by the
15 county auditor, and with the approval of the commissioner of
16 natural resources, accept the consumer's scale of cut products
17 delivered at the consumer's landing. No timber shall be removed
18 until fully paid for in cash. Small amounts of timber not
19 exceeding \$3,000 in appraised valuation may be sold for not less
20 than the full appraised value at private sale to individual
21 persons without first publishing notice of sale or calling for
22 bids, provided that in case of a sale involving a total
23 appraised value of more than \$200 the sale shall be made subject
24 to final settlement on the basis of a scale of cut products in
25 the manner above provided and not more than two of the sales,
26 directly or indirectly to any individual shall be in effect at
27 one time.

28 (d) As directed by the county board, the county auditor may
29 lease tax-forfeited land to individuals, corporations or
30 organized subdivisions of the state at public or private sale,
31 and at the prices and under the terms as the county board may
32 prescribe, for use as cottage and camp sites and for
33 agricultural purposes and for the purpose of taking and removing
34 of hay, stumpage, sand, gravel, clay, rock, marl, and black dirt
35 from the land, and for garden sites and other temporary uses
36 provided that no leases shall be for a period to exceed ten

1 years; provided, further that any leases involving a
2 consideration of more than \$12,000 per year, except to an
3 organized subdivision of the state shall first be offered at
4 public sale in the manner provided herein for sale of timber.
5 Upon the sale of any leased land, it shall remain subject to the
6 lease for not to exceed one year from the beginning of the term
7 of the lease. Any rent paid by the lessee for the portion of
8 the term cut off by the cancellation shall be refunded from the
9 forfeited tax sale fund upon the claim of the lessee, to be
10 audited and allowed by the county board as in case of other
11 claims against the county.

12 (e) As directed by the county board, the county auditor may
13 lease tax-forfeited land to individuals, corporations, or
14 organized subdivisions of the state at public or private sale,
15 at the prices and under the terms as the county board may
16 prescribe, for the purpose of taking and removing for use for
17 road construction and other purposes tax-forfeited stockpiled
18 iron-bearing material. The county auditor must determine that
19 the material is needed and suitable for use in the construction
20 or maintenance of a road, tailings basin, settling basin, dike,
21 dam, bank fill, or other works on public or private property,
22 and that the use would be in the best interests of the public.
23 No lease shall exceed ten years. The use of a stockpile for
24 these purposes must first be approved by the commissioner of
25 natural resources. The request shall be deemed approved unless
26 the requesting county is notified to the contrary by the
27 commissioner of natural resources within six months after
28 receipt of a request for approval for use of a stockpile. Once
29 use of a stockpile has been approved, the county may continue to
30 lease it for these purposes until approval is withdrawn by the
31 commissioner of natural resources.

32 (f) The county auditor, with the approval of the county
33 board is authorized to grant permits, licenses, and leases to
34 tax-forfeited lands for the depositing of stripping, lean ores,
35 tailings, or waste products from mines or ore milling plants,
36 upon the conditions and for the consideration and for the period

1 of time, not exceeding 15 years, as the county board may
2 determine. The permits, licenses, or leases are subject to
3 approval by the commissioner of natural resources.

4 (g) Any person who removes any timber from tax-forfeited
5 land before said timber has been scaled and fully paid for as
6 provided in this subdivision is guilty of a misdemeanor.

7 (h) The county auditor may, with the approval of the county
8 board, and without first offering at public sale, grant leases,
9 for a term not exceeding 25 years, for the removal of peat from
10 tax-forfeited lands upon the terms and conditions as the county
11 board may prescribe. Any lease for the removal of peat from
12 tax-forfeited lands must first be reviewed and approved by the
13 commissioner of natural resources if the lease covers 320 or
14 more acres. No lease for the removal of peat shall be made by
15 the county auditor pursuant to this section without first
16 holding a public hearing on the auditor's intention to lease.
17 One printed notice in a legal newspaper in the county at least
18 ten days before the hearing, and posted notice in the courthouse
19 at least 20 days before the hearing shall be given of the
20 hearing.

21 (i) Notwithstanding any provision of paragraph (c) to the
22 contrary, the St. Louis County auditor may, at the discretion of
23 the county board, sell timber to the party who bids the highest
24 price for all the several kinds of timber, as provided for sales
25 by the commissioner of natural resources under section 90.14.
26 Bids offered over and above the appraised price need not be
27 applied proportionately to the appraised price of each of the
28 different species of timber.

29 (j) In lieu of any payment or deposit required in paragraph
30 (b), as directed by the county board and under terms set by the
31 county board, the county auditor may accept an irrevocable bank
32 letter of credit in the amount equal to the amount otherwise
33 determined in paragraph (b), ~~exclusive of the down-payment~~
~~required for an auction sale in paragraph (b)~~. If an
35 irrevocable bank letter of credit is provided under this
36 paragraph, at the written request of the purchaser, the county

1 may periodically allow the bank letter of credit to be reduced
2 by an amount proportionate to the value of timber that has been
3 harvested and for which the county has received payment. The
4 remaining amount of the bank letter of credit after a reduction
5 under this paragraph must not be less than 20 percent of the
6 value of the timber purchased. If no cutting of timber has
7 taken place on the contract for which a letter of credit has
8 been provided, the county may allow the transfer of the letter
9 of credit to any other contract issued to the contract holder by
10 the county under this chapter to which the contract holder
11 requests in writing that it be credited, if an irrevocable bank
12 letter of credit or cash deposit is provided for the down
13 payment required in paragraph (b).

14 Sec. 15. [REPEALER.]

15 Minnesota Statutes 2004, sections 90.01, subdivision 9; and
16 90.041, subdivisions 3 and 4, are repealed.

17 Sec. 16. [EFFECTIVE DATE.]

18 Sections 1 to 15 are effective July 1, 2005.

APPENDIX
Repealed Minnesota Statutes for H0823-3

90.01 DEFINITIONS.

Subd. 9. **Person.** "Person" means any natural person acting personally, or in any representative capacity, and any corporation, firm, or association of whatever nature or kind.

90.041 COMMISSIONER POWERS AND DUTIES.

Subd. 3. **Annual reports.** The commissioner shall report annually or more frequently, as required, to the state Executive Council concerning the status of the state timber sales and timber management program, including any special problems or changes occurring since the previous report.

Subd. 4. **Public meetings.** Each year, the commissioner shall hold a public meeting in each forest area to inform the public of the manner in which the cutting list for that area for the next fiscal year is proposed to be allocated between informal, intermediate and regular auction sales. The public shall be afforded an opportunity to provide written and oral comments concerning the proposed allocation.

Consolidated Fiscal Note – 2005-06 Session

Bill #: H0823-2E **Complete Date:** 03/16/05

Chief Author: BLAINE, GREG

Title: MODIFY FOREST PROVISIONS

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agencies: Natural Resources Dept (03/16/05)

Administration Dept (03/09/05)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
-- No Impact --					
Revenues					
Forest Management Investment Fund		2	2	2	2
Natural Resources Dept		2	2	2	2
Misc Special Revenue Fund		1	1	1	1
Natural Resources Dept		1	1	1	1
Permanent School Fund		2	2	2	2
Natural Resources Dept		2	2	2	2
Net Cost <Savings>					
Forest Management Investment Fund		(2)	(2)	(2)	(2)
Natural Resources Dept		(2)	(2)	(2)	(2)
Misc Special Revenue Fund		(1)	(1)	(1)	(1)
Natural Resources Dept		(1)	(1)	(1)	(1)
Permanent School Fund		(2)	(2)	(2)	(2)
Natural Resources Dept		(2)	(2)	(2)	(2)
Total Cost <Savings> to the State		(5)	(5)	(5)	(5)

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MARSHA BATTLES-JENKS

Date: 03/16/05 Phone: 296-8510

Fiscal Note – 2005-06 Session

Bill #: H0823-2E **Complete Date:** 03/16/05

Chief Author: BLAINE, GREG

Title: MODIFY FOREST PROVISIONS

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agency Name: Natural Resources Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
Forest Management Investment Fund		2	2	2	2
Misc Special Revenue Fund		1	1	1	1
Permanent School Fund		2	2	2	2
Net Cost <Savings>					
Forest Management Investment Fund		(2)	(2)	(2)	(2)
Misc Special Revenue Fund		(1)	(1)	(1)	(1)
Permanent School Fund		(2)	(2)	(2)	(2)
Total Cost <Savings> to the State		(5)	(5)	(5)	(5)

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

This bill amends Minn. Stat. § 90.195 to allow the Commissioner of Natural Resources to charge a fee, not less than \$5, to cover the commissioner's cost of issuing a special fuelwood permit in an amount up to the current market value of the fuelwood.

The Commissioner of Natural Resources may issue permits to salvage or cut a maximum of 12 cords of fuelwood for personal use from state-administered forest lands per year. This wood can be cut from either or both of the following sources: (1) dead, down, and diseased trees; (2) other trees that are of negative value under good forest management practices. Currently, fees are charged that are not less than \$5 and not more than the current market value of the fuelwood. DNR Division of Forestry offices issue 750 to 850 fuelwood permits each year.

Assumptions

It is estimated that approximately \$5,200 will be generated each year by pricing special fuelwood permits so the administrative costs of issuing the permits (\$24 / permit average cost in FY04) are recovered. The amount of \$5,200 was reached by taking each \$5, \$10, \$15, and \$20 permit out of the total of 820 permits sold in FY04 and adding together the differences between them and a \$24 minimum permit—for example, a \$5 permit sold in FY04 would bring in \$24 in FY06, an additional income of \$19. This \$5,200 / year is a small portion of the DNR Division of Forestry's annual "base" direct appropriation of \$33 million in FY06. However, it will help the DNR Division of Forestry recoup the administrative costs of issuing special fuelwood permits.

The \$5,200 of additional revenues will be split accordingly: approximately 50% will go to the Permanent School Trust Fund, 30% to the Forest Management Investment Account (FMIA) in the Natural Resources Fund, and 20% to the Consolidated Conservation Account (Con-Con) in the Special Revenue Fund.

Expenditure and/or Revenue Formula

Based on FY04 data, the average fee charged for special fuelwood permits was \$22; however, 520 of the 820 permits issued in this fiscal year were for less than \$20 each. The costs of issuing these permits averaged out to \$24 per permit.

Average revenue from a permit in FY04: $\$17,913.28$ (total revenue brought in by special fuelwood permits) \div 820 permits (total permits issued in FY04) = $\$21.85$ / permit or $\$22$ / permit rounded off.

Average cost of issuing a permit in FY04: $\$10.74$ (one-half hour of clerical time) + $\$10.54$ (one-half hour of appraiser time) + $\$3$ (form and processing fees) = $\$24.28$ / permit or $\$24$ / permit rounded off. (Note: Salary costs are based on class midpoints and include fringe benefits.)

Local Government Costs

Counties receive one-half of Con-Con funds each year. If the anticipated \$1,000 of Con-Con revenue is generated each year by including administrative costs in the price of a special fuelwood permit, the counties will receive \$500 each year from this initiative.

References and Sources

Recovering the administrative costs of issuing special fuelwood permits is included in the Governor's 2006-07 Biennial Budget.

Source of information: DNR Forestry Division Timber Sale Records

Agency Contact Name: Meg Hanisch, Forestry (651) 296-5958

FN Coord Signature: BRUCE NASLUND

Date: 03/16/05 Phone: 297-4909

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MARSHA BATTLES-JENKS

Date: 03/16/05 Phone: 296-8510

Fiscal Note – 2005-06 Session

Bill #: H0823-2E **Complete Date:** 03/09/05

Chief Author: BLAINE, GREG

Title: MODIFY FOREST PROVISIONS

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Administration Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Sections 3 and 4 have potential relevance to Admin. Section 3 defines responsible bidders for purposes of timber sales. Section 4 exempts forest improvement contracts from competitive bidding requirements of 16C and from requiring the approval of the commissioner of administration.

Assumptions

It is reasonable to allow contracts for forest regeneration to be awarded to the responsible bidders that purchased the timber in the relevant area.

Having Admin approve such forest improvement contracts adds little or no significant value to the process.

Elimination of the approval requirement for this one type of specialized contract will have no appreciable impact on Admin's workload.

Expenditure and/or Revenue Formula

No fiscal impact.

Agency Contact Name: Kent Allin (651-296-1442)

FN Coord Signature: LARRY FREUND

Date: 03/08/05 Phone: 296-5857

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: TIM JAHNKE

Date: 03/09/05 Phone: 296-6237

1 A bill for an act

2 relating to natural resources; modifying the State
3 Timber Act; modifying timber sale requirements on
4 tax-forfeited land; clarifying state forest road
5 designation; modifying standard measurements for wood;
6 amending Minnesota Statutes 2004, sections 89.71,
7 subdivision 1; 90.01, by adding subdivisions; 90.041,
8 subdivision 5; 90.042; 90.101, subdivision 2; 90.121;
9 90.172; 90.173; 90.195; 90.211; 90.301, subdivision 4;
10 239.33; 282.04, subdivision 1; repealing Minnesota
11 Statutes 2004, sections 90.01, subdivision 9; 90.041,
12 subdivisions 3, 4.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

14 Section 1. Minnesota Statutes 2004, section 89.71,
15 subdivision 1, is amended to read:

16 Subdivision 1. [DESIGNATION, INVENTORY, RECORDING.] Forest
17 ~~roads, bridges, and other improvements administered under~~
18 ~~section 89.002, subdivision 3, are designated as state forest~~
19 ~~roads to the width of the actual use including ditches,~~
20 ~~backslopes, fills, and maintained right-of-way, unless otherwise~~
21 ~~specified in a prior easement of record.~~ The commissioner
22 may shall designate forest roads by written order published in
23 the State Register. Designated forest roads, bridges, and other
24 improvements administered under section 89.002, subdivision 3,
25 are designated to the width of the actual use including ditches,
26 backslopes, fills, and maintained right-of-way, unless otherwise
27 specified in a prior easement of record. The commissioner may
28 undesignate, by written order published in the State Register,
29 all or part of a state forest road that is not needed to carry

1 out forest resource management policy. Designations and
2 undesignations are not subject to the rulemaking provisions of
3 chapter 14 and section 14.386 does not apply. The commissioner
4 shall maintain and keep current an inventory listing and
5 describing roads in which the state claims a right or property
6 interest for state forest road purposes. The commissioner may
7 file for record with a county recorder or registrar of titles
8 appropriate documents setting forth the state's interest in all
9 or part of any state forest road.

10 Sec. 2. Minnesota Statutes 2004, section 90.01, is amended
11 by adding a subdivision to read:

12 Subd. 11. [EFFECTIVE PERMIT.] "Effective permit" means a
13 permit for which the commissioner has on file full or partial
14 surety as required by section 90.161, 90.162, 90.163, or 90.173
15 or, in the case of permits issued according to section 90.191 or
16 90.195, the commissioner has received a down payment equal to
17 the full appraised value.

18 Sec. 3. Minnesota Statutes 2004, section 90.01, is amended
19 by adding a subdivision to read:

20 Subd. 12. [RESPONSIBLE BIDDER.] "Responsible bidder" means
21 a person who is financially responsible; demonstrates the
22 judgment, skill, ability, capacity, and integrity requisite and
23 necessary to perform according to the terms of a permit issued
24 under this chapter; and is not currently debarred by another
25 government entity for any cause.

26 Sec. 4. Minnesota Statutes 2004, section 90.041,
27 subdivision 5, is amended to read:

28 Subd. 5. [FOREST IMPROVEMENT CONTRACTS.] The commissioner
29 may contract as part of the timber sale with the purchaser of
30 state timber at either informal or auction sale for the
31 following forest improvement work to be done on the land
32 included within the sale area: preparation of the site for
33 seeding or planting of seedlings or trees, seeding or planting
34 of seedlings or trees, and other activities relating to forest
35 regeneration. A contract issued under this subdivision is not
36 subject to the competitive bidding provisions of chapter 16C and

1 is exempt from the contract approval provisions of section
2 16C.05, subdivision 2.

3 Sec. 5. Minnesota Statutes 2004, section 90.042, is
4 amended to read:

5 90.042 [PUBLIC INVOLVEMENT PROCESS.]

6 Subdivision 1. [REPORT TO LEGISLATURE.] By July 1 each
7 year, the commissioner must provide a complete description of
8 the public involvement process for timber harvest plans to the
9 chairs of the legislative committees with jurisdiction over
10 natural resources policy and finance. The process must provide
11 public notice and public input in affected areas of proposed
12 annual harvest plans.

13 Subd. 2. [PUBLIC MEETINGS.] By May 1 each year, the
14 commissioner shall hold one or more public meetings in the
15 forested area of the state to inform the public of the manner in
16 which the proposed annual harvest plan for the next fiscal year
17 is proposed to be allocated between informal, intermediate, and
18 regular auction sales. The public shall be afforded an
19 opportunity to provide written and oral comments concerning the
20 proposed allocation.

21 Sec. 6. Minnesota Statutes 2004, section 90.101,
22 subdivision 2, is amended to read:

23 Subd. 2. [SALE LIST AND NOTICE.] At least 30 days before
24 the date of sale, the commissioner shall compile a list
25 containing a description of each tract of land upon which any
26 timber to be offered is situated and a statement of the
27 estimated quantity of timber and of the appraised price of each
28 kind of timber thereon as shown by the report of the state
29 appraiser. ~~The commissioner may also list the estimated~~
30 ~~quantity of timber of doubtful market value and the appraised~~
31 ~~price of each kind of such timber within the permit area that~~
32 ~~may be cut at the discretion of the purchaser. --Optional timber~~
33 ~~will not be considered a part of the sale contract until the~~
34 ~~permit holder has advised the commissioner in writing of an~~
35 ~~intent to cut such timber.~~ No description shall be added after
36 the list is posted and no timber shall be sold from land not

1 described in the list. Copies of the list shall be furnished to
2 all interested applicants. A copy of the list shall be
3 conspicuously posted in the forest office or other public
4 facility most accessible to potential bidders at least 30 days
5 prior to the date of sale. The commissioner shall cause a
6 notice to be published once not less than one week before the
7 date of sale in a legal newspaper in the county or counties
8 where the land is situated. The notice shall state the time and
9 place of the sale and the location at which further information
10 regarding the sale may be obtained. The commissioner may give
11 other published or posted notice as the commissioner deems
12 proper to reach prospective bidders.

13 Sec. 7. Minnesota Statutes 2004, section 90.121, is
14 amended to read:

15 90.121 [INTERMEDIATE AUCTION SALES; MAXIMUM LOTS OF 3,000
16 CORDS.]

17 (a) The commissioner may sell the timber on any tract of
18 state land in lots not exceeding 3,000 cords in volume, in the
19 same manner as timber sold at public auction under section
20 90.101, and related laws, subject to the following special
21 exceptions and limitations:

22 (1) the commissioner shall offer all tracts authorized for
23 sale by this section separately from the sale of tracts of state
24 timber made pursuant to section 90.101;

25 (2) no bidder may be awarded more than 25 percent of the
26 total tracts offered at the first round of bidding unless fewer
27 than four tracts are offered, in which case not more than one
28 tract shall be awarded to one bidder. Any tract not sold at
29 public auction may be offered for private sale as authorized by
30 section 90.101, subdivision 1, to persons eligible under this
31 section at the appraised value; and

32 (3) no sale may be made to a person having more than 20
33 employees. For the purposes of this subdivision, "employee"
34 means a natural person working for salary or wages on a
35 full-time or part-time basis.

36 (b) The auction sale procedure set forth in this section

1 constitutes an additional alternative timber sale procedure
2 available to the commissioner and is not intended to replace
3 other authority possessed by the commissioner to sell timber in
4 lots of 3,000 cords or less.

5 Sec. 8. Minnesota Statutes 2004, section 90.172, is
6 amended to read:

7 90.172 [ANNUAL REPORT REPORTS.]

8 Subdivision 1. [REPORT TO LEGISLATURE.] The commissioner
9 shall file an annual report on or before September 30 of each
10 year with the Legislative Reference Library providing detailed
11 information on all auctions and informal sales made in the
12 previous fiscal year. The report shall include but not be
13 limited to the names and addresses of all purchasers, volumes of
14 timber purchased, species, appraised value and sale price. The
15 commissioner shall make copies of the report available to the
16 public upon request.

17 Subd. 2. [REPORT TO EXECUTIVE COUNCIL.] The commissioner
18 shall report on or before September 30 of each year or more
19 frequently, as required, to the state Executive Council
20 concerning the status of the state timber sales and timber
21 management program, including any special problems or changes
22 occurring since the previous report.

23 Sec. 9. Minnesota Statutes 2004, section 90.173, is
24 amended to read:

25 90.173 [PURCHASER'S OR ASSIGNEE'S CASH DEPOSIT IN LIEU OF
26 BOND.]

27 (a) In lieu of filing the bond required by section 90.161
28 or 90.171, as security for the issuance or assignment of a
29 timber permit, the person required to file the bond may deposit
30 with the commissioner of finance cash; a certified check; a
31 cashier's check; a personal check; a postal, bank, or express
32 money order; ~~assignable bonds or notes of the United States; or~~
33 ~~an assignment of a bank savings account or investment~~
34 ~~certificate;~~ or an irrevocable bank letter of credit, in the
35 same amount as would be required for a bond. ~~If securities~~
36 ~~listed in this section are deposited, the par value of the~~

~~1 securities shall be not less than the amount required for the~~
~~2 timber sale bond, and the person required to file the timber~~
~~3 sale bond shall submit an agreement authorizing the commissioner~~
~~4 to sell or otherwise take possession of the security in the~~
~~5 event of default under the timber sale.~~ All of the conditions
6 of the timber sale bond shall equally apply to ~~the deposit with~~
7 ~~the commissioner of finance~~ the alternatives in lieu of bond.

8 In the event of a default the state may take from the deposit
9 the sum of money to which it is entitled; the remainder, if any,
10 shall be returned to the person making the deposit. When cash
11 is deposited for a bond, it shall be applied to the amount due
12 when a statement is prepared and transmitted to the permit
13 holder pursuant to section 90.181. Any balance due to the state
14 shall be shown on the statement and shall be paid as provided in
15 section 90.181. Any amount of the deposit in excess of the
16 amount determined to be due pursuant to section 90.181 shall be
17 returned to the permit holder when a final statement is
18 transmitted pursuant to that section. All or part of a cash
19 bond may be withheld from application to an amount due on a
20 nonfinal statement if it appears that the total amount due on
21 the permit will exceed the bid price.

22 (b) If an irrevocable bank letter of credit is provided as
23 security under paragraph (a), at the written request of the
24 permittee the state shall annually allow the amount of the bank
25 letter of credit to be reduced by an amount proportionate to the
26 value of timber that has been harvested and for which the state
27 has received payment under the timber permit. The remaining
28 amount of the bank letter of credit after a reduction under this
29 paragraph must not be less than the value of the timber
30 remaining to be harvested under the timber permit.

31 (c) If cash; a certified check; a cashier's check; a
32 personal check; or a postal, bank, or express money order is
33 provided as security under paragraph (a) and no cutting of state
34 timber has taken place on the permit, the commissioner may
35 credit the security provided, less any deposit required by
36 sections 90.14 and 90.163, to any other permit to which the

1 permit holder requests in writing that it be credited.

2 Sec. 10. Minnesota Statutes 2004, section 90.195, is
3 amended to read:

4 90.195 [SPECIAL USE PERMIT.]

5 The commissioner may issue a permit to salvage or cut not
6 to exceed 12 cords of fuelwood per year for personal use from
7 either or both of the following sources: (1) dead, down, and
8 diseased trees; (2) other trees that are of negative value under
9 good forest management practices. The permits may be issued for
10 a period not to exceed one year. The commissioner shall charge
11 a fee, not less than \$5 \$25, in an amount up to the stumpage
12 current market value of fuelwood of similar species, grade, and
13 volume that is being sold in the area where the salvage or
14 cutting is authorized under the permit.

15 Sec. 11. Minnesota Statutes 2004, section 90.211, is
16 amended to read:

17 90.211 [PURCHASE MONEY, WHEN FORFEITED.]

18 If the ~~purchaser-of-any-timber-or-the-purchaser's~~
19 assignee holder of an effective permit fails to cut any part
20 thereof before the expiration of the permit, the ~~purchaser-or~~
21 assignee permit holder shall nevertheless pay the price
22 therefor; but under no circumstances shall timber be cut after
23 the expiration of the permit or extension thereof.

24 Sec. 12. Minnesota Statutes 2004, section 90.301,
25 subdivision 4, is amended to read:

26 Subd. 4. [APPREHENSION OF TRESPASSERS; REWARD.] The
27 ~~following-rewards-shall~~ commissioner may offer a reward to be
28 paid to any a person giving to the proper authorities any
29 information ~~which-shall-lead~~ that leads to the detection-and
30 conviction of ~~any-persons~~ a person violating ~~any-of-the~~
31 ~~provisions-of~~ this chapter:--\$25-reward, if the value of the
32 timber-so-unlawfully-cut-or-removed-shall-not-exceed-the-sum-of
33 \$25;--\$50-reward, if the value of the timber-shall-not-exceed
34 \$50;--and-\$100-reward, if the value of the timber-shall-exceed
35 the-sum-of-\$100;--and-the-court-before-whom-the-person-so
36 violating-the-provisions-of-this-chapter-shall-have-been-tried,

1 shall, upon application of any person claiming to be entitled to
2 such reward, examine the claim in a summary manner and determine
3 whether or not the person claiming the reward is entitled to the
4 same and, if it should appear to the satisfaction of the court
5 that the person claiming the reward is entitled to the same, a
6 certificate of such facts shall be made by the court and
7 delivered to the person, which shall be deemed evidence of a
8 right to the reward. The reward is limited to the greater of
9 \$100 or ten percent of the single stumpage value of any timber
10 unlawfully cut or removed. The Executive Council ~~and~~ commissioner
11 shall pay the same from any funds appropriated for its expenses
12 such purposes or from receipts from the sale of state timber. A
13 reward shall not be paid to salaried forest officers,
14 conservation officers, or licensed peace officers.

15 Sec. 13. Minnesota Statutes 2004, section 239.33, is
16 amended to read:

17 239.33 [STANDARD MEASUREMENTS OF WOOD.]

18 In all contracts for sale of wood the term "cord" shall
19 mean 128 cubic feet of wood, bark, and air, if cut in four-foot
20 lengths; and if the sale is of "sawed wood," a cord shall mean
21 110 cubic feet when ranked, or 160 cubic feet when thrown
22 irregularly or loosely into a conveyance for delivery to the
23 purchaser; and if the sale is of "sawed and split wood," a cord
24 shall mean 120 cubic feet, when ranked, and 175 cubic feet when
25 thrown irregularly and loosely into a conveyance for delivery.
26 If a measurement is made by weight, the term "cord" or any other
27 term used to describe freshly cut ~~green aspen in 100-inch or~~
28 ~~pole lengths containing 133 1/3 cubic feet of loosely or~~
29 ~~irregularly piled wood for transportation constitutes 4,300~~
30 ~~pounds during the period of May 1 through October 31 and 4,500~~
31 ~~pounds during the period of November 1 through April 30.~~
32 Specified weights are wood shall be based on 74 79 cubic feet of
33 solid wood content per cord. The weight per cord may vary by
34 species or species group. In case of any dispute when the
35 parties have not otherwise agreed in writing to the weight per
36 cord by species or species group, the weight most recently

1 established by the commissioner of natural resources prevails.

2 In all contracts for sale of wood, the term "board foot"
3 means 144 cubic inches of wood measured in any combination of
4 length, thickness, and width. If a measurement or scale is made
5 of logs, Scribner's decimal C rule is the standard rule for
6 determining board feet log scale. When measuring or scaling
7 logs, each log must be scaled individually by the largest number
8 of even feet in its length above eight and under 24 feet. All
9 logs of 24 feet or more in length must be scaled as two or more
10 logs. This section does not apply to finished lumber measured
11 in nominal dimensions.

12 Sec. 14. Minnesota Statutes 2004, section 282.04,
13 subdivision 1, is amended to read:

14 Subdivision 1. [TIMBER SALES; LAND LEASES AND USES.] (a)
15 The county auditor may sell timber upon any tract that may be
16 approved by the natural resources commissioner. The sale of
17 timber shall be made for cash at not less than the appraised
18 value determined by the county board to the highest bidder after
19 not less than one week's published notice in an official paper
20 within the county. Any timber offered at the public sale and
21 not sold may thereafter be sold at private sale by the county
22 auditor at not less than the appraised value thereof, until the
23 time as the county board may withdraw the timber from sale. The
24 appraised value of the timber and the forestry practices to be
25 followed in the cutting of said timber shall be approved by the
26 commissioner of natural resources.

27 (b) Payment of the full sale price of all timber sold on
28 tax-forfeited lands shall be made in cash at the time of the
29 timber sale, except in the case of oral or sealed bid auction
30 sales, the down payment shall be no less than 15 percent of the
31 appraised value, and the balance shall be paid prior to entry.
32 In the case of auction sales that are partitioned and sold as a
33 single sale with predetermined cutting blocks, the down payment
34 shall be no less than 15 percent of the appraised price of the
35 entire timber sale which may be held until the satisfactory
36 completion of the sale or applied in whole or in part to the

1 final cutting block. The value of each separate block must be
2 paid in full before any cutting may begin in that block. With
3 the permission of the county contract administrator the
4 purchaser may enter unpaid blocks and cut necessary timber
5 incidental to developing logging roads as may be needed to log
6 other blocks provided that no timber may be removed from an
7 unpaid block until separately scaled and paid for. If payment
8 is provided as specified in this paragraph as security under
9 paragraph (a) and no cutting has taken place on the contract,
10 the county auditor may credit the security provided, less any
11 down payment required for an auction sale under this paragraph,
12 to any other contract issued to the contract holder by the
13 county under this chapter to which the contract holder requests
14 in writing that it be credited, provided the request and
15 transfer is made within the same calendar year as the security
16 was received.

17 (c) The county board may require final settlement on the
18 basis of a scale of cut products. Any parcels of land from
19 which timber is to be sold by scale of cut products shall be so
20 designated in the published notice of sale under paragraph (a),
21 in which case the notice shall contain a description of the
22 parcels, a statement of the estimated quantity of each species
23 of timber, and the appraised price of each species of timber for
24 1,000 feet, per cord or per piece, as the case may be. In those
25 cases any bids offered over and above the appraised prices shall
26 be by percentage, the percent bid to be added to the appraised
27 price of each of the different species of timber advertised on
28 the land. The purchaser of timber from the parcels shall pay in
29 cash at the time of sale at the rate bid for all of the timber
30 shown in the notice of sale as estimated to be standing on the
31 land, and in addition shall pay at the same rate for any
32 additional amounts which the final scale shows to have been cut
33 or was available for cutting on the land at the time of sale
34 under the terms of the sale. Where the final scale of cut
35 products shows that less timber was cut or was available for
36 cutting under terms of the sale than was originally paid for,

1 the excess payment shall be refunded from the forfeited tax sale
2 fund upon the claim of the purchaser, to be audited and allowed
3 by the county board as in case of other claims against the
4 county. No timber, except hardwood pulpwood, may be removed
5 from the parcels of land or other designated landings until
6 scaled by a person or persons designated by the county board and
7 approved by the commissioner of natural resources. Landings
8 other than the parcel of land from which timber is cut may be
9 designated for scaling by the county board by written agreement
10 with the purchaser of the timber. The county board may, by
11 written agreement with the purchaser and with a consumer
12 designated by the purchaser when the timber is sold by the
13 county auditor, and with the approval of the commissioner of
14 natural resources, accept the consumer's scale of cut products
15 delivered at the consumer's landing. No timber shall be removed
16 until fully paid for in cash. Small amounts of timber not
17 exceeding \$3,000 in appraised valuation may be sold for not less
18 than the full appraised value at private sale to individual
19 persons without first publishing notice of sale or calling for
20 bids, provided that in case of a sale involving a total
21 appraised value of more than \$200 the sale shall be made subject
22 to final settlement on the basis of a scale of cut products in
23 the manner above provided and not more than two of the sales,
24 directly or indirectly to any individual shall be in effect at
25 one time.

26 (d) As directed by the county board, the county auditor may
27 lease tax-forfeited land to individuals, corporations or
28 organized subdivisions of the state at public or private sale,
29 and at the prices and under the terms as the county board may
30 prescribe, for use as cottage and camp sites and for
31 agricultural purposes and for the purpose of taking and removing
32 of hay, stumpage, sand, gravel, clay, rock, marl, and black dirt
33 from the land, and for garden sites and other temporary uses
34 provided that no leases shall be for a period to exceed ten
35 years; provided, further that any leases involving a
36 consideration of more than \$12,000 per year, except to an

1 organized subdivision of the state shall first be offered at
2 public sale in the manner provided herein for sale of timber.
3 Upon the sale of any leased land, it shall remain subject to the
4 lease for not to exceed one year from the beginning of the term
5 of the lease. Any rent paid by the lessee for the portion of
6 the term cut off by the cancellation shall be refunded from the
7 forfeited tax sale fund upon the claim of the lessee, to be
8 audited and allowed by the county board as in case of other
9 claims against the county.

10 (e) As directed by the county board, the county auditor may
11 lease tax-forfeited land to individuals, corporations, or
12 organized subdivisions of the state at public or private sale,
13 at the prices and under the terms as the county board may
14 prescribe, for the purpose of taking and removing for use for
15 road construction and other purposes tax-forfeited stockpiled
16 iron-bearing material. The county auditor must determine that
17 the material is needed and suitable for use in the construction
18 or maintenance of a road, tailings basin, settling basin, dike,
19 dam, bank fill, or other works on public or private property,
20 and that the use would be in the best interests of the public.
21 No lease shall exceed ten years. The use of a stockpile for
22 these purposes must first be approved by the commissioner of
23 natural resources. The request shall be deemed approved unless
24 the requesting county is notified to the contrary by the
25 commissioner of natural resources within six months after
26 receipt of a request for approval for use of a stockpile. Once
27 use of a stockpile has been approved, the county may continue to
28 lease it for these purposes until approval is withdrawn by the
29 commissioner of natural resources.

30 (f) The county auditor, with the approval of the county
31 board is authorized to grant permits, licenses, and leases to
32 tax-forfeited lands for the depositing of stripping, lean ores,
33 tailings, or waste products from mines or ore milling plants,
34 upon the conditions and for the consideration and for the period
35 of time, not exceeding 15 years, as the county board may
36 determine. The permits, licenses, or leases are subject to

1 approval by the commissioner of natural resources.

2 (g) Any person who removes any timber from tax-forfeited
3 land before said timber has been scaled and fully paid for as
4 provided in this subdivision is guilty of a misdemeanor.

5 (h) The county auditor may, with the approval of the county
6 board, and without first offering at public sale, grant leases,
7 for a term not exceeding 25 years, for the removal of peat from
8 tax-forfeited lands upon the terms and conditions as the county
9 board may prescribe. Any lease for the removal of peat from
10 tax-forfeited lands must first be reviewed and approved by the
11 commissioner of natural resources if the lease covers 320 or
12 more acres. No lease for the removal of peat shall be made by
13 the county auditor pursuant to this section without first
14 holding a public hearing on the auditor's intention to lease.
15 One printed notice in a legal newspaper in the county at least
16 ten days before the hearing, and posted notice in the courthouse
17 at least 20 days before the hearing shall be given of the
18 hearing.

19 (i) Notwithstanding any provision of paragraph (c) to the
20 contrary, the St. Louis County auditor may, at the discretion of
21 the county board, sell timber to the party who bids the highest
22 price for all the several kinds of timber, as provided for sales
23 by the commissioner of natural resources under section 90.14.
24 Bids offered over and above the appraised price need not be
25 applied proportionately to the appraised price of each of the
26 different species of timber.

27 (j) In lieu of any payment or deposit required in paragraph
28 (b), as directed by the county board and under terms set by the
29 county board, the county auditor may accept an irrevocable bank
30 letter of credit in the amount equal to the amount otherwise
31 determined in paragraph (b)~~7-exclusive-of-the-down-payment~~
32 ~~required-for-an-auction-sale-in-paragraph-(b)~~. If an
33 irrevocable bank letter of credit is provided under this
34 paragraph, at the written request of the purchaser, the county
35 may periodically allow the bank letter of credit to be reduced
36 by an amount proportionate to the value of timber that has been

1 harvested and for which the county has received payment. The
2 remaining amount of the bank letter of credit after a reduction
3 under this paragraph must not be less than 20 percent of the
4 value of the timber purchased. If an irrevocable bank letter of
5 credit or cash deposit is provided for the down payment required
6 in paragraph (b), and no cutting of timber has taken place on
7 the contract for which a letter of credit has been provided, the
8 county may allow the transfer of the letter of credit to any
9 other contract issued to the contract holder by the county under
10 this chapter to which the contract holder requests in writing
11 that it be credited.

12 Sec. 15. [REPEALER.]

13 Minnesota Statutes 2004, sections 90.01, subdivision 9; and
14 90.041, subdivisions 3 and 4, are repealed.

15 Sec. 16. [EFFECTIVE DATE.]

16 This act is effective the day following final enactment.

APPENDIX
Repealed Minnesota Statutes for S0802-1

90.01 DEFINITIONS.

Subd. 9. **Person.** "Person" means any natural person acting personally, or in any representative capacity, and any corporation, firm, or association of whatever nature or kind.

90.041 COMMISSIONER POWERS AND DUTIES.

Subd. 3. **Annual reports.** The commissioner shall report annually or more frequently, as required, to the state Executive Council concerning the status of the state timber sales and timber management program, including any special problems or changes occurring since the previous report.

Subd. 4. **Public meetings.** Each year, the commissioner shall hold a public meeting in each forest area to inform the public of the manner in which the cutting list for that area for the next fiscal year is proposed to be allocated between informal, intermediate and regular auction sales. The public shall be afforded an opportunity to provide written and oral comments concerning the proposed allocation.

1 To: Senator Cohen, Chair
2 Committee on Finance
3 Senator Sams,

4 Chair of the Environment, Agriculture and Economic
5 Development Budget Division, to which was referred

6 S.F. No. 802: A bill for an act relating to natural
7 resources; modifying the State Timber Act; modifying timber sale
8 requirements on tax-forfeited land; clarifying state forest road
9 designation; modifying standard measurements for wood; amending
10 Minnesota Statutes 2004, sections 89.71, subdivision 1; 90.01,
11 by adding subdivisions; 90.041, subdivision 5; 90.042; 90.101,
12 subdivision 2; 90.121; 90.172; 90.173; 90.195; 90.211; 90.301,
13 subdivision 4; 239.33; 282.04, subdivision 1; repealing
14 Minnesota Statutes 2004, sections 90.01, subdivision 9; 90.041,
15 subdivisions 3, 4.

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

18 Page 7, delete section 10

19 Page 8, line 11, strike "same" and insert "reward" and
20 strike "any"

21 Page 8, line 12, delete "such purposes" and insert "that
22 purpose"

23 Page 14, line 16, delete everything after "effective" and
24 insert "July 1, 2005."

25 Renumber the sections in sequence

26 Amend the title as follows:

27 Page 1, line 9, delete "90.195;"

28 And when so amended that the bill be recommended to pass
29 and be referred to the full committee.

30 *Callen Sams*
31 (Division Chair)

32
33 April 5, 2005.....
34 (Date of Division action)

Consolidated Fiscal Note – 2005-06 Session

Bill #: S0802-1E **Complete Date:** 04/05/05

Chief Author: BAKK, THOMAS

Title: MODIFY FOREST PROVISIONS

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agencies: Natural Resources Dept (04/05/05)

Administration Dept (04/01/05)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
-- No Impact --					
Revenues					
Forest Management Investment Fund		2	2	2	2
Natural Resources Dept		2	2	2	2
Misc Special Revenue Fund		1	1	1	1
Natural Resources Dept		1	1	1	1
Permanent School Fund		3	3	3	3
Natural Resources Dept		3	3	3	3
Net Cost <Savings>					
Forest Management Investment Fund		(2)	(2)	(2)	(2)
Natural Resources Dept		(2)	(2)	(2)	(2)
Misc Special Revenue Fund		(1)	(1)	(1)	(1)
Natural Resources Dept		(1)	(1)	(1)	(1)
Permanent School Fund		(3)	(3)	(3)	(3)
Natural Resources Dept		(3)	(3)	(3)	(3)
Total Cost <Savings> to the State		(6)	(6)	(6)	(6)

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MARSHA BATTLES-JENKS

Date: 04/05/05 Phone: 296-8510

Fiscal Note – 2005-06 Session

Bill #: S0802-1E **Complete Date:** 04/05/05

Chief Author: BAKK, THOMAS

Title: MODIFY FOREST PROVISIONS

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agency Name: Natural Resources Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
Forest Management Investment Fund		2	2	2	2
Misc Special Revenue Fund		1	1	1	1
Permanent School Fund		3	3	3	3
Net Cost <Savings>					
Forest Management Investment Fund		(2)	(2)	(2)	(2)
Misc Special Revenue Fund		(1)	(1)	(1)	(1)
Permanent School Fund		(3)	(3)	(3)	(3)
Total Cost <Savings> to the State		(6)	(6)	(6)	(6)

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

This bill amends Minn. Stat. § 90.195 to raise the minimum fee for special fuelwood permits from \$5 to \$25.

The Commissioner of Natural Resources may issue permits to salvage or cut a maximum of 12 cords of fuelwood for personal use from state-administered forest lands per year. This wood can be cut from either or both of the following sources: (1) dead, down, and diseased trees; (2) other trees that are of negative value under good forest management practices. Currently, fees are charged that are not less than \$5 and not more than the current market value of the fuelwood. DNR Division of Forestry offices issue 750 to 850 fuelwood permits each year.

Assumptions

It is estimated that approximately \$6,000 will be generated each year by increasing special fuelwood permits to a minimum of \$25 per permit. (The amount of \$6,000 was reached by taking each \$5, \$10, \$15, and \$20 permit out of the total of 820 permits sold in FY04 and adding together the differences between them and a \$25 minimum permit—for example, a \$5 permit sold in FY04 would bring in \$25 in FY06, an additional income of \$20.) This \$6,000 / year is a small portion of the DNR Division of Forestry's annual "base" direct appropriation of \$33 million in FY06. However, the increase in the minimum charge of a permit from \$5 to \$25 is important in helping the DNR Division of Forestry recoup the administrative costs of issuing special fuelwood permits.

The \$6,000 of additional revenues will be split accordingly: approximately 50% will go to the Permanent School Trust Fund, 30% to the Forest Management Investment Account (FMIA) in the Natural Resources Fund, and 20% to the Consolidated Conservation Account (Con-Con) in the Special Revenue Fund.

Expenditure and/or Revenue Formula

Based on FY04 data, the average fee charged for special fuelwood permits was \$22; however, 520 of the 820 permits issued in this fiscal year were for less than \$20 each. The costs of issuing these permits averaged out to \$24 per permit.

Average revenue from a permit in FY04: $\$17,913.28$ (total revenue brought in by special fuelwood permits) \div 820 permits (total permits issued in FY04) = $\$21.85$ / permit or $\$22$ / permit rounded off.

Average cost of issuing a permit in FY04: $\$10.74$ (one-half hour of clerical time) + $\$10.54$ (one-half hour of appraiser time) + $\$3$ (form and processing fees) = $\$24.28$ / permit or $\$24$ / permit rounded off. (Note: Salary costs are based on class midpoints and include fringe benefits.)

Local Government Costs

Counties receive one-half of Con-Con funds each year. If the anticipated \$1,000 of Con-Con revenues are generated each year by increasing the minimum price of a special fuelwood permit to \$25, the counties will receive \$500 each year from this initiative.

References and Sources

Increasing the minimum fee for special fuelwood permits from \$5 to \$25 is included in the Governor's 2006-07 Biennial Budget.

Source of information: DNR Forestry Division Timber Sale Records

Agency Contact Name: Meg Hanisch, Forestry (651) 296-5958
FN Coord Signature: BRUCE NASLUND
Date: 04/05/05 Phone: 297-4909

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MARSHA BATTLES-JENKS
Date: 04/05/05 Phone: 296-8510

Fiscal Note – 2005-06 Session

Bill #: S0802-1E **Complete Date:** 04/01/05

Chief Author: BAKK, THOMAS

Title: MODIFY FOREST PROVISIONS

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Administration Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Section 4 of this bill indicates that Forest Improvement Contracts are exempt from competitive bidding requirements and from approval by the Commissioner of Administration.

Assumptions

Admin has never devoted any significant resources to Forest Improvement Contracts. Consequently, the anticipated change will not require new resources or free up existing resources and will have no fiscal impact on Admin.

Agency Contact Name: Kent Allin (651-296-1442)
FN Coord Signature: LARRY FREUND
Date: 03/31/05 Phone: 296-5857

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: TIM JAHNKE
Date: 04/01/05 Phone: 296-6237

1 Senator Cohen from the Committee on Finance, to which was
2 re-referred

3 S.F. No. 762: A bill for an act relating to the
4 environment; creating the Clean Water Legacy Act; providing
5 authority, direction, and funding to achieve and maintain water
6 quality standards for Minnesota's surface waters in accordance
7 with section 303(d) of the federal Clean Water Act; modifying
8 soil and water conservation district supervisor election
9 procedures; appropriating money; amending Minnesota Statutes
10 2004, section 103C.311, by adding a subdivision; proposing
11 coding for new law in Minnesota Statutes, chapter 446A;
12 proposing coding for new law as Minnesota Statutes, chapter
13 114D; repealing Minnesota Statutes 2004, section 103C.311,
14 subdivisions 1, 2.

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

17 Pages 1 and 2, delete section 1

18 Page 2, line 25, delete "42" and insert "33"

19 Page 3, line 18, delete "42" and insert "33"

20 Page 10, line 12, delete everything after "Resources"

21 Page 10, line 13, delete everything before "shall"

22 Page 10, line 15, delete "Eighteen" and insert "Nineteen"

23 Page 11, line 8, delete "and"

24 Page 11, line 10, after "governor" insert "; and

25 (16) one member representing the interests of tribal

26 governments, appointed by the governor"

27 Page 11, line 28, delete "prepare" and insert "recommend"

28 and after "The" insert "recommended"

29 Page 11, line 34, delete "implementation" and insert

30 "recommended"

31 Page 11, line 35, delete "work"

32 Pages 13 to 18, delete section 9

33 Page 19, line 4, delete the second "and" and insert a comma

34 and before "without" insert "and 446A.075,"

35 Page 19, delete lines 11 and 12 and insert:

36 "(1) money transferred to the account; and"

37 Page 20, line 14, delete the second "or"

38 Page 20, line 16, after "grant" insert ", or the grantee

39 made improvements to a wastewater treatment facility on or after

40 March 28, 2000, that include infrastructure to reduce the

41 discharge of total phosphorus to one milligram per liter or less"

42 Pages 24 and 25, delete section 13 and insert:

1 "Sec. 11. Laws 2005, chapter 20, article 1, section 39, is
2 amended to read:

3 446A.073 [TOTAL MAXIMUM DAILY LOAD GRANTS.]

4 Subdivision 1. [PROGRAM ESTABLISHED.] The authority must
5 make grants to municipalities to cover up to one-half the cost
6 of wastewater treatment or stormwater projects made necessary by
7 wasteload reductions under total maximum daily load plans
8 required by section 303(d) of the federal Clean Water Act,
9 United States Code, title 33, section 1313(d).

10 Subd. 2. [GRANT APPLICATION.] Application for a grant must
11 be made to the authority on forms prescribed by the authority
12 for the total maximum daily load grant program, with additional
13 information as required by the authority. In accordance with
14 section 116.182, the Pollution Control Agency shall:

15 (1) calculate the essential project component percentage,
16 which must be multiplied by the total project cost to determine
17 the eligible project cost; and

18 (2) review and certify approved projects to the authority.

19 Subd. 3. [PROJECT PRIORITIES.] When money is appropriated
20 for grants under this program, the authority shall reserve money
21 for projects in the order that their total maximum daily load
22 plan was approved by the United States Environmental Protection
23 Agency and in an amount based on their most recent cost
24 estimates submitted to the authority or the as-bid costs,
25 whichever is less.

26 Subd. 4. [GRANT APPROVAL.] The authority must make a grant
27 to a municipality, as defined in section 116.182, subdivision 1,
28 only after:

29 (1) the commissioner of the Minnesota Pollution Control
30 Agency has certified to the United States Environmental
31 Protection Agency a total maximum daily load plan for identified
32 waters of this state that includes a point source wasteload
33 allocation;

34 (2) the Environmental Protection Agency has approved the
35 plan;

36 (3) a municipality affected by the plan has estimated the

1 cost to it of wastewater treatment projects necessary to comply
2 with the point source wasteload allocation;

3 (4) the Pollution Control Agency has approved the cost
4 estimate; and

5 (5) the authority has determined that the additional
6 financing necessary to complete the project has been committed
7 from other sources.

8 Subd. 5. [GRANT DISBURSEMENT.] Disbursement of a grant
9 must be made for eligible project costs as incurred by the
10 municipality and in accordance with a project financing
11 agreement and applicable state and federal laws and rules
12 governing the payments."

13 Page 26, delete lines 6 to 10

14 Page 26, line 11, delete "3" and insert "2"

15 Page 26, delete lines 14 to 18

16 Page 26, line 19, delete "(2) \$1,860,000" and insert "(1)
17 \$4,125,000" and delete "\$4,125,000" and insert "\$1,669,000"

18 Page 26, line 21, delete "\$1,010,000" and insert
19 "\$1,960,000"

20 Page 26, line 22, delete "\$1,960,000" and insert "\$793,000"

21 Page 26, line 25, delete "(3) \$1,900,000" and insert "(2)
22 \$3,290,000" and delete "\$3,290,000" and insert "\$1,331,000"

23 Page 26, line 28, delete "\$384,950" and insert "\$1,119,000"

24 Page 26, line 29, delete "\$1,118,750" and insert "\$453,000"

25 Page 26, line 31, delete "4" and insert "3"

26 Page 26, line 34, delete "\$250,000" and insert "\$2,300,000"
27 and delete everything after "2006"

28 Page 26, line 35, delete "year 2007 are" and insert "is"

29 Page 26, line 36, delete "these"

30 Page 27, line 1, delete "amounts" and insert "this amount"
31 and delete "\$200,000 in fiscal year 2006 and"

32 Page 27, line 2, delete "2007 are" and insert "2006 is"

33 Page 27, line 4, delete "\$350,000" and insert "\$800,000"

34 and delete everything after "2006"

35 Page 27, line 5, delete "year 2007 are" and insert "is"

36 Page 27, line 10, delete "these amounts" and insert "this"

1 amount" and delete "\$50,000 in fiscal"

2 Page 27, line 11, delete "year 2006 and" and delete "2007

3 are" and insert "2006 is"

4 Page 27, line 14, delete "\$100,000 in fiscal year 2006 and"

5 Page 27, line 15, delete "2007 are" and insert "2006 is"

6 Page 27, line 17, delete "these amounts" and insert "this

7 amount" and delete "2007" and insert "2006"

8 Page 27, line 21, delete "5" and insert "4"

9 Page 27, line 26, delete "\$450,000" and insert "\$1,807,000"

10 and delete everything after "2006"

11 Page 27, line 27, delete "year 2007 are" and insert "is"

12 Page 27, line 28, delete "these amounts" and insert "this

13 amount" and delete "\$450,000" and insert "\$1,713,000"

14 Page 27, line 29, delete "and \$5,450,000 in fiscal year

15 2007 are" and insert "is"

16 Page 27, line 33, delete "\$412,000" and insert "\$1,085,000"

17 and delete everything after "2006"

18 Page 27, line 34, delete "year 2007 are" and insert "is"

19 Page 27, line 35, delete "these amounts" and insert "this

20 amount"

21 Page 27, line 36, delete "\$412,000" and insert "\$1,022,000"

22 and delete everything after "2006"

23 Page 28, line 1, delete "are" and insert "is"

24 Page 28, line 4, delete "\$200,000" and insert "\$63,000" and

25 delete "2007" and insert "2006"

26 Page 28, line 6, delete "\$2,400,000" and insert "\$755,000"

27 and delete "2007" and insert "2006"

28 Page 28, line 11, delete "\$300,000" and insert "\$471,000"

29 and delete everything after "2006"

30 Page 28, line 12, delete "year 2007 are" and insert "is"

31 Page 28, line 17, delete "\$2,400,000" and insert "\$755,000"

32 and delete "2007" and insert "2006"

33 Page 28, delete lines 22 to 33

34 Page 28, line 34, delete "7" and insert "5" and delete

35 "\$4,400,000" and insert "\$15,249,000"

36 Page 28, line 35, delete everything after "2006" and insert

1 "is"

2 Page 28, line 36, delete "these"

3 Page 29, line 1, delete "amounts" and insert "this amount"

4 and delete "\$4,400,000" and insert "\$6,131,000" and delete

5 everything after "2006"

6 Page 29, line 2, delete "fiscal year 2007 are" and insert

7 "is"

8 Page 29, line 4, delete "\$4,582,000" and insert "\$1,441,000"

9 and delete "2007" and insert "2006" IN> Page 29, line 6, delete

10 everything after the semicolon

11 Page 29, delete line 7

12 Page 29, line 8, delete "446A.075;" and delete "\$22,433,000"

13 and insert "\$7,677,000" and delete "2007" and insert "2006"

14 Page 29, delete section 15 and insert:

15 "Sec. 13. [REVISOR'S INSTRUCTION.]

16 The revisor of statutes shall renumber the section coded as

17 Minnesota Statutes, section 446A.073, as Minnesota Statutes,

18 section 446A.075."

19 Renumber the sections in sequence

20 Amend the title as follows:

21 Page 1, delete line 7

22 Page 1, line 8, delete everything before "appropriating"

23 Page 1, line 9, delete everything after "amending" and

24 insert "Laws 2005, chapter 20, article 1, section 39;"

25 Page 1, line 10, delete everything before "proposing"

26 Page 1, line 12, delete "; repealing" and insert a period

27 Page 1, delete lines 13 and 14

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

.....
(Committee Chair)

May 13, 2005.....
(Date of Committee recommendation)

30
31
32
33
34

1 A bill for an act

2 relating to the environment; creating the Clean Water
3 Legacy Act; providing authority, direction, and
4 funding to achieve and maintain water quality
5 standards for Minnesota's surface waters in accordance
6 with section 303(d) of the federal Clean Water Act;
7 modifying soil and water conservation district
8 supervisor election procedures; appropriating money;
9 amending Minnesota Statutes 2004, section 103C.311, by
10 adding a subdivision; proposing coding for new law in
11 Minnesota Statutes, chapter 446A; proposing coding for
12 new law as Minnesota Statutes, chapter 114D; repealing
13 Minnesota Statutes 2004, section 103C.311,
14 subdivisions 1, 2.

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

16 Section 1. Minnesota Statutes 2004, section 103C.311, is
17 amended by adding a subdivision to read:

18 Subd. 3. [SUPERVISORS ELECTED BY DISTRICTS.] (a) The
19 district board, with the approval of the state board, must by
20 resolution provide that supervisors will be elected by
21 supervisor districts as provided in this subdivision.

22 (b) The supervisor districts must be apportioned to be
23 coterminous with county commissioner districts. The districts
24 must be numbered in a regular series. The boundaries of the
25 districts must be redrawn after each decennial federal census as
26 provided in section 204B.135 and must reflect any changes in the
27 county commissioner district's boundaries. A certified copy of
28 the resolution establishing supervisor districts must be filed
29 by the chair of the district board with the county auditor of
30 the counties where the soil and water conservation district is

1 located, with the state board, and with the secretary of state
2 at least 30 days before the first date candidates may file for
3 the office of supervisor.

4 (c) Each supervisor district is entitled to elect one
5 supervisor. A supervisor must be a resident of the district
6 from which elected.

7 (d) The district board shall provide staggered terms for
8 supervisors elected by district. After each redistricting,
9 there shall be a new election of supervisors in all the
10 districts at the next general election, except that if the
11 change made in the boundaries of a district is less than five
12 percent of the average population of all the districts, the
13 supervisor in office at the time of the redistricting shall
14 serve for the full term for which elected. The district board
15 shall determine by lot the seats to be filled for a two-year
16 term, a four-year term, and a six-year term.

17 Sec. 2. [114D.05] [CITATION.]

18 This chapter may be cited as the "Clean Water Legacy Act."

19 Sec. 3. [114D.10] [LEGISLATIVE PURPOSE AND FINDINGS.]

20 Subdivision 1. [PURPOSE.] The purpose of the Clean Water
21 Legacy Act is to protect, restore, and preserve the quality of
22 Minnesota's surface waters by providing authority, direction,
23 and resources to achieve and maintain water quality standards
24 for surface waters as required by section 303(d) of the federal
25 Clean Water Act, United States Code, title 42, section 1313(d),
26 and applicable federal regulations.

27 Subd. 2. [FINDINGS.] The legislature finds that:

28 (1) there is a close link between protecting, restoring,
29 and preserving the quality of Minnesota's surface waters and the
30 ability to develop the state's economy, enhance its quality of
31 life, and protect its human and natural resources;

32 (2) achieving the state's water quality goals will require
33 long-term commitment and cooperation by all state and local
34 agencies, and other public and private organizations and
35 individuals, with responsibility and authority for water
36 management, planning, and protection; and

1 (3) all persons and organizations whose activities affect
2 the quality of waters, including point and nonpoint sources of
3 pollution, have a responsibility to participate in and support
4 efforts to achieve the state's water quality goals.

5 Sec. 4. [114D.15] [DEFINITIONS.]

6 Subdivision 1. [APPLICATION.] The definitions provided in
7 this section apply to the terms used in this chapter.

8 Subd. 2. [CITIZEN MONITORING.] "Citizen monitoring" means
9 monitoring of surface water quality by individuals and
10 nongovernmental organizations that is consistent with Pollution
11 Control Agency guidance on monitoring procedures, quality
12 assurance protocols, and data management.

13 Subd. 3. [CLEAN WATER COUNCIL.] "Clean Water Council" or
14 "council" means the Clean Water Council created pursuant to
15 section 114D.30, subdivision 1.

16 Subd. 4. [FEDERAL TMDL REQUIREMENTS.] "Federal TMDL
17 requirements" means the requirements of section 303(d) of the
18 Clean Water Act, United States Code, title 42, section 1313(d),
19 and associated regulations and guidance.

20 Subd. 5. [IMPAIRED WATER.] "Impaired water" means surface
21 water that does not meet applicable water quality standards.

22 Subd. 6. [PUBLIC AGENCIES.] "Public agencies" means all
23 state agencies, political subdivisions, joint powers
24 organizations, and special purpose units of government with
25 authority, responsibility, or expertise in protecting,
26 restoring, or preserving the quality of surface waters, managing
27 or planning for surface waters and related lands, or financing
28 waters-related projects. "Public agencies" also includes the
29 University of Minnesota and other public education institutions.

30 Subd. 7. [RESTORATION.] "Restoration" means actions,
31 including effectiveness monitoring, that are taken to achieve
32 and maintain water quality standards for impaired waters in
33 accordance with a TMDL that has been approved by the United
34 States Environmental Protection Agency under federal TMDL
35 requirements.

36 Subd. 8. [SURFACE WATERS.] "Surface waters" means waters

1 of the state as defined in section 115.01, subdivision 22,
2 excluding groundwater as defined in section 115.01, subdivision
3 6.

4 Subd. 9. [THIRD-PARTY TMDL.] "Third-party TMDL" means a
5 TMDL that is developed by a qualified public agency other than
6 the Pollution Control Agency consistent with the goals,
7 policies, and priorities in section 114D.20.

8 Subd. 10. [TOTAL MAXIMUM DAILY LOAD OR TMDL.] "Total
9 maximum daily load" or "TMDL" means a calculation of the maximum
10 amount of a pollutant that may be introduced into a surface
11 water and still ensure that applicable water quality standards
12 for that water are achieved and maintained. A TMDL is the sum
13 of the pollutant load allocations for all sources of the
14 pollutant, including a load allocation for point sources, a load
15 allocation for nonpoint sources and natural background, a load
16 allocation for future growth of point and nonpoint sources, and
17 a margin of safety to account for uncertainty about the
18 relationship between pollutant loads and the quality of the
19 receiving surface water. "Natural background" means
20 characteristics of the water body resulting from the
21 multiplicity of factors in nature, including climate and
22 ecosystem dynamics, that affect the physical, chemical, or
23 biological conditions in a water body, but does not include
24 measurable and distinguishable pollution that is attributable to
25 human activity or influence. A TMDL must take into account
26 seasonal variations.

27 Subd. 11. [WATER QUALITY STANDARDS.] "Water quality
28 standards" for Minnesota surface waters are found in Minnesota
29 Rules, chapters 7050 and 7052.

30 Sec. 5. [114D.20] [IMPLEMENTATION; COORDINATION; GOALS;
31 POLICIES; AND PRIORITIES.]

32 Subdivision 1. [COORDINATION AND COOPERATION.] In
33 implementing this chapter, public agencies shall take into
34 consideration the relevant provisions of local and other
35 applicable water management, conservation, land use, land
36 management, and development plans and programs. Public agencies

1 with authority for local water management, conservation, land
2 use, land management, and development plans shall take into
3 consideration the manner in which their plans affect the
4 implementation of this chapter. Public agencies shall identify
5 opportunities to participate and assist in the successful
6 implementation of this chapter, including the funding or
7 technical assistance needs, if any, that may be necessary. In
8 implementing this chapter, public agencies shall endeavor to
9 engage the cooperation of organizations and individuals whose
10 activities affect the quality of surface waters, including point
11 and nonpoint sources of pollution, and who have authority and
12 responsibility for water management, planning, and protection.
13 To the extent practicable, public agencies shall endeavor to
14 enter into formal and informal agreements and arrangements with
15 federal agencies and departments to jointly utilize staff and
16 resources to deliver programs or conduct activities to achieve
17 the intent of this chapter, including efforts under the federal
18 Clean Water Act and other federal farm and soil and water
19 conservation programs.

20 Subd. 2. [GOALS FOR IMPLEMENTATION.] The following goals
21 must guide the implementation of this chapter:

22 (1) to identify impaired waters in accordance with federal
23 TMDL requirements within ten years after the effective date of
24 this section and thereafter to ensure continuing evaluation of
25 surface waters for impairments;

26 (2) to submit TMDL's to the United States Environmental
27 Protection Agency for all impaired waters in a timely manner in
28 accordance with federal TMDL requirements;

29 (3) to set a reasonable time for implementing restoration
30 of each identified impaired water;

31 (4) to provide assistance and incentives to prevent waters
32 from becoming impaired and to improve the quality of waters that
33 are listed as impaired but do not have an approved TMDL
34 addressing the impairment; and

35 (5) to promptly seek the delisting of waters from the
36 impaired waters list when those waters are shown to achieve the

1 designated uses applicable to the waters.

2 Subd. 3. [IMPLEMENTATION POLICIES.] The following policies
3 must guide the implementation of this chapter:

4 (1) develop regional and watershed TMDL's, and TMDL's for
5 multiple pollutants, where reasonable and feasible;

6 (2) maximize use of available organizational, technical,
7 and financial resources to perform sampling, monitoring, and
8 other activities to identify impaired waters, including use of
9 citizen monitoring;

10 (3) maximize opportunities for restoration of impaired
11 waters, by prioritizing and targeting of available programmatic,
12 financial, and technical resources and by providing additional
13 state resources to complement and leverage available resources;

14 (4) use existing regulatory authorities to achieve
15 restoration for point and nonpoint sources of pollution where
16 applicable, and promote the development and use of effective
17 nonregulatory measures to address pollution sources for which
18 regulations are not applicable;

19 (5) use restoration methods that have a demonstrated
20 effectiveness in reducing impairments and provide the greatest
21 long-term positive impact on water quality protection and
22 improvement and related conservation benefits while
23 incorporating innovative approaches on a case-by-case basis;

24 (6) identify for the legislature any innovative approaches
25 that may strengthen or complement existing programs; and

26 (7) identify and encourage implementation of measures to
27 prevent waters from becoming impaired and to improve the quality
28 of waters that are listed as impaired but have no approved TMDL
29 addressing the impairment using the best available data and
30 technology, and establish and report outcome-based performance
31 measures that monitor the progress and effectiveness of
32 protection and restoration measures.

33 Subd. 4. [PRIORITIES FOR IDENTIFYING IMPAIRED WATERS.] The
34 Pollution Control Agency, in accordance with federal TMDL
35 requirements, shall set priorities for identifying impaired
36 waters, giving consideration to:

1 (1) waters where impairments would pose the greatest
2 potential risk to human or aquatic health; and

3 (2) waters where data developed through public agency or
4 citizen monitoring or other means provides evidence that an
5 impaired condition exists.

6 Subd. 5. [PRIORITIES FOR PREPARATION OF TMDL'S.] The Clean
7 Water Council shall recommend priorities for scheduling and
8 preparing TMDL's taking into account the severity of the
9 impairment, the designated uses of those waters, and other
10 applicable federal TMDL requirements. In recommending
11 priorities, the council shall also give consideration to waters
12 and watersheds:

13 (1) with impairments that pose the greatest potential risk
14 to human health;

15 (2) with impairments that pose the greatest potential risk
16 to threatened or endangered species;

17 (3) with impairments that pose the greatest potential risk
18 to aquatic health;

19 (4) where other public agencies and participating
20 organizations and individuals, especially local, basinwide, or
21 regional agencies or organizations, have demonstrated readiness
22 to assist in carrying out the responsibilities, including
23 availability and organization of human, technical, and financial
24 resources necessary to undertake the work; and

25 (5) where there is demonstrated coordination and
26 cooperation among cities, counties, watershed districts, and
27 soil and water conservation districts in planning and
28 implementation of activities that will assist in carrying out
29 the responsibilities.

30 Subd. 6. [PRIORITIES FOR RESTORATION OF IMPAIRED
31 WATERS.] In implementing restoration of impaired waters, in
32 addition to the priority considerations in subdivision 5 the
33 Clean Water Council shall give priority in its recommendations
34 for restoration funding from the clean water legacy account to
35 restoration projects that:

36 (1) coordinate with and utilize existing local authorities

1 and infrastructure for implementation;

2 (2) can be implemented in whole or in part by providing

3 support for existing or ongoing restoration efforts;

4 (3) most effectively leverage other sources of restoration

5 funding, including federal, state, local, and private sources of

6 funds;

7 (4) show a high potential for early restoration and

8 delisting based upon data developed through public agency or

9 citizen monitoring or other means; and

10 (5) show a high potential for long-term water quality and

11 related conservation benefits.

12 Subd. 7. [PRIORITIES FOR FUNDING PREVENTION ACTIONS.] The

13 Clean Water Council shall apply the priorities applicable under

14 subdivision 6, as far as practicable, when recommending

15 priorities for funding actions to prevent waters from becoming

16 impaired and to improve the quality of waters that are listed as

17 impaired but do not have an approved TMDL.

18 Sec. 6. [114D.25] [ADMINISTRATION; POLLUTION CONTROL

19 AGENCY.]

20 Subdivision 1. [GENERAL DUTIES AND AUTHORITIES.] (a) The

21 Pollution Control Agency, in accordance with federal TMDL

22 requirements, shall: identify impaired waters and propose a

23 list of the waters for review and approval by the United States

24 Environmental Protection Agency; develop and approve TMDL's for

25 listed impaired waters and submit the approved TMDL's to the

26 United States Environmental Protection Agency for final

27 approval; and propose to delist waters from the United States

28 Environmental Protection Agency impaired waters list.

29 (b) A TMDL must include a statement of the facts and

30 scientific data supporting the TMDL and a list of potential

31 implementation options, including:

32 (1) a range of estimates of the cost of implementation of

33 the TMDL; and

34 (2) for point sources, the individual wasteload data and

35 the estimated cost of compliance addressed by the TMDL.

36 The implementation information does not need to be sent to the

1 United States Environmental Protection Agency for review.

2 Subd. 2. [ADMINISTRATIVE PROCEDURES FOR TMDL
3 APPROVAL.] Before approving a TMDL, the agency shall give
4 written notice to the public of the proposed TMDL and provide a
5 30-day opportunity for submission of written comments. The
6 agency shall distribute the notice in the same manner as a
7 notice of a proposed permit is distributed under agency rules.
8 The approval of a TMDL by the Pollution Control Agency is a
9 final decision of the agency under section 115.05, subdivision
10 11, clause (1), and is subject to the contested case procedures
11 of sections 14.57 to 14.62 in accordance with agency procedural
12 rules. The agency shall not submit an approved TMDL to the
13 United States Environmental Protection Agency until the time for
14 commencing judicial review has run or the judicial review
15 process has been completed. A TMDL is not subject to the
16 rulemaking requirements of chapter 14, including section 14.386.

17 Subd. 3. [THIRD-PARTY TMDL DEVELOPMENT.] The Pollution
18 Control Agency may enter agreements with any qualified public
19 agency setting forth the terms and conditions under which that
20 entity is authorized to develop a third-party TMDL. In
21 determining whether the public agency is qualified to develop a
22 third-party TMDL, the Pollution Control Agency shall consider
23 the technical and administrative qualifications of the public
24 agency and shall avoid any potential organizational conflict of
25 interest, as defined in section 16C.02, subdivision 10a, of the
26 public agency with respect to the development of the third-party
27 TMDL. A third-party TMDL is subject to modification and
28 approval by the Pollution Control Agency, and must be approved
29 by the Pollution Control Agency before it is submitted to the
30 United States Environmental Protection Agency. The Pollution
31 Control Agency shall consider authorizing the development of
32 third-party TMDL's consistent with the goals, policies, and
33 priorities determined under section 116.384.

4 Sec. 7. [114D.30] [CLEAN WATER COUNCIL.]

35 Subdivision 1. [CREATION; DUTIES.] A Clean Water Council
36 is created to advise on the administration and implementation of

1 this chapter, and foster coordination and cooperation as
2 described in section 114D.20, subdivision 1. The council may
3 also advise on the development of appropriate processes for
4 expert scientific review as described in section 114D.35,
5 subdivision 2. The Pollution Control Agency shall provide
6 administrative support for the council with the support of other
7 member agencies. The members of the council shall elect a chair
8 from the nonagency members of the council.

9 Subd. 2. [MEMBERSHIP; APPOINTMENT.] The commissioners of
10 natural resources, agriculture, and the Pollution Control
11 Agency, and the executive director of the Board of Water and
12 Soil Resources are the appointing authorities for the council.
13 Each appointing authority or the authority's designee shall
14 appoint one person from their respective agency to serve as a
15 member of the council. Eighteen additional nonagency members of
16 the council shall be appointed as follows:

17 (1) two members representing statewide farm organizations,
18 appointed by the governor;

19 (2) one member representing business organizations,
20 appointed by the governor;

21 (3) one member representing environmental organizations,
22 appointed by the governor;

23 (4) one member representing soil and water conservation
24 districts, appointed by the governor;

25 (5) one member representing watershed districts, appointed
26 by the governor;

27 (6) one member representing organizations focused on
28 improvement of Minnesota lakes or streams, appointed by the
29 governor;

30 (7) two members representing an organization of county
31 governments, appointed by the governor;

32 (8) two members representing organizations of city
33 governments, appointed by the governor;

34 (9) one member representing the Metropolitan Council
35 established under section 473.123, appointed by the governor;

36 (10) one township officer, appointed by the governor;

1 (11) one member of the house of representatives, appointed
2 by the speaker;

3 (12) one member of the senate, appointed by the majority
4 leader;

5 (13) one member representing the University of Minnesota or
6 a Minnesota state university, appointed by the governor;

7 (14) one member representing the interests of rural
8 counties, appointed by the governor; and

9 (15) one member representing the interests of counties in
10 the seven-county metropolitan area, appointed by the governor.

11 The members of the council appointed by the governor are
12 subject to the advice and consent of the senate. At least six
13 of the members appointed by the governor must reside in the
14 seven-county metropolitan area.

15 Subd. 3. [TERMS; COMPENSATION; REMOVAL.] The initial terms
16 of members representing state agencies and the Metropolitan
17 Council expire on the first Monday in January, 2007.

18 Thereafter, the terms of members representing the state agencies
19 and the Metropolitan Council are four years and are coterminous
20 with the governor. The terms of other members of the council
21 shall be as provided in section 15.059, subdivision 2. Members
22 may serve until their successors are appointed and qualify.

23 Compensation and removal of council members is as provided in
24 section 15.059, subdivisions 3 and 4. A vacancy on the council
25 may be filled by the appointing authorities, as provided in
26 subdivision 1, for the remainder of the unexpired term.

27 Subd. 4. [IMPLEMENTATION PLAN.] The Clean Water Council
28 shall prepare a plan for implementation of this chapter. The
29 plan shall address general procedures and time frames for
30 implementing this chapter, and shall include a more specific
31 implementation work plan for the next fiscal biennium and a
32 framework for setting priorities to address impaired waters
33 consistent with section 114D.20, subdivisions 2 to 7. The
34 council shall issue the first implementation plan under this
35 subdivision by December 1, 2005, and shall issue a revised work
36 plan by December 1 of each even-numbered year thereafter.

1 Subd. 5. [RECOMMENDATIONS ON APPROPRIATION OF FUNDS.] The
2 Clean Water Council shall recommend to the governor the manner
3 in which money from the clean water legacy account should be
4 appropriated for the purposes identified in section 114D.45,
5 subdivision 3. The council's recommendations must be consistent
6 with the purposes, policies, goals, and priorities in sections
7 114D.05 to 114D.35, and shall allocate adequate support and
8 resources to identify impaired waters, develop TMDL's, implement
9 restoration of impaired waters, and provide assistance and
10 incentives to prevent waters from becoming impaired and improve
11 the quality of waters which are listed as impaired but have no
12 approved TMDL.

13 Subd. 6. [BIENNIAL REPORT TO LEGISLATURE.] By December 1
14 of each even-numbered year, the council shall submit a report to
15 the legislature on the activities for which money from the clean
16 water legacy account has been or will be spent for the current
17 biennium, the activities for which money from the account is
18 recommended to be spent in the next biennium, and the impact on
19 economic development of the implementation of the impaired
20 waters program. The report due on December 1, 2014, must
21 include an evaluation of the progress made through June 30,
22 2014, in implementing this chapter, the need for funding of
23 future implementation of those sections, and recommendations for
24 the sources of funding.

25 Sec. 8. [114D.35] [PUBLIC AND STAKEHOLDER PARTICIPATION;
26 SCIENTIFIC REVIEW; EDUCATION.]

27 Subdivision 1. [PUBLIC AND STAKEHOLDER PARTICIPATION.]
28 Public agencies involved in the implementation of this chapter
29 shall encourage participation by the public and stakeholders,
30 including local citizens, landowners and managers, and public
31 and private organizations, in the identification of impaired
32 waters, in developing TMDL's, and in planning and implementing
33 restoration of impaired waters. In particular, the Pollution
34 Control Agency shall make reasonable efforts to provide timely
35 information to the public and to stakeholders about impaired
36 waters that have been identified by the agency. The agency

1 shall seek broad and early public and stakeholder participation
2 in scoping the activities necessary to develop a TMDL, including
3 the scientific models, methods, and approaches to be used in
4 TMDL development, and to implement restoration pursuant to
5 section 114D.15, subdivision 7.

6 Subd. 2. [EXPERT SCIENTIFIC ADVICE.] The Clean Water
7 Council and public agencies shall make use of available
8 expertise from educational, research, and technical
9 organizations, including the University of Minnesota and other
10 higher education institutions, to provide appropriate
11 independent expert advice on models, methods, and approaches
12 used in identifying impaired waters, developing TMDL's, and
13 implementing prevention and restoration.

14 Subd. 3. [EDUCATION.] The Clean Water Council shall
15 develop strategies for informing, educating, and encouraging the
16 participation of citizens, stakeholders, and others regarding
17 the identification of impaired waters, development of TMDL's,
18 and development and implementation of restoration for impaired
19 waters. Public agencies shall be responsible for implementing
20 the strategies.

21 Sec. 9. [114D.40] [CLEAN WATER FEES.]

22 Subdivision 1. [DEFINITIONS.] (a) The definitions in this
23 subdivision apply to the terms used in this section.

24 (b) "Average daily discharge or application limitation"
25 means the highest allowable average of daily discharge or land
26 application during a calendar day or any 24-hour period that
27 reasonably represents the discharge during the calendar day for
28 the purposes of sampling, calculated as the sum of all daily
29 discharges or land applications measured during a day, divided
30 by the number of daily discharges or land applications during
31 that day.

32 (c) "Effluent flow" means the flow of domestic wastewater
33 from a residential dwelling or nonresidential establishment.
34 The rate of water usage by a residential dwelling or
35 nonresidential establishment must be substituted for the
36 effluent flow if effluent flow from the residential dwelling or

1 nonresidential establishment is not measured.

2 (d) "Fee collection authority" means a county, the
3 Pollution Control Agency, or a public agency with authority to
4 collect fees and charges for sewer services provided by a
5 publicly owned treatment works.

6 (e) "Individual sewage treatment system" means a sewage
7 treatment system, or part thereof, that is regulated by the
8 state or its political subdivisions, and which serves a
9 residential dwelling, or nonresidential establishment, or group
10 thereof, using sewage tanks followed by soil treatment and
11 disposal or using advanced treatment devices that discharge
12 below final grade. "Individual sewage treatment system" also
13 includes sewage holding tanks and privies.

14 (f) "Nonresidential establishment" means a structure or
15 portion of a structure that is not a residential dwelling.

16 (g) "Publicly owned treatment works" means a device or
17 system used in the treatment, recycling, or reclamation of
18 municipal sewage or liquid industrial waste that is owned by the
19 state, a political subdivision, sanitary district, or other
20 public organization established under state law and which relies
21 primarily on wastewater treatment systems other than individual
22 sewage treatment systems.

23 (h) "Residential dwelling" means a room or group of rooms
24 used by an individual, family, or other group as living quarters
25 which includes facilities for sleeping, eating, cooking, and
26 sanitation. "Residential dwelling" includes apartments,
27 condominiums, cooperatives, attached and detached dwellings,
28 mobile homes, seasonal or recreational dwellings, or a dwelling
29 in which a resident of that dwelling engages in a business or
30 employment. A farm that includes buildings is treated as a
31 residential dwelling. "Residential dwelling" does not include:

32 (1) hotels, motels, resorts, boarding houses, clubs,
33 hospitals, nursing homes, dormitories, schools, colleges, or
34 similar institutional or transient facilities; or

35 (2) any structure containing not more than two residential
36 dwelling units that receives a single bill for sewer services

1 that is combined with one or more nonresidential establishments.

2 Subd. 2. [ASSESSMENT OF CLEAN WATER FEES.] A clean water
3 fee is imposed as provided in subdivision 3 on all discharges of
4 domestic and industrial wastewater to sanitary sewer systems;
5 wastewater treatment plants, facilities, or systems; individual
6 sewage treatment systems; and other systems.

7 Subd. 3. [FEE AMOUNTS.] (a) Beginning January 1, 2006, the
8 amounts of the clean water fees imposed under this section are
9 as provided in this subdivision.

10 (b) For discharges to sanitary sewer systems served by a
11 publicly owned treatment works, the clean water fees are as
12 follows:

13 (1) for each residential dwelling that receives a separate
14 bill for service and contains not more than two residential
15 dwelling units, \$36 per year;

16 (2) for a structure that contains more than two residential
17 dwelling units that do not receive separate bills for service,
18 clean water fees must be calculated as follows:

19 (i) \$36 per year for each residential dwelling unit in the
20 structure; and

21 (ii) any nonresidential establishment which is billed
22 together with the residential dwelling units is subject to a
23 clean water fee on that portion of the effluent flow for the
24 structure that is attributable to that nonresidential
25 establishment, and the fee must be calculated based on effluent
26 flows as provided in clause (3); and

27 (3) for each nonresidential establishment that receives a
28 separate bill for service, the annual fee is as follows:

29 (i) if average effluent flow is less than 10,000 gallons
30 per day, \$..... in 2006, \$..... in 2007, \$..... in 2008,
31 and \$..... in 2009 and thereafter;

32 (ii) if average effluent flow is 10,000 gallons per day or
33 greater, but less than 100,000 gallons per day, \$..... in
34 2006, \$..... in 2007, \$..... in 2008, and \$..... in 2009
35 and thereafter; and

36 (iii) if average effluent flow is 100,000 gallons per day

1 or greater, \$..... in 2006, \$..... in 2007, \$..... in
2 2008, and \$..... in 2009 and thereafter.

3 (c) Except as provided in paragraph (d), for discharges
4 from wastewater treatment facilities, other than publicly owned
5 treatment works, that are required to obtain a national
6 pollution discharge elimination system or state disposal system
7 permit, the annual fee is as follows:

8 (1) for permits authorizing an average daily discharge or
9 land application limitation of less than 10,000 gallons on an
10 annualized basis, \$..... in 2006, \$..... in 2007, \$.....
11 in 2008, and \$..... in 2009 and thereafter;

12 (2) for permits authorizing an average daily discharge or
13 land application limitation of 10,000 gallons per day or
14 greater, but less than 100,000 gallons per day, \$..... in
15 2006, \$..... in 2007, \$..... in 2008, and \$..... in 2009
16 and thereafter; and

17 (3) for permits authorizing an average daily discharge or
18 land application limitation of 100,000 gallons per day or
19 greater, \$..... in 2006, \$..... in 2007, \$..... in 2008,
20 and \$..... in 2009 and thereafter.

21 (d) A clean water fee must not be imposed under paragraph
22 (c), on discharges from a facility that operates under a general
23 permit issued by the agency.

24 (e) For discharges to domestic wastewater treatment systems
25 permitted by the Pollution Control Agency, excluding publicly
26 owned treatment works, the fee is \$36 per year for each
27 residential dwelling and nonresidential establishment that
28 discharges to the systems. No single residential unit or
29 nonresidential establishment may be required to pay more than
30 one clean water fee under this paragraph.

31 (f) For individual sewage treatment systems not permitted
32 by the Pollution Control Agency, the fee is \$36 per year for
33 each residential dwelling and nonresidential establishment
34 served by the system. No single residential unit or
35 nonresidential establishment may be required to pay more than
36 one clean water fee under this paragraph.

1 (g) For any wastewater system not described in paragraphs
2 (b) to (f), that accepts and discharges untreated or partially
3 treated wastewater, the fee is \$36 per year for each residential
4 dwelling and nonresidential establishment that discharges to the
5 system.

6 (h) Any single residential unit or nonresidential
7 establishment that would be subject to payment of a clean water
8 fee under both paragraphs (f) and (g) may only be required to
9 pay the clean water fee under paragraph (e).

10 Subd. 4. [COLLECTION AND ENFORCEMENT.] (a) Fees imposed on
11 discharges to sanitary sewer systems served by publicly owned
12 treatment works must be collected by the public agency that
13 collects fees or charges from the users of that service. The
14 fees must be collected at the same time and with the same
15 frequency as fees or charges for service are collected. The
16 collecting entity may enforce payment of the fees using the same
17 enforcement authority applicable to sewer service charges.

18 (b) Fees imposed under subdivision 3, paragraphs (c) and
19 (e), must be collected by the Pollution Control Agency from the
20 permittees for the facilities or systems. The Pollution Control
21 Agency may enforce payment of the fees using the same
22 enforcement authority applicable to permit fees.

23 (c) Fees imposed under subdivision 3, paragraphs (f) and
24 (g), must be collected by each county, from the owners of the
25 residential dwellings or nonresidential establishments subject
26 to the fee that are located in the county. A county shall
27 collect the fees at least once per calendar year, but may
28 collect the fees more frequently. If fees are collected
29 annually, a county shall require payment of the fees by not
30 later than February 1 following the calendar year for which the
31 fee is imposed. The county shall determine that manner in which
32 the fees are collected. Each county shall enact and enforce an
33 appropriate ordinance to enforce payment of the fees.

4 (d) By August 15, 2005, a county shall identify and develop
35 a list of all persons subject to the fees under subdivision 3,
36 paragraphs (f) and (g), located in that county. A county shall

1 annually update the list by August 15 of each year.

2 (e) A fee collection authority shall exempt a person from
3 payment of the clean water fee for a discharge of wastewater
4 from a residential dwelling if the fee collection authority
5 determines that the person meets any of the criteria for
6 eligibility under the telephone assistance plan established
7 under section 237.70, or that the person is receiving telephone
8 assistance under that plan. The Pollution Control Agency shall
9 create a form that fee collection authorities shall use to
10 determine eligibility for exemption under this paragraph.

11 (f) Any statement, invoice, or other document used to
12 collect the fees under this subdivision must clearly identify
13 the fee as the "Minnesota Clean Water Fee."

14 Subd. 5. [PAYMENT TO COMMISSIONER OF REVENUE; DEPOSIT.] (a)
15 A fee collection authority shall remit all fees collected under
16 this section, less the costs to collect the fees, not to exceed
17 five percent of the total collected, to the commissioner of
18 revenue. The fees must be remitted in a manner prescribed by
19 the commissioner. Amounts collected during the previous
20 calendar quarter must be remitted to the commissioner on April
21 30, July 31, October 31, and January 31. In addition to the
22 costs of collecting the fees, a fee collection authority may
23 retain from fees collected for calendar year 2006 the costs to
24 develop methods and procedures for collecting the clean water
25 fees.

26 (b) The commissioner of revenue shall deposit all clean
27 water fees remitted by fee collection authorities in the clean
28 water legacy account.

29 (c) The assessment, audit, refund, penalty, interest,
30 enforcement, collection remedies, appeal, and administrative
31 provisions of chapters 270 and 289A that are applicable to fees
32 imposed under chapter 297A apply to the fees imposed by this
33 section.

34 Subd. 6. [EXPIRATION.] This section expires on December
35 31, 2015.

36 Sec. 10. [114D.45] [CLEAN WATER LEGACY ACCOUNT.]

1 Subdivision 1. [CREATION.] The clean water legacy account
2 is created as an account in the environmental fund. Money in
3 the account must be made available for the implementation of
4 this chapter and sections 446A.073 and 446A.074, without
5 supplanting or taking the place of any other funds which are
6 currently available or may become available from any other
7 source, whether federal, state, local, or private, for
8 implementation of those sections.

9 Subd. 2. [SOURCES OF REVENUE.] The following revenues must
10 be deposited in the clean water legacy account:

11 (1) the revenue from the clean water fees collected under
12 section 114D.40; and

13 (2) interest accrued on the account.

14 Subd. 3. [PURPOSES.] Subject to appropriation by the
15 legislature, the clean water legacy account may be spent for the
16 following purposes:

17 (1) to provide grants, loans, and technical assistance to
18 public agencies and others who are participating in the process
19 of identifying impaired waters, developing TMDL's, implementing
20 restoration plans for impaired waters, and monitoring the
21 effectiveness of restoration;

22 (2) to support measures to prevent waters from becoming
23 impaired and to improve the quality of waters that are listed as
24 impaired but have no approved TMDL addressing the impairment;

25 (3) to provide grants and loans for wastewater and storm
26 water treatment projects through the Public Facilities
27 Authority;

28 (4) to support the efforts of public agencies associated
29 with individual sewage treatment systems and financial
30 assistance for upgrading and replacing the systems; and

31 (5) to provide funds to state agencies to carry out their
32 responsibilities under this chapter.

33 Sec. 11. [446A.073] [CLEAN WATER LEGACY PHOSPHORUS
34 REDUCTION GRANTS.]

35 Subdivision 1. [CREATION OF FUND; APPROPRIATION.] The
36 authority shall establish a clean water legacy capital

1 improvement fund and shall make grants from the fund as provided
2 in this section. Money in the clean water legacy capital
3 improvement fund, including interest earned, is appropriated to
4 the authority for the purposes of this section.

5 Subd. 2. [GRANTS.] The authority shall award grants from
6 the clean water legacy capital improvement fund to governmental
7 units for the capital costs of wastewater treatment facility
8 projects or a portion thereof that will reduce the discharge of
9 total phosphorus from the facility to one milligram per liter or
10 less. A project is eligible for a grant if it meets the
11 following requirements:

12 (1) the applicable phosphorus discharge limit is
13 incorporated in a permit issued by the agency for the wastewater
14 treatment facility on or after March 28, 2000, or the grantee
15 agrees to comply with the applicable limit as a condition of
16 receiving the grant;

17 (2) the governmental unit has submitted a facilities plan
18 for the project to the agency and a grant application to the
19 authority on a form prescribed by the authority; and

20 (3) the agency has approved the application and facilities
21 plan, and certified the eligible costs for the project to the
22 authority.

23 Subd. 3. [ELIGIBLE CAPITAL COSTS.] Eligible capital costs
24 for phosphorus reduction grants under subdivision 4, paragraph
25 (a), include the as-bid construction costs and engineering
26 planning and design costs. Eligible capital costs for
27 phosphorus reduction grants under subdivision 4, paragraph (b),
28 include the final, incurred construction, engineering, planning,
29 and design costs.

30 Subd. 4. [GRANT AMOUNTS AND PRIORITIES.] (a) Priority must
31 be given to projects that start construction on or after July 1,
32 2005. If a facility's plan for a project is approved by the
33 agency before July 1, 2009, the amount of the grant is 75
34 percent of the eligible capital cost of the project. If a
35 facility's plan for a project is approved by the agency on or
36 after July 1, 2009, the amount of the grant is 50 percent of the

1 eligible capital cost of the project. Priority in awarding
2 grants under this paragraph must be based on the date of
3 approval of the facility's plan for the project.

4 (b) Projects that meet the eligibility requirements in
5 subdivision 2 and have started construction before July 1, 2005,
6 are eligible for grants to reimburse 75 percent of the eligible
7 capital cost of the project, less any amounts previously
8 received in grants from other sources. Application for a grant
9 under this paragraph must be submitted to the agency no later
10 than June 30, 2007. Priority for award of grants under this
11 paragraph must be based on the date of agency approval of the
12 application for the grant.

13 (c) In each fiscal year that money is available for grants,
14 the authority shall first award grants under paragraph (a) to
15 projects that met the eligibility requirements of subdivision 2
16 by May 1 of that year. The authority shall use any remaining
17 money available that year to award grants under paragraph (b).
18 Grants that have been approved but not awarded in a previous
19 fiscal year carry over and must be awarded in subsequent fiscal
20 years in accordance with the priorities in this paragraph.

21 (d) Disbursements of grants under this section by the
22 authority to recipients must be made for eligible project costs
23 as incurred by the recipients, and must be made by the authority
24 in accordance with the project financing agreement and
25 applicable state law.

26 Subd. 5. [FEES.] The authority may charge the grant
27 recipient a fee for its administrative costs not to exceed
28 one-half of one percent of the grant amount, to be paid upon
29 execution of the grant agreement.

30 Sec. 12. [446A.074] [SMALL COMMUNITY WASTEWATER TREATMENT
31 LOAN PROGRAM.]

32 Subdivision 1. [CREATION OF FUND.] The authority shall
33 establish a small community wastewater treatment fund and shall
34 make loans from the fund as provided in this section. Money in
35 the fund is annually appropriated to the authority and does not
36 lapse. The fund shall be credited with all loan repayments and

1 investment income from the fund, and servicing fees assessed
2 under section 446A.04, subdivision 5. The authority shall
3 manage and administer the small community wastewater treatment
4 fund, and for these purposes, may exercise all powers provided
5 in this chapter.

6 Subd. 2. [LOANS.] The authority shall award loans to
7 governmental units from the small community wastewater treatment
8 fund for projects to replace noncomplying individual sewage
9 treatment systems with a community wastewater treatment system
10 or systems meeting the requirements of section 115.55. A
11 governmental unit receiving a loan from the fund shall own the
12 community wastewater treatment systems built under the program
13 and shall be responsible, either directly or through a contract
14 with a private vendor, for all inspections, maintenance, and
15 repairs necessary to assure proper operation of the systems.

16 Subd. 3. [PROJECT PRIORITY LIST.] Governmental units
17 seeking loans from the small community wastewater treatment loan
18 program shall first submit a project proposal to the agency. A
19 project proposal shall include a compliance determination for
20 all individual sewage treatment systems in the project area.
21 The agency shall rank project proposals on its project priority
22 list used for the water pollution control revolving fund under
23 section 446A.07.

24 Subd. 4. [LOAN APPLICATIONS.] Governmental units with
25 projects on the project priority list shall submit applications
26 to the authority on forms prescribed by the authority. The
27 application shall include:

28 (1) a list of the individual sewage treatment systems
29 proposed to be replaced over a period of up to three years;

30 (2) a project schedule and cost estimate for each year of
31 the project;

32 (3) a financing plan for repayment of the loan; and

33 (4) a management plan providing for the inspection,
34 maintenance, and repairs necessary to assure proper operation of
35 the systems.

36 Subd. 5. [LOAN AWARDS.] The authority shall award loans to

1 governmental units with approved loan applications based on
2 their ranking on the agency's project priority list. The loan
3 amount shall be based on the estimated project costs for the
4 portion of the project expected to be completed within one year,
5 up to an annual maximum of \$500,000. For projects expected to
6 take more than one year to complete, the authority may make a
7 multiyear commitment for a period not to exceed three years,
8 contingent on the future availability of funds. Each year of a
9 multiyear commitment must be funded by a separate loan agreement
10 meeting the terms and conditions in subdivision 6. A
11 governmental unit receiving a loan under a multiyear commitment
12 shall have priority for additional loan funds in subsequent
13 years.

14 Subd. 6. [LOAN TERMS AND CONDITIONS.] Loans from the small
15 community wastewater treatment fund shall comply with the
16 following terms and conditions:

17 (1) principal and interest payments must begin no later
18 than two years after the loan is awarded;

19 (2) loans shall carry an interest rate of one percent;

20 (3) loans shall be fully amortized within ten years of the
21 first scheduled payment or, if the loan amount exceeds \$10,000
22 per household, shall be fully amortized within 20 years but not
23 to exceed the expected design life of the system;

24 (4) a governmental unit receiving a loan must establish a
25 dedicated source or sources of revenues for repayment of the
26 loan and must issue a general obligation note to the authority
27 for the full amount of the loan; and

28 (5) each property owner to be served by a community
29 wastewater treatment system under this program must provide an
30 easement to the governmental unit to allow access to the system
31 for management and repairs.

32 Subd. 7. [SPECIAL ASSESSMENT DEFERRAL.] (a) A governmental
33 unit receiving a loan under this section that levies special
34 assessments to repay the loan may defer payment of the
35 assessments under the provisions of sections 435.193 to 435.195.

36 (b) A governmental unit that defers payment of special

1 assessments for one or more properties under paragraph (a) may
2 request deferral of that portion of the debt service on its
3 loan, and the authority shall accept appropriate amendments to
4 the general obligation note of the governmental unit. If
5 special assessment payments are later received from properties
6 that received a deferral, the funds received shall be paid to
7 the authority with the next scheduled loan payment.

8 Subd. 8. [ELIGIBLE COSTS.] Eligible costs for small
9 community wastewater treatment loans shall include the costs of
10 planning, design, construction, legal fees, administration, and
11 land acquisition.

12 Subd. 9. [DISBURSEMENTS.] Loan disbursements by the
13 authority under this section must be made for eligible project
14 costs as incurred by the recipients, and must be made in
15 accordance with the project loan agreement and applicable state
16 law.

17 Subd. 10. [AUDITS.] A governmental unit receiving a loan
18 under this section must annually provide to the authority for
19 the term of the loan a copy of its annual independent audit or,
20 if the governmental unit is not required to prepare an
21 independent audit, a copy of the annual financial reporting form
22 it provides to the state auditor.

23 Sec. 13. [446A.075] [TOTAL MAXIMUM DAILY LOAD GRANTS.]

24 Subdivision 1. [PROGRAM ESTABLISHED.] From money
25 appropriated for this program, the authority shall make grants
26 to municipalities to cover up to one-half the cost of wastewater
27 treatment or stormwater projects made necessary by wasteload
28 reductions under total maximum daily load plans required by
29 section 303(d) of the federal Clean Water Act, United States
30 Code, title 33, section 1313(d).

31 Subd. 2. [GRANT APPLICATION.] Application for a grant
32 shall be made to the authority on forms prescribed by the
33 authority for the total maximum daily load grant program, with
34 additional information as required by the authority. In
35 accordance with section 116.182, the Pollution Control Agency
36 shall:

1 (1) calculate the essential project component percentage,
2 which shall be multiplied by the total project cost to determine
3 the eligible project cost; and

4 (2) review and certify approved projects to the authority.

5 Subd. 3. [PROJECT PRIORITIES.] From money appropriated for
6 this program, the authority shall reserve money for projects in
7 the order that their total maximum daily load plan was approved
8 by the United States Environmental Protection Agency and in an
9 amount based on their most recent cost estimates submitted to
10 the authority or the as-bid costs, whichever is less.

11 Subd. 4. [GRANT APPROVAL.] The authority shall make a
12 grant to a municipality, as defined in section 116.182,
13 subdivision 1, only after:

14 (1) the commissioner of the Minnesota Pollution Control
15 Agency has certified to the United States Environmental
16 Protection Agency a total maximum daily load plan for identified
17 waters of this state that includes a point source wasteload
18 allocation;

19 (2) the United States Environmental Protection Agency has
20 approved the plan;

21 (3) a municipality affected by the plan has estimated the
22 cost to it of wastewater treatment or stormwater projects
23 necessary to comply with the point source wasteload allocation;

24 (4) the Pollution Control Agency has approved the cost
25 estimate; and

26 (5) the authority has determined that the additional
27 financing necessary to complete the project has been committed
28 from other sources.

29 Subd. 5. [GRANT DISBURSEMENT.] Disbursement of a grant
30 shall be made for eligible project costs as incurred by the
31 municipality and in accordance with a project financing
32 agreement and applicable state and federal laws and rules
33 governing the payments.

34 Sec. 14. [APPROPRIATIONS.]

35 Subdivision 1. [GENERAL PROVISIONS.] The appropriations in
36 this section are from the environmental fund and are available

1 for the fiscal years ending June 30, 2006, and June 30, 2007.
2 Any money remaining after the first year of the biennium is
3 available for the second year. Appropriations in this section
4 that are encumbered under contract, including grant contract, on
5 or before June 30, 2007, are available until June 30, 2009.

6 Subd. 2. [DEPARTMENT OF REVENUE; FEE COLLECTION
7 COSTS.] \$38,000 in fiscal year 2006 and \$31,000 in fiscal year
8 2007 are appropriated to the Department of Revenue to pay the
9 costs of collection and administration of the clean water fees
10 imposed in Minnesota Statutes, section 114D.40.

11 Subd. 3. [POLLUTION CONTROL AGENCY.] The following amounts
12 are appropriated to the Pollution Control Agency for the
13 purposes stated:

14 (1) \$1,000,000 in fiscal year 2006 is to assist counties in
15 developing the list required under Minnesota Statutes, section
16 114D.40, subdivision 4, paragraph (e), of persons subject to
17 clean water fees under Minnesota Statutes, section 114D.40,
18 subdivision 3, paragraphs (f) and (g);

19 (2) \$1,860,000 in fiscal year 2006 and \$4,125,000 in fiscal
20 year 2007 are for statewide assessment of surface water quality
21 and trends; of these amounts, up to \$1,010,000 in fiscal year
22 2006 and \$1,960,000 in fiscal year 2007 are available for grants
23 or contracts to support citizen monitoring of surface waters;
24 and

25 (3) \$1,900,000 in fiscal year 2006 and \$3,290,000 in fiscal
26 year 2007 are to develop TMDL's for waters listed on the United
27 States Environmental Protection Agency approved 2004 impaired
28 waters list; of this appropriation, up to \$384,950 in fiscal
29 year 2006 and \$1,118,750 in fiscal year 2007 are available for
30 grants or contracts to develop TMDL's.

31 Subd. 4. [AGRICULTURE DEPARTMENT.] The following amounts
32 are appropriated to the Department of Agriculture for the
33 purposes stated:

34 (1) \$250,000 in fiscal year 2006 and \$2,300,000 in fiscal
35 year 2007 are for the agricultural best management practices
36 loan program under Minnesota Statutes, section 17.117; of these

1 amounts, \$200,000 in fiscal year 2006 and \$2,100,000 in fiscal
2 year 2007 are available for pass-through to local governments
3 and lenders for low-interest loans;

4 (2) \$350,000 in fiscal year 2006 and \$800,000 in fiscal
5 year 2007 are to expand technical assistance to producers and
6 conservation professionals on nutrient and pasture management;
7 target practices to sources of water impairments; coordinate
8 federal and state farm conservation programs to fully utilize
9 federal conservation funds; and expand conservation planning
10 assistance for producers; of these amounts, \$50,000 in fiscal
11 year 2006 and \$210,000 in fiscal year 2007 are available for
12 grants or contracts to develop nutrient and conservation
13 planning assistance information materials; and

14 (3) \$100,000 in fiscal year 2006 and \$800,000 in fiscal
15 year 2007 are for research, evaluation, and effectiveness
16 monitoring of agricultural practices in restoring impaired
17 waters; of these amounts, \$600,000 in fiscal year 2007 is
18 available for grants or contracts for research, evaluations, and
19 effectiveness monitoring of agricultural practices in restoring
20 impaired waters, including on-farm demonstrations.

21 Subd. 5. [BOARD OF WATER AND SOIL RESOURCES.] The
22 following amounts are appropriated to the Board of Water and
23 Soil Resources for restoration and prevention actions as
24 described in Minnesota Statutes, section 114D.20, subdivisions 6
25 and 7:

26 (1) \$450,000 in fiscal year 2006 and \$5,750,000 in fiscal
27 year 2007 are for targeted nonpoint restoration cost-share and
28 incentive payments; of these amounts, up to \$450,000 in fiscal
29 year 2006 and \$5,450,000 in fiscal year 2007 are available for
30 grants to soil and water conservation districts through the
31 state cost-share program authorized under Minnesota Statutes,
32 section 103C.501;

33 (2) \$412,000 in fiscal year 2006 and \$3,450,000 in fiscal
34 year 2007 are for targeted nonpoint technical and engineering
35 assistance for restoration activities; of these amounts, up to
36 \$412,000 in fiscal year 2006 and \$3,250,000 in fiscal year 2007

1 are available for grants to soil and water conservation
2 districts, watershed management organizations, or counties to
3 support implementation of nonpoint restoration activities;

4 (3) \$200,000 in fiscal year 2007 is for reporting and
5 evaluation of applied soil and water conservation practices;

6 (4) \$2,400,000 in fiscal year 2007 is for grants to
7 counties for implementation of county individual sewage
8 treatment systems programs through the local water resources
9 protection and management program under Minnesota Statutes,
10 section 103B.3369;

11 (5) \$300,000 in fiscal year 2006 and \$1,500,000 in fiscal
12 year 2007 are for base and challenge grants to support nonpoint
13 source protection activities related to lake and river
14 protection and management through the local water resources
15 protection and management program under Minnesota Statutes,
16 section 103B.3369; and

17 (6) \$2,400,000 in fiscal year 2007 is for grants to soil
18 and water conservation districts for streambank, stream channel,
19 lakeshore, and roadside protection and restoration projects
20 through the state-cost share program under Minnesota Statutes,
21 section 103C.501.

22 Subd. 6. [DEPARTMENT OF NATURAL RESOURCES.] The following
23 amounts are appropriated to the Department of Natural Resources
24 for the purposes stated:

25 (1) \$280,000 in fiscal year 2006 and \$430,000 in fiscal
26 year 2007 are for statewide assessment of surface water quality
27 and trends; and

28 (2) \$100,000 in fiscal year 2006 and \$4,050,000 in fiscal
29 year 2007 are for restoration of impaired waters and actions to
30 prevent waters from becoming impaired; of these amounts, up to
31 \$1,700,000 in fiscal year 2007 is available for grants and
32 contracts for forest stewardship planning and implementation,
33 and for research and monitoring.

34 Subd. 7. [PUBLIC FACILITIES AUTHORITY.] \$4,400,000 in
35 fiscal year 2006 and \$44,015,000 in fiscal year 2007 are
36 appropriated to the Public Facilities Authority; of these

1 amounts, \$4,400,000 in fiscal year 2006 and \$17,000,000 in
2 fiscal year 2007 are for deposit in the clean water legacy
3 capital improvements fund for grants under Minnesota Statutes,
4 section 446A.073; \$4,582,000 in fiscal year 2007 is for deposit
5 in the small community wastewater treatment fund for loans under
6 Minnesota Statutes, section 446A.074; \$..... is for total
7 maximum daily load grants under Minnesota Statutes, section
8 446A.075; and \$22,433,000 in fiscal year 2007 is for deposit in
9 the water pollution control revolving fund under Minnesota
10 Statutes, section 446A.07, for wastewater treatment and storm
11 water projects. Money appropriated under this subdivision does
12 not cancel and is available until expended.

13 Sec. 15. [REPEALER.]

14 Minnesota Statutes 2004, section 103C.311, subdivisions 1
15 and 2, are repealed.

APPENDIX
Repealed Minnesota Statutes for S0762-2

103C.311 FORMATION OF SUPERVISOR DISTRICTS.

Subdivision 1. Supervisors elected at large. (a) The district board shall, with the approval of the state board, divide a district into supervisor districts for purposes of nomination for election. At each election after the division, one or more supervisors shall be nominated from each supervisor district. A supervisor must be a resident of the supervisor district to be elected.

(b) If the boundary of a soil and water conservation district has been substantially changed by a division of the district, the district shall be divided into supervisor districts for nomination purposes.

(c) This subdivision does not disqualify a supervisor during the term for which the supervisor was elected or nominated for election. Supervisors nominated from the supervisor districts shall be included on the ballot for election from the entire area included in the soil and water conservation district.

(d) A certified copy of the minutes or the resolution of the supervisors establishing supervisor districts must be promptly filed by the chair of the district board with the county auditor of the counties where the district is located and with the state board.

Subd. 2. Supervisors elected by districts. (a) The district board, with the approval of the state board, may by resolution provide that supervisors will be elected by supervisor districts as provided in this subdivision.

(b) The supervisor districts must be composed of precincts established by county and municipal governing bodies under section 204B.14. The districts must be compact, include only contiguous territory, and be substantially equal in population. The districts must be numbered in a regular series. The districts must be drawn by the county board of the county containing the largest area of the soil and water conservation district, in consultation with the district board and with the approval of the state board. The boundaries of the districts must be redrawn after each decennial federal census as provided in section 204B.135. A certified copy of the resolution establishing supervisor districts must be filed by the chair of the district board with the county auditor of the counties where the soil and water conservation district is located, with the state board, and with the secretary of state at least 30 days before the first date candidates may file for the office of supervisor.

(c) Each supervisor district is entitled to elect one supervisor. A supervisor must be a resident of the district from which elected.

(d) The district board shall provide staggered terms for supervisors elected by district. After each redistricting, there shall be a new election of supervisors in all the districts at the next general election, except that if the change made in the boundaries of a district is less than five percent of the average population of all the districts, the supervisor in office at the time of the redistricting shall serve for the full term for which elected. The district board shall determine by lot the seats to be filled for a two-year term, a four-year term, and a six-year term.

1 To: Senator Cohen, Chair

2 Committee on Finance

3 Senator Sams,

4 Chair of the Environment, Agriculture and Economic
5 Development Budget Division, to which was referred

6 S.F. No. 762: A bill for an act relating to the
7 environment; creating the Clean Water Legacy Act; providing
8 authority, direction, and funding to achieve and maintain water
9 quality standards for Minnesota's surface waters in accordance
10 with section 303(d) of the federal Clean Water Act; modifying
11 soil and water conservation district supervisor election
12 procedures; appropriating money; amending Minnesota Statutes
13 2004, section 103C.311, by adding a subdivision; proposing
14 coding for new law in Minnesota Statutes, chapter 446A;
15 proposing coding for new law as Minnesota Statutes, chapter
16 114D; repealing Minnesota Statutes 2004, section 103C.311,
17 subdivisions 1, 2.

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

20 Pages 1 and 2, delete section 1

21 Page 10, line 12, delete everything after "Resources"

22 Page 10, line 13, delete everything before "shall"

23 Page 10, line 15, delete "Eighteen" and insert "Nineteen"

24 Page 11, line 8, delete "and"

25 Page 11, line 10, after "governor" insert "; and

26 (16) one member representing the interests of tribal

27 governments, appointed by the governor"

28 Page 11, line 28, delete "prepare" and insert "recommend"

29 and after "The" insert "recommended"

30 Page 11, line 34, delete "implementation" and insert

31 "recommended"

32 Page 11, line 35, delete "work"

33 Pages 13 to 18, delete section 9

34 Page 19, line 4, delete the second "and" and insert a comma

35 and before "without" insert "and 446A.075,"

36 Page 19, delete lines 11 and 12 and insert:

37 "(1) money transferred to the account; and"

38 Page 20, line 14, delete the second "or"

39 Page 20, line 16, after "grant" insert ", or the grantee

40 made improvements to a wastewater treatment facility on or after

41 March 28, 2000, that include infrastructure to reduce the

42 discharge of total phosphorus to one milligram per liter or less"

1 Page 26, delete lines 6 to 10
2 Page 26, line 11, delete "3" and insert "2"
3 Page 26, delete lines 14 to 18
4 Page 26, line 19, delete "(2)" and insert "(1)" and delete
5 "\$1,860,000" and insert "\$4,125,000" and delete "\$4,125,000" and
6 insert "\$1,669,000"
7 Page 26, line 21, delete "\$1,010,000" and insert
8 "\$1,960,000"
9 Page 26, line 22, delete "\$1,960,000" and insert "\$793,000"
10 Page 26, line 25, delete "(3)" and insert "(2)" and delete
11 "\$1,900,000" and insert "\$3,290,000" and delete "\$3,290,000" and
12 insert "\$1,331,000"
13 Page 26, line 28, delete "\$384,950" and insert "\$1,119,000"
14 Page 26, line 29, delete "\$1,118,750" and insert "\$453,000"
15 Page 26, line 31, delete "4" and insert "3"
16 Page 26, line 34, delete "\$250,000" and insert "\$2,300,000"
17 and delete everything after "2006"
18 Page 26, line 35, delete "year 2007 are" and insert "is"
19 Page 26, line 36, delete "these"
20 Page 27, line 1, delete "amounts" and insert "this amount"
21 and delete "\$200,000 in fiscal year 2006 and"
22 Page 27, line 2, delete "2007 are" and insert "2006 is"
23 Page 27, line 4, delete "\$350,000" and insert "\$800,000"
24 and delete everything after "2006"
25 Page 27, line 5, delete "year 2007 are" and insert "is"
26 Page 27, line 10, delete "these amounts" and insert "this
27 amount" and delete "\$50,000 in fiscal"
28 Page 27, line 11, delete "year 2006 and" and delete "2007
29 are" and insert "2006 is"
30 Page 27, line 14, delete "\$100,000 in fiscal year 2006 and"
31 Page 27, line 15, delete "2007 are" and insert "2006 is"
32 Page 27, line 17, delete "these amounts" and insert "this
33 amount" and delete "2007" and insert "2006"
34 Page 27, line 21, delete "5" and insert "4"
35 Page 27, line 26, delete "\$450,000" and insert "\$1,807,000"
36 and delete everything after "2006"

1 Page 27, line 27, delete "year 2007 are" and insert "is"

2 Page 27, line 28, delete "these amounts" and insert "this

3 amount" and delete "\$450,000" and insert "\$1,713,000"

4 Page 27, line 29, delete "and \$5,450,000 in fiscal year

5 2007 are" and insert "is"

6 Page 27, line 33, delete "\$412,000" and insert "\$1,085,000"

7 and delete everything after "2006"

8 Page 27, line 34, delete "year 2007 are" and insert "is"

9 Page 27, line 35, delete "these amounts" and insert "this

10 amount"

11 Page 27, line 36, delete "\$412,000" and insert "\$1,022,000"

12 and delete everything after "2006"

13 Page 28, line 1, delete "are" and insert "is"

14 Page 28, line 4, delete "\$200,000" and insert "\$63,000" and

15 delete "2007" and insert "2006"

16 Page 28, line 6, delete "\$2,400,000" and insert "\$755,000"

17 and delete "2007" and insert "2006"

18 Page 28, line 11, delete "\$300,000" and insert "\$471,000"

19 and delete everything after "2006"

20 Page 28, line 12, delete "year 2007 are" and insert "is"

21 Page 28, line 17, delete "\$2,400,000" and insert "\$755,000"

22 and delete "2007" and insert "2006"

23 Page 28, delete lines 22 to 33

24 Page 28, line 34, delete "7" and insert "5" and delete

25 "\$4,400,000" and insert "\$15,249,000"

26 Page 28, line 35, delete everything after "2006" and insert

27 "is"

28 Page 28, line 36, delete "these"

29 Page 29, line 1, delete "amounts" and insert "this amount"

30 and delete "\$4,400,000" and insert "\$6,131,000" and delete

31 everything after "2006"

32 Page 29, line 2, delete "fiscal year 2007 are" and insert

33 "is"

34 Page 29, line 4, delete "\$4,582,000" and insert "\$1,441,000"

35 and delete "2007" and insert "2006"

36 Page 29, line 6, delete everything after the semicolon

- 1 Page 29, delete line 7
- 2 Page 29, line 8, delete "446A.075;" and delete "\$22,433,000"
- 3 and insert "\$7,677,000" and delete "2007" and insert "2006"
- 4 Page 29, delete section 15
- 5 Renumber the sections in sequence
- 6 Amend the title as follows:
- 7 Page 1, delete line 7
- 8 Page 1, line 8, delete everything before "appropriating"
- 9 Page 1, delete line 9
- 10 Page 1, line 10, delete everything before "proposing"
- 11 Page 1, line 12, delete "; repealing" and insert a period
- 12 Page 1, delete lines 13 and 14

13 And when so amended that the bill be recommended to pass
 14 and be referred to the full committee.

15 *William J. Sims*
 16
 17 (Division Chair)

18 May 10, 2005.....
 19 (Date of Division action)

1

A bill for an act

2

relating to the environment; creating the Clean Water Legacy Act; providing authority, direction, and funding to achieve and maintain water quality standards for Minnesota's surface waters in accordance with section 303(d) of the federal Clean Water Act; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 446A; proposing coding for new law as Minnesota Statutes, chapter 114D.

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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

11 Section 1. [114D.05] [CITATION.]

12 This chapter may be cited as the "Clean Water Legacy Act."

13 Sec. 2. [114D.10] [LEGISLATIVE PURPOSE AND FINDINGS.]

14 Subdivision 1. [PURPOSE.] The purpose of the Clean Water15 Legacy Act is to protect, restore, and preserve the quality of16 Minnesota's surface waters by providing authority, direction,17 and resources to achieve and maintain water quality standards18 for surface waters as required by section 303(d) of the federal19 Clean Water Act, United States Code, title 42, section 1313(d),20 and applicable federal regulations.21 Subd. 2. [FINDINGS.] The legislature finds that:22 (1) there is a close link between protecting, restoring,23 and preserving the quality of Minnesota's surface waters and the24 ability to develop the state's economy, enhance its quality of25 life, and protect its human and natural resources;26 (2) achieving the state's water quality goals will require27 long-term commitment and cooperation by all state and local28 agencies, and other public and private organizations and29 individuals, with responsibility and authority for water30 management, planning, and protection; and31 (3) all persons and organizations whose activities affect32 the quality of waters, including point and nonpoint sources of33 pollution, have a responsibility to participate in and support34 efforts to achieve the state's water quality goals.

35 Sec. 3. [114D.15] [DEFINITIONS.]

36 Subdivision 1. [APPLICATION.] The definitions provided in37 this section apply to the terms used in this chapter.38 Subd. 2. [CITIZEN MONITORING.] "Citizen monitoring" means39 monitoring of surface water quality by individuals and

1 nongovernmental organizations that is consistent with Pollution
2 Control Agency guidance on monitoring procedures, quality
3 assurance protocols, and data management.

4 Subd. 3. [CLEAN WATER COUNCIL.] "Clean Water Council" or
5 "council" means the Clean Water Council created pursuant to
6 section 114D.30, subdivision 1.

7 Subd. 4. [FEDERAL TMDL REQUIREMENTS.] "Federal TMDL
8 requirements" means the requirements of section 303(d) of the
9 Clean Water Act, United States Code, title 42, section 1313(d),
10 and associated regulations and guidance.

11 Subd. 5. [IMPAIRED WATER.] "Impaired water" means surface
12 water that does not meet applicable water quality standards.

13 Subd. 6. [PUBLIC AGENCIES.] "Public agencies" means all
14 state agencies, political subdivisions, joint powers
15 organizations, and special purpose units of government with
16 authority, responsibility, or expertise in protecting,
17 restoring, or preserving the quality of surface waters, managing
18 or planning for surface waters and related lands, or financing
19 waters-related projects. "Public agencies" also includes the
20 University of Minnesota and other public education institutions.

21 Subd. 7. [RESTORATION.] "Restoration" means actions,
22 including effectiveness monitoring, that are taken to achieve
23 and maintain water quality standards for impaired waters in
24 accordance with a TMDL that has been approved by the United
25 States Environmental Protection Agency under federal TMDL
26 requirements.

27 Subd. 8. [SURFACE WATERS.] "Surface waters" means waters
28 of the state as defined in section 115.01, subdivision 22,
29 excluding groundwater as defined in section 115.01, subdivision
30 6.

31 Subd. 9. [THIRD-PARTY TMDL.] "Third-party TMDL" means a
32 TMDL that is developed by a qualified public agency other than
33 the Pollution Control Agency consistent with the goals,
34 policies, and priorities in section 114D.20.

35 Subd. 10. [TOTAL MAXIMUM DAILY LOAD OR TMDL.] "Total
36 maximum daily load" or "TMDL" means a calculation of the maximum

1 amount of a pollutant that may be introduced into a surface
2 water and still ensure that applicable water quality standards
3 for that water are achieved and maintained. A TMDL is the sum
4 of the pollutant load allocations for all sources of the
5 pollutant, including a load allocation for point sources, a load
6 allocation for nonpoint sources and natural background, a load
7 allocation for future growth of point and nonpoint sources, and
8 a margin of safety to account for uncertainty about the
9 relationship between pollutant loads and the quality of the
10 receiving surface water. "Natural background" means
11 characteristics of the water body resulting from the
12 multiplicity of factors in nature, including climate and
13 ecosystem dynamics, that affect the physical, chemical, or
14 biological conditions in a water body, but does not include
15 measurable and distinguishable pollution that is attributable to
16 human activity or influence. A TMDL must take into account
17 seasonal variations.

18 Subd. 11. [WATER QUALITY STANDARDS.] "Water quality
19 standards" for Minnesota surface waters are found in Minnesota
20 Rules, chapters 7050 and 7052.

21 Sec. 4. [114D.20] [IMPLEMENTATION; COORDINATION; GOALS;
22 POLICIES; AND PRIORITIES.]

23 Subdivision 1. [COORDINATION AND COOPERATION.] In
24 implementing this chapter, public agencies shall take into
25 consideration the relevant provisions of local and other
26 applicable water management, conservation, land use, land
27 management, and development plans and programs. Public agencies
28 with authority for local water management, conservation, land
29 use, land management, and development plans shall take into
30 consideration the manner in which their plans affect the
31 implementation of this chapter. Public agencies shall identify
32 opportunities to participate and assist in the successful
33 implementation of this chapter, including the funding or
34 technical assistance needs, if any, that may be necessary. In
35 implementing this chapter, public agencies shall endeavor to
36 engage the cooperation of organizations and individuals whose

1 activities affect the quality of surface waters, including point
2 and nonpoint sources of pollution, and who have authority and
3 responsibility for water management, planning, and protection.
4 To the extent practicable, public agencies shall endeavor to
5 enter into formal and informal agreements and arrangements with
6 federal agencies and departments to jointly utilize staff and
7 resources to deliver programs or conduct activities to achieve
8 the intent of this chapter, including efforts under the federal
9 Clean Water Act and other federal farm and soil and water
10 conservation programs.

11 Subd. 2. [GOALS FOR IMPLEMENTATION.] The following goals
12 must guide the implementation of this chapter:

13 (1) to identify impaired waters in accordance with federal
14 TMDL requirements within ten years after the effective date of
15 this section and thereafter to ensure continuing evaluation of
16 surface waters for impairments;

17 (2) to submit TMDL's to the United States Environmental
18 Protection Agency for all impaired waters in a timely manner in
19 accordance with federal TMDL requirements;

20 (3) to set a reasonable time for implementing restoration
21 of each identified impaired water;

22 (4) to provide assistance and incentives to prevent waters
23 from becoming impaired and to improve the quality of waters that
24 are listed as impaired but do not have an approved TMDL
25 addressing the impairment; and

26 (5) to promptly seek the delisting of waters from the
27 impaired waters list when those waters are shown to achieve the
28 designated uses applicable to the waters.

29 Subd. 3. [IMPLEMENTATION POLICIES.] The following policies
30 must guide the implementation of this chapter:

31 (1) develop regional and watershed TMDL's, and TMDL's for
32 multiple pollutants, where reasonable and feasible;

33 (2) maximize use of available organizational, technical,
34 and financial resources to perform sampling, monitoring, and
35 other activities to identify impaired waters, including use of
36 citizen monitoring;

1 (3) maximize opportunities for restoration of impaired
2 waters, by prioritizing and targeting of available programmatic,
3 financial, and technical resources and by providing additional
4 state resources to complement and leverage available resources;

5 (4) use existing regulatory authorities to achieve
6 restoration for point and nonpoint sources of pollution where
7 applicable, and promote the development and use of effective
8 nonregulatory measures to address pollution sources for which
9 regulations are not applicable;

10 (5) use restoration methods that have a demonstrated
11 effectiveness in reducing impairments and provide the greatest
12 long-term positive impact on water quality protection and
13 improvement and related conservation benefits while
14 incorporating innovative approaches on a case-by-case basis;

15 (6) identify for the legislature any innovative approaches
16 that may strengthen or complement existing programs; and

17 (7) identify and encourage implementation of measures to
18 prevent waters from becoming impaired and to improve the quality
19 of waters that are listed as impaired but have no approved TMDL
20 addressing the impairment using the best available data and
21 technology, and establish and report outcome-based performance
22 measures that monitor the progress and effectiveness of
23 protection and restoration measures.

24 Subd. 4. [PRIORITIES FOR IDENTIFYING IMPAIRED WATERS.] The
25 Pollution Control Agency, in accordance with federal TMDL
26 requirements, shall set priorities for identifying impaired
27 waters, giving consideration to:

28 (1) waters where impairments would pose the greatest
29 potential risk to human or aquatic health; and

30 (2) waters where data developed through public agency or
31 citizen monitoring or other means provides evidence that an
32 impaired condition exists.

33 Subd. 5. [PRIORITIES FOR PREPARATION OF TMDL'S.] The Clean
34 Water Council shall recommend priorities for scheduling and
35 preparing TMDL's taking into account the severity of the
36 impairment, the designated uses of those waters, and other

1 applicable federal TMDL requirements. In recommending
2 priorities, the council shall also give consideration to waters
3 and watersheds:

4 (1) with impairments that pose the greatest potential risk
5 to human health;

6 (2) with impairments that pose the greatest potential risk
7 to threatened or endangered species;

8 (3) with impairments that pose the greatest potential risk
9 to aquatic health;

10 (4) where other public agencies and participating
11 organizations and individuals, especially local, basinwide, or
12 regional agencies or organizations, have demonstrated readiness
13 to assist in carrying out the responsibilities, including
14 availability and organization of human, technical, and financial
15 resources necessary to undertake the work; and

16 (5) where there is demonstrated coordination and
17 cooperation among cities, counties, watershed districts, and
18 soil and water conservation districts in planning and
19 implementation of activities that will assist in carrying out
20 the responsibilities.

21 Subd. 6. [PRIORITIES FOR RESTORATION OF IMPAIRED
22 WATERS.] In implementing restoration of impaired waters, in
23 addition to the priority considerations in subdivision 5 the
24 Clean Water Council shall give priority in its recommendations
25 for restoration funding from the clean water legacy account to
26 restoration projects that:

27 (1) coordinate with and utilize existing local authorities
28 and infrastructure for implementation;

29 (2) can be implemented in whole or in part by providing
30 support for existing or ongoing restoration efforts;

31 (3) most effectively leverage other sources of restoration
32 funding, including federal, state, local, and private sources of
33 funds;

34 (4) show a high potential for early restoration and
35 delisting based upon data developed through public agency or
36 citizen monitoring or other means; and

1 (5) show a high potential for long-term water quality and
2 related conservation benefits.

3 Subd. 7. [PRIORITIES FOR FUNDING PREVENTION ACTIONS.] The
4 Clean Water Council shall apply the priorities applicable under
5 subdivision 6, as far as practicable, when recommending
6 priorities for funding actions to prevent waters from becoming
7 impaired and to improve the quality of waters that are listed as
8 impaired but do not have an approved TMDL.

9 Sec. 5. [114D.25] [ADMINISTRATION; POLLUTION CONTROL
10 AGENCY.]

11 Subdivision 1. [GENERAL DUTIES AND AUTHORITIES.] (a) The
12 Pollution Control Agency, in accordance with federal TMDL
13 requirements, shall: identify impaired waters and propose a
14 list of the waters for review and approval by the United States
15 Environmental Protection Agency; develop and approve TMDL's for
16 listed impaired waters and submit the approved TMDL's to the
17 United States Environmental Protection Agency for final
18 approval; and propose to delist waters from the United States
19 Environmental Protection Agency impaired waters list.

20 (b) A TMDL must include a statement of the facts and
21 scientific data supporting the TMDL and a list of potential
22 implementation options, including:

23 (1) a range of estimates of the cost of implementation of
24 the TMDL; and

25 (2) for point sources, the individual wasteload data and
26 the estimated cost of compliance addressed by the TMDL.

27 The implementation information does not need to be sent to the
28 United States Environmental Protection Agency for review.

29 Subd. 2. [ADMINISTRATIVE PROCEDURES FOR TMDL
30 APPROVAL.] Before approving a TMDL, the agency shall give
31 written notice to the public of the proposed TMDL and provide a
32 30-day opportunity for submission of written comments. The
33 agency shall distribute the notice in the same manner as a
34 notice of a proposed permit is distributed under agency rules.
35 The approval of a TMDL by the Pollution Control Agency is a
36 final decision of the agency under section 115.05, subdivision

1 11, clause (1), and is subject to the contested case procedures
2 of sections 14.57 to 14.62 in accordance with agency procedural
3 rules. The agency shall not submit an approved TMDL to the
4 United States Environmental Protection Agency until the time for
5 commencing judicial review has run or the judicial review
6 process has been completed. A TMDL is not subject to the
7 rulemaking requirements of chapter 14, including section 14.386.

8 Subd. 3. [THIRD-PARTY TMDL DEVELOPMENT.] The Pollution
9 Control Agency may enter agreements with any qualified public
10 agency setting forth the terms and conditions under which that
11 entity is authorized to develop a third-party TMDL. In
12 determining whether the public agency is qualified to develop a
13 third-party TMDL, the Pollution Control Agency shall consider
14 the technical and administrative qualifications of the public
15 agency and shall avoid any potential organizational conflict of
16 interest, as defined in section 16C.02, subdivision 10a, of the
17 public agency with respect to the development of the third-party
18 TMDL. A third-party TMDL is subject to modification and
19 approval by the Pollution Control Agency, and must be approved
20 by the Pollution Control Agency before it is submitted to the
21 United States Environmental Protection Agency. The Pollution
22 Control Agency shall consider authorizing the development of
23 third-party TMDL's consistent with the goals, policies, and
24 priorities determined under section 116.384.

25 Sec. 6. [114D.30] [CLEAN WATER COUNCIL.]

26 Subdivision 1. [CREATION; DUTIES.] A Clean Water Council
27 is created to advise on the administration and implementation of
28 this chapter, and foster coordination and cooperation as
29 described in section 114D.20, subdivision 1. The council may
30 also advise on the development of appropriate processes for
31 expert scientific review as described in section 114D.35,
32 subdivision 2. The Pollution Control Agency shall provide
33 administrative support for the council with the support of other
34 member agencies. The members of the council shall elect a chair
35 from the nonagency members of the council.

36 Subd. 2. [MEMBERSHIP; APPOINTMENT.] The commissioners of

1 natural resources, agriculture, and the Pollution Control
2 Agency, and the executive director of the Board of Water and
3 Soil Resources shall appoint one person from their respective
4 agency to serve as a member of the council. Nineteen additional
5 nonagency members of the council shall be appointed as follows:
6 (1) two members representing statewide farm organizations,
7 appointed by the governor;
8 (2) one member representing business organizations,
9 appointed by the governor;
10 (3) one member representing environmental organizations,
11 appointed by the governor;
12 (4) one member representing soil and water conservation
13 districts, appointed by the governor;
14 (5) one member representing watershed districts, appointed
15 by the governor;
16 (6) one member representing organizations focused on
17 improvement of Minnesota lakes or streams, appointed by the
18 governor;
19 (7) two members representing an organization of county
20 governments, appointed by the governor;
21 (8) two members representing organizations of city
22 governments, appointed by the governor;
23 (9) one member representing the Metropolitan Council
24 established under section 473.123, appointed by the governor;
25 (10) one township officer, appointed by the governor;
26 (11) one member of the house of representatives, appointed
27 by the speaker;
28 (12) one member of the senate, appointed by the majority
29 leader;
30 (13) one member representing the University of Minnesota or
31 a Minnesota state university, appointed by the governor;
32 (14) one member representing the interests of rural
33 counties, appointed by the governor;
34 (15) one member representing the interests of counties in
35 the seven-county metropolitan area, appointed by the governor;
36 and

1 (16) one member representing the interests of tribal
2 governments, appointed by the governor.

3 The members of the council appointed by the governor are
4 subject to the advice and consent of the senate. At least six
5 of the members appointed by the governor must reside in the
6 seven-county metropolitan area.

7 Subd. 3. [TERMS; COMPENSATION; REMOVAL.] The initial terms
8 of members representing state agencies and the Metropolitan
9 Council expire on the first Monday in January, 2007.

10 Thereafter, the terms of members representing the state agencies
11 and the Metropolitan Council are four years and are coterminous
12 with the governor. The terms of other members of the council
13 shall be as provided in section 15.059, subdivision 2. Members
14 may serve until their successors are appointed and qualify.
15 Compensation and removal of council members is as provided in
16 section 15.059, subdivisions 3 and 4. A vacancy on the council
17 may be filled by the appointing authorities, as provided in
18 subdivision 1, for the remainder of the unexpired term.

19 Subd. 4. [IMPLEMENTATION PLAN.] The Clean Water Council
20 shall recommend a plan for implementation of this chapter. The
21 recommended plan shall address general procedures and time
22 frames for implementing this chapter, and shall include a more
23 specific implementation work plan for the next fiscal biennium
24 and a framework for setting priorities to address impaired
25 waters consistent with section 114D.20, subdivisions 2 to 7.
26 The council shall issue the first recommended plan under this
27 subdivision by December 1, 2005, and shall issue a revised plan
28 by December 1 of each even-numbered year thereafter.

29 Subd. 5. [RECOMMENDATIONS ON APPROPRIATION OF FUNDS.] The
30 Clean Water Council shall recommend to the governor the manner
31 in which money from the clean water legacy account should be
32 appropriated for the purposes identified in section 114D.45,
33 subdivision 3. The council's recommendations must be consistent
34 with the purposes, policies, goals, and priorities in sections
35 114D.05 to 114D.35, and shall allocate adequate support and
36 resources to identify impaired waters, develop TMDL's, implement

1 restoration of impaired waters, and provide assistance and
2 incentives to prevent waters from becoming impaired and improve
3 the quality of waters which are listed as impaired but have no
4 approved TMDL.

5 Subd. 6. [BIENNIAL REPORT TO LEGISLATURE.] By December 1
6 of each even-numbered year, the council shall submit a report to
7 the legislature on the activities for which money from the clean
8 water legacy account has been or will be spent for the current
9 biennium, the activities for which money from the account is
10 recommended to be spent in the next biennium, and the impact on
11 economic development of the implementation of the impaired
12 waters program. The report due on December 1, 2014, must
13 include an evaluation of the progress made through June 30,
14 2014, in implementing this chapter, the need for funding of
15 future implementation of those sections, and recommendations for
16 the sources of funding.

17 Sec. 7. [114D.35] [PUBLIC AND STAKEHOLDER PARTICIPATION;
18 SCIENTIFIC REVIEW; EDUCATION.]

19 Subdivision 1. [PUBLIC AND STAKEHOLDER PARTICIPATION.]
20 Public agencies involved in the implementation of this chapter
21 shall encourage participation by the public and stakeholders,
22 including local citizens, landowners and managers, and public
23 and private organizations, in the identification of impaired
24 waters, in developing TMDL's, and in planning and implementing
25 restoration of impaired waters. In particular, the Pollution
26 Control Agency shall make reasonable efforts to provide timely
27 information to the public and to stakeholders about impaired
28 waters that have been identified by the agency. The agency
29 shall seek broad and early public and stakeholder participation
30 in scoping the activities necessary to develop a TMDL, including
31 the scientific models, methods, and approaches to be used in
32 TMDL development, and to implement restoration pursuant to
33 section 114D.15, subdivision 7.

34 Subd. 2. [EXPERT SCIENTIFIC ADVICE.] The Clean Water
35 Council and public agencies shall make use of available
36 expertise from educational, research, and technical

1 organizations, including the University of Minnesota and other
2 higher education institutions, to provide appropriate
3 independent expert advice on models, methods, and approaches
4 used in identifying impaired waters, developing TMDL's, and
5 implementing prevention and restoration.

6 Subd. 3. [EDUCATION.] The Clean Water Council shall
7 develop strategies for informing, educating, and encouraging the
8 participation of citizens, stakeholders, and others regarding
9 the identification of impaired waters, development of TMDL's,
10 and development and implementation of restoration for impaired
11 waters. Public agencies shall be responsible for implementing
12 the strategies.

13 Sec. 8. [114D.45] [CLEAN WATER LEGACY ACCOUNT.]

14 Subdivision 1. [CREATION.] The clean water legacy account
15 is created as an account in the environmental fund. Money in
16 the account must be made available for the implementation of
17 this chapter and sections 446A.073, 446A.074, and 446A.075,
18 without supplanting or taking the place of any other funds which
19 are currently available or may become available from any other
20 source, whether federal, state, local, or private, for
21 implementation of those sections.

22 Subd. 2. [SOURCES OF REVENUE.] The following revenues must
23 be deposited in the clean water legacy account:

24 (1) money transferred to the account; and

25 (2) interest accrued on the account.

26 Subd. 3. [PURPOSES.] Subject to appropriation by the
27 legislature, the clean water legacy account may be spent for the
28 following purposes:

29 (1) to provide grants, loans, and technical assistance to
30 public agencies and others who are participating in the process
31 of identifying impaired waters, developing TMDL's, implementing
32 restoration plans for impaired waters, and monitoring the
33 effectiveness of restoration;

34 (2) to support measures to prevent waters from becoming
35 impaired and to improve the quality of waters that are listed as
36 impaired but have no approved TMDL addressing the impairment;

1 (3) to provide grants and loans for wastewater and storm
2 water treatment projects through the Public Facilities
3 Authority;

4 (4) to support the efforts of public agencies associated
5 with individual sewage treatment systems and financial
6 assistance for upgrading and replacing the systems; and

7 (5) to provide funds to state agencies to carry out their
8 responsibilities under this chapter.

9 Sec. 9. [446A.073] [CLEAN WATER LEGACY PHOSPHORUS
10 REDUCTION GRANTS.]

11 Subdivision 1. [CREATION OF FUND; APPROPRIATION.] The
12 authority shall establish a clean water legacy capital
13 improvement fund and shall make grants from the fund as provided
14 in this section. Money in the clean water legacy capital
15 improvement fund, including interest earned, is appropriated to
16 the authority for the purposes of this section.

17 Subd. 2. [GRANTS.] The authority shall award grants from
18 the clean water legacy capital improvement fund to governmental
19 units for the capital costs of wastewater treatment facility
20 projects or a portion thereof that will reduce the discharge of
21 total phosphorus from the facility to one milligram per liter or
22 less. A project is eligible for a grant if it meets the
23 following requirements:

24 (1) the applicable phosphorus discharge limit is
25 incorporated in a permit issued by the agency for the wastewater
26 treatment facility on or after March 28, 2000, the grantee
27 agrees to comply with the applicable limit as a condition of
28 receiving the grant, or the grantee made improvements to a
29 wastewater treatment facility on or after March 28, 2000, that
30 include infrastructure to reduce the discharge of total
31 phosphorus to one milligram per liter or less;

32 (2) the governmental unit has submitted a facilities plan
33 for the project to the agency and a grant application to the
34 authority on a form prescribed by the authority; and

35 (3) the agency has approved the application and facilities
36 plan, and certified the eligible costs for the project to the

1 authority.

2 Subd. 3. [ELIGIBLE CAPITAL COSTS.] Eligible capital costs
3 for phosphorus reduction grants under subdivision 4, paragraph
4 (a), include the as-bid construction costs and engineering
5 planning and design costs. Eligible capital costs for
6 phosphorus reduction grants under subdivision 4, paragraph (b),
7 include the final, incurred construction, engineering, planning,
8 and design costs.

9 Subd. 4. [GRANT AMOUNTS AND PRIORITIES.] (a) Priority must
10 be given to projects that start construction on or after July 1,
11 2005. If a facility's plan for a project is approved by the
12 agency before July 1, 2009, the amount of the grant is 75
13 percent of the eligible capital cost of the project. If a
14 facility's plan for a project is approved by the agency on or
15 after July 1, 2009, the amount of the grant is 50 percent of the
16 eligible capital cost of the project. Priority in awarding
17 grants under this paragraph must be based on the date of
18 approval of the facility's plan for the project.

19 (b) Projects that meet the eligibility requirements in
20 subdivision 2 and have started construction before July 1, 2005,
21 are eligible for grants to reimburse 75 percent of the eligible
22 capital cost of the project, less any amounts previously
23 received in grants from other sources. Application for a grant
24 under this paragraph must be submitted to the agency no later
25 than June 30, 2007. Priority for award of grants under this
26 paragraph must be based on the date of agency approval of the
27 application for the grant.

28 (c) In each fiscal year that money is available for grants,
29 the authority shall first award grants under paragraph (a) to
30 projects that met the eligibility requirements of subdivision 2
31 by May 1 of that year. The authority shall use any remaining
32 money available that year to award grants under paragraph (b).
33 Grants that have been approved but not awarded in a previous
34 fiscal year carry over and must be awarded in subsequent fiscal
35 years in accordance with the priorities in this paragraph.

36 (d) Disbursements of grants under this section by the

1 authority to recipients must be made for eligible project costs
2 as incurred by the recipients, and must be made by the authority
3 in accordance with the project financing agreement and
4 applicable state law.

5 Subd. 5. [FEES.] The authority may charge the grant
6 recipient a fee for its administrative costs not to exceed
7 one-half of one percent of the grant amount, to be paid upon
8 execution of the grant agreement.

9 Sec. 10. [446A.074] [SMALL COMMUNITY WASTEWATER TREATMENT
10 LOAN PROGRAM.]

11 Subdivision 1. [CREATION OF FUND.] The authority shall
12 establish a small community wastewater treatment fund and shall
13 make loans from the fund as provided in this section. Money in
14 the fund is annually appropriated to the authority and does not
15 lapse. The fund shall be credited with all loan repayments and
16 investment income from the fund, and servicing fees assessed
17 under section 446A.04, subdivision 5. The authority shall
18 manage and administer the small community wastewater treatment
19 fund, and for these purposes, may exercise all powers provided
20 in this chapter.

21 Subd. 2. [LOANS.] The authority shall award loans to
22 governmental units from the small community wastewater treatment
23 fund for projects to replace noncomplying individual sewage
24 treatment systems with a community wastewater treatment system
25 or systems meeting the requirements of section 115.55. A
26 governmental unit receiving a loan from the fund shall own the
27 community wastewater treatment systems built under the program
28 and shall be responsible, either directly or through a contract
29 with a private vendor, for all inspections, maintenance, and
30 repairs necessary to assure proper operation of the systems.

31 Subd. 3. [PROJECT PRIORITY LIST.] Governmental units
32 seeking loans from the small community wastewater treatment loan
33 program shall first submit a project proposal to the agency. A
34 project proposal shall include a compliance determination for
35 all individual sewage treatment systems in the project area.
36 The agency shall rank project proposals on its project priority

1 list used for the water pollution control revolving fund under
2 section 446A.07.

3 Subd. 4. [LOAN APPLICATIONS.] Governmental units with
4 projects on the project priority list shall submit applications
5 to the authority on forms prescribed by the authority. The
6 application shall include:

7 (1) a list of the individual sewage treatment systems
8 proposed to be replaced over a period of up to three years;

9 (2) a project schedule and cost estimate for each year of
10 the project;

11 (3) a financing plan for repayment of the loan; and

12 (4) a management plan providing for the inspection,
13 maintenance, and repairs necessary to assure proper operation of
14 the systems.

15 Subd. 5. [LOAN AWARDS.] The authority shall award loans to
16 governmental units with approved loan applications based on
17 their ranking on the agency's project priority list. The loan
18 amount shall be based on the estimated project costs for the
19 portion of the project expected to be completed within one year,
20 up to an annual maximum of \$500,000. For projects expected to
21 take more than one year to complete, the authority may make a
22 multiyear commitment for a period not to exceed three years,
23 contingent on the future availability of funds. Each year of a
24 multiyear commitment must be funded by a separate loan agreement
25 meeting the terms and conditions in subdivision 6. A
26 governmental unit receiving a loan under a multiyear commitment
27 shall have priority for additional loan funds in subsequent
28 years.

29 Subd. 6. [LOAN TERMS AND CONDITIONS.] Loans from the small
30 community wastewater treatment fund shall comply with the
31 following terms and conditions:

32 (1) principal and interest payments must begin no later
33 than two years after the loan is awarded;

34 (2) loans shall carry an interest rate of one percent;

35 (3) loans shall be fully amortized within ten years of the
36 first scheduled payment or, if the loan amount exceeds \$10,000

1 per household, shall be fully amortized within 20 years but not
2 to exceed the expected design life of the system;

3 (4) a governmental unit receiving a loan must establish a
4 dedicated source or sources of revenues for repayment of the
5 loan and must issue a general obligation note to the authority
6 for the full amount of the loan; and

7 (5) each property owner to be served by a community
8 wastewater treatment system under this program must provide an
9 easement to the governmental unit to allow access to the system
10 for management and repairs.

11 Subd. 7. [SPECIAL ASSESSMENT DEFERRAL.] (a) A governmental
12 unit receiving a loan under this section that levies special
13 assessments to repay the loan may defer payment of the
14 assessments under the provisions of sections 435.193 to 435.195.

15 (b) A governmental unit that defers payment of special
16 assessments for one or more properties under paragraph (a) may
17 request deferral of that portion of the debt service on its
18 loan, and the authority shall accept appropriate amendments to
19 the general obligation note of the governmental unit. If
20 special assessment payments are later received from properties
21 that received a deferral, the funds received shall be paid to
22 the authority with the next scheduled loan payment.

23 Subd. 8. [ELIGIBLE COSTS.] Eligible costs for small
24 community wastewater treatment loans shall include the costs of
25 planning, design, construction, legal fees, administration, and
26 land acquisition.

27 Subd. 9. [DISBURSEMENTS.] Loan disbursements by the
28 authority under this section must be made for eligible project
29 costs as incurred by the recipients, and must be made in
30 accordance with the project loan agreement and applicable state
31 law.

32 Subd. 10. [AUDITS.] A governmental unit receiving a loan
33 under this section must annually provide to the authority for
34 the term of the loan a copy of its annual independent audit or,
35 if the governmental unit is not required to prepare an
36 independent audit, a copy of the annual financial reporting form

1 it provides to the state auditor.

2 Sec. 11. [446A.075] [TOTAL MAXIMUM DAILY LOAD GRANTS.]

3 Subdivision 1. [PROGRAM ESTABLISHED.] From money

4 appropriated for this program, the authority shall make grants
5 to municipalities to cover up to one-half the cost of wastewater
6 treatment or stormwater projects made necessary by wasteload
7 reductions under total maximum daily load plans required by
8 section 303(d) of the federal Clean Water Act, United States
9 Code, title 33, section 1313(d).

10 Subd. 2. [GRANT APPLICATION.] Application for a grant
11 shall be made to the authority on forms prescribed by the
12 authority for the total maximum daily load grant program, with
13 additional information as required by the authority. In
14 accordance with section 116.182, the Pollution Control Agency
15 shall:

16 (1) calculate the essential project component percentage,
17 which shall be multiplied by the total project cost to determine
18 the eligible project cost; and

19 (2) review and certify approved projects to the authority.

20 Subd. 3. [PROJECT PRIORITIES.] From money appropriated for
21 this program, the authority shall reserve money for projects in
22 the order that their total maximum daily load plan was approved
23 by the United States Environmental Protection Agency and in an
24 amount based on their most recent cost estimates submitted to
25 the authority or the as-bid costs, whichever is less.

26 Subd. 4. [GRANT APPROVAL.] The authority shall make a
27 grant to a municipality, as defined in section 116.182,
28 subdivision 1, only after:

29 (1) the commissioner of the Minnesota Pollution Control
30 Agency has certified to the United States Environmental
31 Protection Agency a total maximum daily load plan for identified
32 waters of this state that includes a point source wasteload
33 allocation;

34 (2) the United States Environmental Protection Agency has
35 approved the plan;

36 (3) a municipality affected by the plan has estimated the

1 cost to it of wastewater treatment or stormwater projects
2 necessary to comply with the point source wasteload allocation;

3 (4) the Pollution Control Agency has approved the cost
4 estimate; and

5 (5) the authority has determined that the additional
6 financing necessary to complete the project has been committed
7 from other sources.

8 Subd. 5. [GRANT DISBURSEMENT.] Disbursement of a grant
9 shall be made for eligible project costs as incurred by the
10 municipality and in accordance with a project financing
11 agreement and applicable state and federal laws and rules
12 governing the payments.

13 Sec. 12. [APPROPRIATIONS.]

14 Subdivision 1. [GENERAL PROVISIONS.] The appropriations in
15 this section are from the environmental fund and are available
16 for the fiscal years ending June 30, 2006, and June 30, 2007.
17 Any money remaining after the first year of the biennium is
18 available for the second year. Appropriations in this section
19 that are encumbered under contract, including grant contract, on
20 or before June 30, 2007, are available until June 30, 2009.

21 Subd. 2. [POLLUTION CONTROL AGENCY.] The following amounts
22 are appropriated to the Pollution Control Agency for the
23 purposes stated:

24 (1) \$4,125,000 in fiscal year 2006 and \$1,669,000 in fiscal
25 year 2007 are for statewide assessment of surface water quality
26 and trends; of these amounts, up to \$1,960,000 in fiscal year
27 2006 and \$793,000 in fiscal year 2007 are available for grants
28 or contracts to support citizen monitoring of surface waters;
29 and

30 (2) \$3,290,000 in fiscal year 2006 and \$ 1,331,000 in
31 fiscal year 2007 are to develop TMDL's for waters listed on the
32 United States Environmental Protection Agency approved 2004
33 impaired waters list; of this appropriation, up to \$1,119,000 in
34 fiscal year 2006 and \$453,000 in fiscal year 2007 are available
35 for grants or contracts to develop TMDL's.

36 Subd. 3. [AGRICULTURE DEPARTMENT.] The following amounts

1 are appropriated to the Department of Agriculture for the
2 purposes stated:

3 (1) \$2,300,000 in fiscal year 2006 is for the agricultural
4 best management practices loan program under Minnesota Statutes,
5 section 17.117; of this amount, \$2,100,000 in fiscal year 2006
6 is available for pass-through to local governments and lenders
7 for low-interest loans;

8 (2) \$800,000 in fiscal year 2006 is to expand technical
9 assistance to producers and conservation professionals on
10 nutrient and pasture management; target practices to sources of
11 water impairments; coordinate federal and state farm
12 conservation programs to fully utilize federal conservation
13 funds; and expand conservation planning assistance for
14 producers; of this amount, \$210,000 in fiscal year 2006 is
15 available for grants or contracts to develop nutrient and
16 conservation planning assistance information materials; and

17 (3) \$800,000 in fiscal year 2006 is for research,
18 evaluation, and effectiveness monitoring of agricultural
19 practices in restoring impaired waters; of this amount, \$600,000
20 in fiscal year 2006 is available for grants or contracts for
21 research, evaluations, and effectiveness monitoring of
22 agricultural practices in restoring impaired waters, including
23 on-farm demonstrations.

24 Subd. 4. [BOARD OF WATER AND SOIL RESOURCES.] The
25 following amounts are appropriated to the Board of Water and
26 Soil Resources for restoration and prevention actions as
27 described in Minnesota Statutes, section 114D.20, subdivisions 6
28 and 7:

29 (1) \$1,807,000 in fiscal year 2006 is for targeted nonpoint
30 restoration cost-share and incentive payments; of this amount,
31 up to \$1,713,000 in fiscal year 2006 is available for grants to
32 soil and water conservation districts through the state
33 cost-share program authorized under Minnesota Statutes, section
34 103C.501;

35 (2) \$1,085,000 in fiscal year 2006 is for targeted nonpoint
36 technical and engineering assistance for restoration activities;

1 of this amount, up to \$1,022,000 in fiscal year 2006 is
2 available for grants to soil and water conservation districts,
3 watershed management organizations, or counties to support
4 implementation of nonpoint restoration activities;

5 (3) \$63,000 in fiscal year 2006 is for reporting and
6 evaluation of applied soil and water conservation practices;

7 (4) \$755,000 in fiscal year 2006 is for grants to counties
8 for implementation of county individual sewage treatment systems
9 programs through the local water resources protection and
10 management program under Minnesota Statutes, section 103B.3369;

11 (5) \$471,000 in fiscal year 2006 is for base and challenge
12 grants to support nonpoint source protection activities related
13 to lake and river protection and management through the local
14 water resources protection and management program under
15 Minnesota Statutes, section 103B.3369; and

16 (6) \$755,000 in fiscal year 2006 is for grants to soil and
17 water conservation districts for streambank, stream channel,
18 lakeshore, and roadside protection and restoration projects
19 through the state-cost share program under Minnesota Statutes,
20 section 103C.501.

21 Subd. 5. [PUBLIC FACILITIES AUTHORITY.] \$15,249,000 in
22 fiscal year 2006 is appropriated to the Public Facilities
23 Authority; of this amount, \$6,131,000 in fiscal year 2006 is for
24 deposit in the clean water legacy capital improvements fund for
25 grants under Minnesota Statutes, section 446A.073; \$1,441,000 in
26 fiscal year 2006 is for deposit in the small community
27 wastewater treatment fund for loans under Minnesota Statutes,
28 section 446A.074; and \$7,677,000 in fiscal year 2006 is for
29 deposit in the water pollution control revolving fund under
30 Minnesota Statutes, section 446A.07, for wastewater treatment
31 and storm water projects. Money appropriated under this
32 subdivision does not cancel and is available until expended.

1 Senator moves to amend ~~the committee engrossment~~
2 (~~SS0762CE1~~) of S.F. No. 762 as follows:

3 Pages ²⁴~~18~~ and ²⁵~~19~~, delete section ¹³~~11~~ and insert:

4 "Sec. ¹¹~~18~~. Minnesota Statutes, section 446A.073, as added
5 by Laws 2005, chapter 20, article 1, section 39, is renumbered
6 as section 446A.075 and amended to read:

7 446A.075 [TOTAL MAXIMUM DAILY LOAD GRANTS.]

8 Subdivision 1. [PROGRAM ESTABLISHED.] The authority must
9 make grants to municipalities to cover up to one-half the cost
10 of wastewater treatment or stormwater projects made necessary by
11 wasteload reductions under total maximum daily load plans
12 required by section 303(d) of the federal Clean Water Act,
13 United States Code, title 33, section 1313(d).

14 Subd. 2. [GRANT APPLICATION.] Application for a grant must
15 be made to the authority on forms prescribed by the authority
16 for the total maximum daily load grant program, with additional
17 information as required by the authority. In accordance with
18 section 116.182, the Pollution Control Agency shall:

19 (1) calculate the essential project component percentage,
20 which must be multiplied by the total project cost to determine
21 the eligible project cost; and

22 (2) review and certify approved projects to the authority.

23 Subd. 3. [PROJECT PRIORITIES.] When money is appropriated
24 for grants under this program, the authority shall reserve money
25 for projects in the order that their total maximum daily load
26 plan was approved by the United States Environmental Protection
27 Agency and in an amount based on their most recent cost
28 estimates submitted to the authority or the as-bid costs,
29 whichever is less.

30 Subd. 4. [GRANT APPROVAL.] The authority must make a grant
31 to a municipality, as defined in section 116.182, subdivision 1,
32 only after:

33 (1) the commissioner of the Minnesota Pollution Control
34 Agency has certified to the United States Environmental
35 Protection Agency a total maximum daily load plan for identified
36 waters of this state that includes a point source wasteload

1 allocation;

2 (2) the Environmental Protection Agency has approved the
3 plan;

4 (3) a municipality affected by the plan has estimated the
5 cost to it of wastewater treatment projects necessary to comply
6 with the point source wasteload allocation;

7 (4) the Pollution Control Agency has approved the cost
8 estimate; and

9 (5) the authority has determined that the additional
10 financing necessary to complete the project has been committed
11 from other sources.

12 Subd. 5. [GRANT DISBURSEMENT.] Disbursement of a grant
13 must be made for eligible project costs as incurred by the
14 municipality and in accordance with a project financing
15 agreement and applicable state and federal laws and rules
16 governing the payments."

Consolidated Fiscal Note – 2005-06 Session

Bill #: S0762-2E **Complete Date:** 04/25/05

Chief Author: FREDERICKSON, DENNIS

Title: CLEAN WATER LEGACY ACT

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agencies: Pollution Control Agency (04/19/05)
 Water & Soil Resources Board (04/22/05)
 Agriculture Dept (04/19/05)

Natural Resources Dept (04/14/05)
 Revenue Dept (04/25/05)
 Employment & Economic Dev Dept (04/20/05)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
New Fund		4,422	21,667	19,475	19,958
Employment & Economic Dev Dept		4,422	21,667	19,475	19,958
Public Facilities Authority Fund			44,866	42,926	42,296
Employment & Economic Dev Dept			44,866	42,926	42,296
Environmental Fund	0	7,054	31,540	35,733	37,089
Pollution Control Agency		4,774	7,429	10,432	11,788
Natural Resources Dept		380	4,480	5,020	5,020
Water & Soil Resources Board		1,162	15,700	15,850	15,850
Agriculture Dept		700	3,900	4,400	4,400
Revenue Dept	0	38	31	31	31
Revenues					
New Fund		22	85	75	558
Employment & Economic Dev Dept		22	85	75	558
Public Facilities Authority Fund			22,433	21,463	21,148
Employment & Economic Dev Dept			22,433	21,463	21,148
Environmental Fund	0	8,210	62,698	63,739	64,780
Pollution Control Agency		14	14	14	14
Revenue Dept	0	8,196	62,684	63,725	64,766
Net Cost <Savings>					
New Fund		4,400	21,582	19,400	19,400
Employment & Economic Dev Dept		4,400	21,582	19,400	19,400
Public Facilities Authority Fund			22,433	21,463	21,148
Employment & Economic Dev Dept			22,433	21,463	21,148
Environmental Fund	0	(1,156)	(31,158)	(28,006)	(27,691)
Pollution Control Agency		4,760	7,415	10,418	11,774
Natural Resources Dept		380	4,480	5,020	5,020
Water & Soil Resources Board		1,162	15,700	15,850	15,850
Agriculture Dept		700	3,900	4,400	4,400
Revenue Dept	0	(8,158)	(62,653)	(63,694)	(64,735)
Total Cost <Savings> to the State	0	3,244	12,857	12,857	12,857

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
New Fund		0.12	0.50	0.50	0.50
Employment & Economic Dev Dept		0.12	0.50	0.50	0.50
Public Facilities Authority Fund		0.13	0.50	0.50	0.50
Employment & Economic Dev Dept		0.13	0.50	0.50	0.50
Environmental Fund	0.00	19.15	38.40	46.50	46.50
Pollution Control Agency		8.90	13.90	21.00	21.00
Natural Resources Dept		1.00	12.00	13.00	13.00
Water & Soil Resources Board		7.00	7.00	7.00	7.00
Agriculture Dept		1.75	5.00	5.00	5.00
Revenue Dept	0.00	0.50	0.50	0.50	0.50
Total FTE	0.00	19.40	39.40	47.50	47.50

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEONIE HUANG
Date: 04/25/05 Phone: 296-5779

Fiscal Note – 2005-06 Session

Bill #: S0762-2E **Complete Date:** 04/19/05

Chief Author: FREDERICKSON, DENNIS

Title: CLEAN WATER LEGACY ACT

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agency Name: Pollution Control Agency

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Environmental Fund		4,774	7,429	10,432	11,788
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
Environmental Fund		4,774	7,429	10,432	11,788
Revenues					
Environmental Fund		14	14	14	14
Net Cost <Savings>					
Environmental Fund		4,760	7,415	10,418	11,774
Total Cost <Savings> to the State		4,760	7,415	10,418	11,774

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
Environmental Fund		8.90	13.90	21.00	21.00
Total FTE		8.90	13.90	21.00	21.00

Bill Description

The bill will enable Minnesota to implement federal requirements to achieve and maintain water quality standards for surface waters. The following is a summary of key sections of the bill:

- Section 1 (*added in the 2nd engrossment*): Election of supervisors by supervisor districts
- Section 5: Includes goals and priorities for Identification of (i.e., water quality assessments) impaired surface waters, Development of Total Maximum Daily Loads (TMDL) for impaired waters, restoration of impaired waters, and activities to prevent waters from becoming impaired.
- Section 6: Describes administrative functions of the Minnesota Pollution Control Agency (MPCA), including those related to listing impaired waters, developing TMDLs and approving third-party TMDLs.
- Section 7: The Clean Water Council – explains the duties, membership and terms of this advisory group, including preparation of a biennial report for the Governor and the Legislature on impaired waters spending during the current biennium and budget recommendations for the next biennium.
- Section 8: Goals for public and stakeholder participation, expert scientific advice and public education.
- Section 9: New clean water fees, including fee payers and fee amounts, and the mechanisms for the collection and enforcement of the fees. *Note: The non-residential fee amount was deleted in the 2nd engrossment.*
- Sections 10-13 : Sets three new funds and one account in the Environmental Fund to spend fee revenue – the Clean Water Legacy Account (Sec. 10); Clean Water Legacy Phosphorus Reduction Grants (Sec. 11); a Community Septic System Loan Program (Sec. 12), and a Total Maximum Daily Load Grant program (*section 13 – added in 2nd engrossment*).
- Section 14: Provides appropriations to the following agencies – Department of Revenue, MPCA, Agriculture Department, Board of Water and Soil Resources, Department of Natural Resources, and the Public Facilities Authority.

Assumptions

The expenditures noted for the Pollution Control Agency in the legislation is based on the following spending assumptions for the agency's impaired waters-related activities:

MPCA Expenditures (in thousands)	FY06	FY07	FY08	FY09
1. Water Quality Assessment:				
Monitoring at 32 of 80 Milestone sites per year and collecting chemistry at 86 flow sites	\$195	\$400	\$520	\$520
Biological, chemical and physical sampling at 600 sites per year by FY09	\$330	\$1,130	\$2,150	\$2,150
MPCA/Local Org Chem & Lab costs for Citizen Stream Monitoring Program and pass through money to ~81 local organizations.	\$510	\$1,160	\$1,550	\$1,812
Assessment of 100 lakes per year by FY09, starting with lakes over 500 acres	\$100	\$200	\$290	\$290
MPCA/Local Orgs Chemistry and lab costs for Citizen Lake Monitoring Program expansion and pass through money to lake organizations	\$500	\$800	\$850	\$950
Statewide remote sensing of lakes and streams once every 5 years	\$75	\$75	\$75	\$75
MPCA – Data management and system upgrades for increased data handling and analysis for ~9,000 new sites.	\$150	\$360	\$450	\$520
Subtotal for Water Quality Assessment	\$1,860	\$4,125	\$5,885	\$6,317

2. TMDL Development:				
Third Party TMDLs – Led by local government, contractors and others following MPCA protocols: Development of TMDLs, including monitoring, land use assessment, data analysis, modeling, load allocations, document preparation, public participation.	\$390	\$1,140	\$1,553	\$2,407
MPCA-led TMDLs – Development of TMDLs, including monitoring, land use assessment, data analysis, modeling, load allocations, document preparation, public participation	\$450	\$640	\$890	\$910
Other MPCA TMDL Activities – TMDL project oversight, contracting, technical assistance, training, scientific expertise, implementation planning, effectiveness monitoring, wastewater and stormwater permitting, compliance with federal requirements, rulemaking, guidance development, performance tracking, de-listing waters, Clean Waters Council staffing.	\$1,060	\$1,510	\$2,090	\$2,140
Subtotal for TMDLs	\$1,900	\$3,290	\$4,533	\$5,457
3. Other Activities:				
ISTS Census: Funds to conduct or contract for a comprehensive census to determine the owner and location of ISTS systems in each county.	\$1,000			
MPCA Total	\$4,760	\$7,415	\$10,418	\$11,774

For planning purposes, FY08 and FY09 expenditures are estimated but are subject to change based on recommendations by the Clean Water Council.

Expenditure and/or Revenue Formula

FTE	FY06	FY07	FY08	FY09
New	8.9	13.9	21	21
Reallocated	10.8	17.6	21.9	22.6

Total cost of these FTE include salary and fringe (\$71,400), indirect costs at FY05 rate of 28.35% (\$20,300) and a program-wide expense factor (\$4,800) for a total of \$96,500 per FTE.

Clean Water Fee - background: Roughly 75 percent of the state’s residential dwellings and non-residential establishments receive wastewater services from a publicly owned treatment works (POTW) and already have a pre-existing fiscal relationship that involves billing for services based on a billing cycle. The fee will simply be added to existing billing statements. The remaining residential dwellings and non-residential establishments are serviced by a Individual Septic Treatment System (licensed by the county unless over 10,000 gallons per day then a MPCA permit is required) or a permitted non-municipal industrial wastewater system and are expected to be collected through existing fiscal systems.

Clean Water Legacy Act - Revenue Estimate

PUBLICLY OWNED TREATMENT WORKS (POTW)

<u>RESIDENTIAL DWELLINGS</u>	<u>Units or connections</u>		<u>Fee rate per year</u>		<u>Revenue in dollars</u>	
Single family residential dwellings	944,941	(1)	\$36		\$34,017,876	
Multi-unit residential dwellings	397,537	(2)	\$36		\$14,311,332	
Total residential dwellings	1,342,478				\$48,329,208	60.0%
NON-RESIDENTIAL ESTABLISHMENTS (fee amounts deleted in 2nd engrossment)						
Non-res. establishments - low (1 - 9,999 gpd)	105,114		\$.....		\$.....	
Non-res. establish. - medium (10,000 - 99,999 gpd)	205	(3)	\$.....		\$.....	
Non-res. establishments - high (100,000+ gpd)	47	(3)	\$.....		\$.....	
Total non-residential establishments	105,366				\$.....%

DATA SOURCE: (1) Wastewater Infrastructure Needs Survey (WINS), April, 2004;

(2) U.S. Bureau of the Census, 2000;

(3) Metropolitan Council Significant Industrial Users Reports for the MCES service area.

TOTAL FOR SEWERED AREA

\$48,329,208

SEPTICS - RESIDENTIAL & NON-RESIDENTIAL

	<u>Systems</u>		<u>Fee rate per year</u>			
Individual Septic Treatment Systems (ISTS)	536,000		\$36		\$19,296,000	23.9%
DATA SOURCE: County ISTS reports, 2001.						

TOTAL FOR UNSEWERED AREA

\$19,296,000

SYSTEMS PERMITTED BY MPCA

	<u>Systems or discharges</u>		<u>Fee rate per year</u>	<u>Avg. res. dwelling per system</u>		
Non-municipal domestic wastewater treatment systems	118		\$36	35	\$148,680	0.2%
Non-municipal industrial systems:						
Minor non-municipal - low (1 - 9,999 gpd)	112		\$120	n/a	\$13,440	
Minor non-municipal - medium (10,000 - 99,999 gpd)	58		\$300	n/a	\$17,400	
Minor non-municipal - high (100,000+ gpd)	141		\$600	n/a	\$84,600	
Major non-municipal - high (100,000+ gpd)	12		\$600	n/a	\$7,200	
DATA SOURCE: MPCA permit records.	323				\$122,640	0.2%

Key:
gpd = gallons per day of flow

TOTAL FOR MPCA PERMITTED SYSTEMS

\$271,320

GRAND TOTAL

\$67,896,528 84.2%

Estimated administrative costs \$4,000,000

Est.residential hardship exemptions \$2,000,000

NET TOTAL OF FEES REMITTED \$61,896,528*

* Actual revenue collections vary based on remittance schedule, number of residential dwellings, and non-residential establishments charged.

Clean Water Fee - residential hardship exemption: This bill allows certain exemptions for residential dwellings that receive a separate wastewater bill provided they participate in the following public assistance programs or are below 135 percent of the poverty guidelines:

- 1) Medicaid/medical assistance
- 2) Food stamps
- 3) Minnesota Family Investment Program (MFIP)
- 4) Supplemental security income (SSI)
- 5) Federal housing assistance or section 8 assistance
- 6) Low income home energy assistance (LIHEAP)
- 7) National school lunch program's free lunch program
- 8) Minnesota telephone service discount program (Minn. Stat § 237.70)

Currently, the Minnesota telephone service discount program honors 55,000 telephone customer exemptions so it is thought that a similar number would seek a clean water fee exemption.

Long-Term Fiscal Considerations

- Section 8 of the bill sets a repealer date for the fees of December 31, 2015. However, the Clean Water Council is required (Section 6) to submit a report to the Legislature by December 1, 2014 on the need for future funding of the clean water legacy account and the sources of such funding. Over time, the revenue raised from the clean water fee is expected to increase slightly as the state gains more population and additional non-residential establishments begin operations.
- The MPCA will incur costs beyond FY09 to administer activities.
- Until an amount is set for non-residential fees, expenditures will exceed revenue.

Local Government Costs

- This legislation provides funding to locals for all impaired waters-related activities, including assessment, TMDLs, restoration, protection, and fee collection.
- This bill provides funding to offset the costs of implementing and administering the clean water fee such as the ISTS census, billing or fee statement revisions. Up to 5 percent of the fees collected by the POTW's, counties and MPCA may be withheld from deposits to the Department of Revenue to satisfy the annual administrative costs related to the collection and remittance of the fee. Fee collecting authorities are allowed to withhold from remittances in Calendar Year 2006 the cost of implementing the fee.
- Local governments are subject to the Clean Water fee.

References/Sources

- "Minnesota's Impaired Waters", Report to the Legislature, March 2003.
<http://www.pca.state.mn.us/publications/reports/lrwq-s-lsy03.pdf>
- "Impaired Waters Stakeholder Process: Policy Framework (July 2003-January 2005)"

Agency Contact Name: LISA THORVIG (651-296-8811)
FN Coord Signature: GLENN OLSON
Date: 04/18/05 Phone: 297-1609

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEONIE HUANG
Date: 04/19/05 Phone: 296-5779

Fiscal Note – 2005-06 Session

Bill #: S0762-2E **Complete Date:** 04/14/05

Chief Author: FREDERICKSON, DENNIS

Title: CLEAN WATER LEGACY ACT

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Natural Resources Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Environmental Fund		380	4,480	5,020	5,020
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
Environmental Fund		380	4,480	5,020	5,020
Revenues					
-- No Impact --					
Net Cost <Savings>					
Environmental Fund		380	4,480	5,020	5,020
Total Cost <Savings> to the State		380	4,480	5,020	5,020

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
Environmental Fund		1.00	12.00	13.00	13.00
Total FTE		1.00	12.00	13.00	13.00

Bill Description

This bill implements federal requirements to achieve and maintain water quality standards for Minnesota's surface waters. The primary components of the bill include: 1) identifying impaired waters in accordance with federal requirements; 2) developing total maximum daily loads (TMDLs) for pollutants that are causing impairments; 3) developing and implementing plans to restore impaired waters and prevent waters from becoming impaired; and 4) raising water use fees to fund the required activities.

The DNR's role in this effort will center on assessment and habitat protection/restoration. Assessment activities will include: 1) flow monitoring; 2) lake biological monitoring; and 3) mercury in fish tissue monitoring. Protection activities will include: 1) developing forest stewardship plans on private, riparian forest lands to reduce water pollution; 2) fee title acquisition and easements of high priority riparian lands; 3) research and monitoring of protection/restoration efforts; and 4) technical assistance to local units of government.

Assumptions

Most activities will be accomplished through grants, contracts, and land acquisition. New positions will be needed only for flow monitoring, technical assistance to local units of government, and the additional workload associated with grant, contract, and land acquisition administration.

The new positions are anticipated to be in the MAPE bargaining unit at the Natural Resource Specialist Senior (11L) and Hydrologist 2 (12L) classification levels. The midpoint of the salary range was used for estimating the cost of the new positions.

One FTE will be added in FY06, for flow monitoring.

An additional 11 FTEs will be added in FY07, one for flow monitoring and 10 for technical assistance.

An additional FTE will be added in FY 08 for flow monitoring.

For planning purposes, FY08 and FY09 expenditures are estimated but are subject to change based on recommendations by the Clean Water Council.

Expenditure and/or Revenue Formula

Estimating Cost of New Positions						
Job Classification	Wages	FTE	Amount	Supplies and Expense	FTE	Amount
NR Spec Sr	\$ 45,518 x	10.0	=\$ 455,180	Rent	\$ 1,000 x	12.0 = \$ 12,000
Hydrologist 2	\$ 48,150 x	2.0	=\$ 96,300	Furniture	\$ 1,000 x	12.0 = \$ 12,000
	\$ x		=\$	Telephone	\$ 1,200 x	12.0 = \$ 14,400
Salary		subtotal	\$ 551,480	Travel	\$ 1,200 x	12.0 = \$ 14,400
FICA 6.2% + Medicare 1.45% + Retire 4.0%		x	11.65%	Supplies	\$ 2,000 x	12.0 = \$ 24,000
Fringe		subtotal	\$ 64,247	Equipment	\$ 5,000 x	12.0 = \$ 60,000
Insurance: Family 1/1/05	\$12,420 x	12.0	=\$ 149,040	Total Supplies & Expense		\$ 136,800
Total Salary and Fringe			\$ 764,767	Total Cost of New Positions		\$ 901,567

The above estimate for new positions is based on the projected need of 12 FTEs in FY07.

FY06 Cost Breakdown

Flow monitoring at 25 sites: \$150 (\$75 for 1 FTE and \$75 for contracts)
 Lake biological monitoring: \$ 80 (contracts/grants)
 Mercury in fish tissue monitoring: \$ 50 (contracts)
 Forest stewardship plans: \$100 (grants)
 \$380

FY07 Cost Breakdown

Flow monitoring at 50 sites: \$ 300 (\$150 for 2 FTEs and \$150 for contracts)
 Lake biological monitoring: \$ 80 (contracts/grants)
 Mercury in fish tissue monitoring: \$ 50 (contracts)
 Forest stewardship plans: \$1,900 (grants)
 Acquisition and easements: \$1,000
 Research and monitoring \$ 400 (contracts)
 Technical assistance: \$ 750 (10 FTEs)
 \$4,480

The department will look for opportunities to reallocate existing positions to implement the above activities.

Long-Term Fiscal Considerations The department will incur costs beyond FY09 to run these programs.

Local Government Costs

References and Sources

Current MAPE agreement was used for position salary levels.

Agency Contact Name: Steve Hirsch, Ecological Services, (651) 297-4918

FN Coord Signature: BRUCE NASLUND

Date: 04/14/05 Phone: 297-4909

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MARSHA BATTLES-JENKS

Date: 04/14/05 Phone: 296-8510

Fiscal Note – 2005-06 Session

Bill #: S0762-2E **Complete Date:** 04/22/05

Chief Author: FREDERICKSON, DENNIS

Title: CLEAN WATER LEGACY ACT

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Water & Soil Resources Board

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Environmental Fund		1,162	15,700	15,850	15,850
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
Environmental Fund		1,162	15,700	15,850	15,850
Revenues					
-- No Impact --					
Net Cost <Savings>					
Environmental Fund		1,162	15,700	15,850	15,850
Total Cost <Savings> to the State		1,162	15,700	15,850	15,850

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
Environmental Fund		7.00	7.00	7.00	7.00
Total FTE		7.00	7.00	7.00	7.00

Bill Description

Sets and collects fees from each municipal wastewater connection and septic system throughout the State. Funds are appropriated to various departments and agencies for FY 06 & 07. Future distribution will be determined during the budget process with the Clean Water Council making recommendations to the Governor. Fees collected will be deposited into a new account called the clean water legacy account in the environmental fund.

The bill appropriates \$1.162 million in FY06 and \$15.7 million in FY07 to the Board of Water and Soil Resources from the environmental fund to assist local governments with implementation activities relating to the non-point source pollution reductions necessary to restore water quality in impaired water bodies and protection strategies designed to prevent water bodies from becoming impaired.

The bill also changes the way that soil and water conservation district supervisors are elected. It changes the current method of being elected at-large to supervisors being elected from current and future county commissioner districts.

Assumptions

The implementation of the Act will occur primarily through existing agency programs and established local government delivery mechanisms involving soil and water conservation districts, watershed districts, counties, and cities. Board of Water and Soil Resources programs that will be utilized include: State Cost-Share Program; Non-point Engineering Assistance Program; SWCD Service Grants; Comprehensive Local Water Management Program; Natural Resources Block Grant, and eLINK (BWSR's electronic reporting system).

Agency expenditures are designed to support local restoration and protection activities by increasing the level of technical and/or financial assistance available to landowners implementing best management practices.

Agency expenditures will be targeted primarily to impaired waters and implemented in such a way as to fully leverage federal farm bill conservation programs in support of achieving the goals and priorities of the Act.

Agency operational costs will increase do to the increase in grants which will total approximately \$15 million in FY07. Technical services will also increase to support the engineering and reporting requirements that will be generated by the increased implementation of on the ground soil and water conservation practices. Agency charges of \$700,000 to support the increase in required technical and operational support for the programs will begin in FY07.

For planning purposes, FY08 and FY09 expenditures are estimated, but are subject to changes based on recommendations by the newly formed Clean Water Council.

The change in BWSR approved nomination districts to county commissioner districts and being elected at-large to being elected from current county commissioner districts does not add any significant new requirements on the part of the county running the elections other than changing the printed ballots.

Expenditure and/or Revenue Formula

It is assumed that the funds appropriated will be awarded in the fiscal year they are appropriated and for the purposes of this fiscal note will be considered expended. The actual expenditures will most likely be over an 18-month period. The expenditures noted for the Board of Water and Soil Resources in the legislation is based on the following spending assumptions:

BWSR Expenditures (in thousands)	FY06	FY07	FY08	FY09
1. Restoration Initiatives				
Targeted Financial Assistance				
▪ Cost-Share & Incentive Payment Grants	\$450	\$5,750	\$5,750	\$5,75
\$3,750 cost-share				
\$2,000 incentive payments				
Targeted Technical Assistance to support practice implementation				

<ul style="list-style-type: none"> ▪ Non-point Engineering Assistance Program grants for structural/engineered practices ▪ Technical assistance grants for non-structural BMP planning and implementation. 	\$412	\$3,450	\$3,600	\$3,600
Reporting, Evaluation, and Monitoring <ul style="list-style-type: none"> ▪ Reporting, assessing, and evaluating the effectiveness of applied practices ▪ Establish out-come based performance measures that monitor implementation progress and evaluate watershed improvements 	\$0	\$200	\$200	\$200
Septic Systems – ISTS <ul style="list-style-type: none"> ▪ County program support grants 	\$0	\$2,400	\$2,400	\$2,400
<i>SUBTOTAL FOR NON-POINT</i>	\$862	\$11,800	\$11,950	\$11,950
<u>RESTORATION</u>				
<u>2. Protection Initiatives</u>				
Land and Water Protection Planning <ul style="list-style-type: none"> ▪ Comprehensive local water management program – Grants to counties, watershed districts and watershed management organizations. (\$1 million will be added to base grant program) ▪ Challenge grants program: Development of lake management plans that integrate aquatic plant protection, shoreland management, water quality issues, stormwater protection, etc, ▪ Development of stream protection and restoration plans 	\$300	\$1,500	\$1,500	\$1,500
<u>Land and Water Protection Implementation</u> <ul style="list-style-type: none"> ▪ Streambank, stream channel, lakeshore, and roadside protection and restoration focused on enhancing native vegetation and reducing erosion grants. 	\$0	\$2,400	\$2,400	\$2,400
<i>SUBTOTAL FOR PROTECTION STRATEGIES</i>	\$300	\$3,900	\$3,900	\$3,900
<i>BWSR TOTAL</i>				
	\$1,162	\$15,700	\$15,850	\$15,850

FTE	FY06	FY07	FY08	FY09
New	0	7.00	7.00	7.00

Total cost for these 7 FTE's include salary & fringe (\$80,000), average agency overhead cost of 25% (\$20,000) for a total of \$100,000 per FTE. The positions are expected to be Water and Soil Conservationists (Board Conservationists). A total of \$700,000 is included in the fiscal note estimate for this technical and operational support expense.

Long-Term Fiscal Considerations

The legislation will have fiscal impacts to the agency beyond FY09. The Act envisions that the resources required to address the restoration of impaired waters and the protection of unimpaired waters in the State is a long-term effort and implementation strategies will take decades to accomplish.

Local Government Costs

For land based implementation activities that will be required to reduce pollution loadings local governments will have access to low cost financing (grants and low interest loans) to cover the costs necessary to meet the requirements under the federal Clean Water Act.

Cost to counties for the change in supervisor elections should be minimal since the only change that will be required on their part is changing the election ballot to have soil and water district supervisors be shown and voted on by commissioner district rather than at-large in the county.

References/Sources

“Impaired Waters Stakeholder process: Policy Framework (July 2003-January 2005)”

Agency Contact Name: Doug Thomas 651-297-5617
FN Coord Signature: WILLIAM EISELE
Date: 04/22/05 Phone: 282-2929

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MARSHA BATTLES-JENKS
Date: 04/22/05 Phone: 296-8510

Fiscal Note – 2005-06 Session

Bill #: S0762-2E **Complete Date:** 04/19/05

Chief Author: FREDERICKSON, DENNIS

Title: CLEAN WATER LEGACY ACT

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Agriculture Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Environmental Fund		700	3,900	4,400	4,400
Less Agency Can Absorb					
– No Impact –					
Net Expenditures					
Environmental Fund		700	3,900	4,400	4,400
Revenues					
– No Impact –					
Net Cost <Savings>					
Environmental Fund		700	3,900	4,400	4,400
Total Cost <Savings> to the State		700	3,900	4,400	4,400

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
Environmental Fund		1.75	5.00	5.00	5.00
Total FTE		1.75	5.00	5.00	5.00

Bill Description

- The Clean Water Legacy Act provides authority, direction, and funding to restore and maintain water quality standards for Minnesota's surface waters in accordance with the requirements of the federal Clean Water Act.
- The Legacy Act creates a policy framework to guide the activities of state and local agencies in restoring impaired waters as well as protecting waters that are not impaired.
- Section 4, subdivision 1, calls upon public agencies to identify opportunities for participating and assisting in the successful implementation of the bill, including funding or technical assistance needs.
- Section 6 creates a Clean Water Council and outlines the responsibilities of the Council, including the development of an Implementation Plan. The membership of the Council includes the department.
- Section 7 contains requirements to involve stakeholders both in identifying impaired waters and in planning and implementing restoration measures.
- Section 9 authorizes the uses of the revenues raised through the clean water fees, including funding to state agencies to carry out their responsibilities under the proposed bill.
- Section 12 provides appropriations to address the impaired waters listed on the EPA approved 303 (d) 2004 list.
- Section 12 Subd. 4 provides appropriations to expand current MDA programs or activities that support of the goals of the Act. The areas are: a) Agricultural BMP Loans; b) Technical assistance on nutrient and pasture management (fertilizer best management practices); and c) Research, evaluation and effectiveness monitoring of practices for restoring impaired waters (sustainable agricultural systems).
- Section 12 Subd. 4 provides the Department resources to enhance current activities regarding the targeting of practices to sources of impairments, assisting with coordination among federal and state conservation programs, and conservation planning assistance.

Assumptions

- The MDA, along with other agencies, participated in the Impaired Waters Stakeholders Process that identified programs and activities that would address the restoration of impaired waters on the 2004 list.
- MDA programs in Ag BMP Loans, fertilizer best management practices, and sustainable agricultural systems will enhance efforts to manage livestock manure and other nutrients, implement conservation tillage, utilize federal farm conservation programs, and evaluate the effectiveness of practices intended to restore specific impairments (and water bodies) on the 2004 list.
- Department expenditures will support local implementation by increasing the level of technical or financial assistance available to landowners through local agencies and service providers as well as providing "self-help" materials to producers to make management decisions.
- The Department's expenditures will be targeted to help leverage federal farm conservation programs in support of achieving the goals of the Act.
- Expenditures through the MDA and BWSR are expected to leverage 2 to 4 times as much federal farm conservation program money.
- Agency expenditures to fulfill responsibilities under this Act will continue at FY 2008 levels through FY 2015, the life of the legislation.

Expenditure and/or Revenue Formula

- 1) \$250,000 in FY06 and \$2,300,000 in FY07 to make Agricultural Best Management Practices (BMP) loans to producers and landowners.

- o Targeted financial assistance – MDA – AgBMP Loan Program: Provide low interest loans to farmers and others to implement improvements to feedlots and other agricultural waste management practices, install structural erosion control, expedite conservation tillage practices, upgrade or fix septic systems, and other practices that improve water quality.

	FY06	FY07	FY08	FY09
SubTotal	\$ 250,000	\$2,300,000	\$2,200,000	\$2,200,000

- 2) \$350,000 in FY06 & \$800,000 in FY07 to expand technical assistance to producers and conservation professionals on nutrient and pasture management, target practices to sources of water impairments, coordinate conservation programs, and expand conservation planning assistance for producers.

- o Technical assistance for nutrient and pasture management: Develop fertilizer best management practices; Assess agricultural practices; Provide technical assistance, education and coordination to producers and local conservation professionals on nutrient and pasture management.

	FY06	FY07	FY08	FY09
	\$ 150,000	\$ 400,000	\$ 400,000	\$ 400,000

- o Promotion of priority practices in impaired watersheds: Identify and coordinate a long-term strategy with state and federal conservation agencies to promote practices most likely to address specific impairments in targeted areas in each agricultural resource region (i.e. differing soils, landscapes, and climatic condition); Support scientific technical review of practice effectiveness and development of recommendations.

	FY06	FY07	FY08	FY09
	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

- o Conservation Planning Assistance: Conduct outreach to producers on TMDLs; Develop decision tools to help producers and conservation professionals compare and contrast state and federal conservation program options; Develop and conduct training for local professionals, technical service providers, and producers to accelerate conservation planning; Provide financial support for the development and implementation of producer environmental quality assessment tools. Facilitate the communication and coordination among state and federal conservation partners to leverage federal farm conservation funds for agricultural working lands.

	FY06	FY07	FY08	FY09
	\$ 100,000	\$ 300,000	\$ 500,000	\$ 500,000

	FY06	FY07	FY08	FY09
SubTotal	\$ 350,000	\$ 800,000	\$1,000,000	\$1,000,000

- 3) \$100,000 in FY06 & \$800,000 in FY07 for research, evaluation, and effectiveness monitoring of agricultural practices in restoring impaired waters (also in FY07 for grants and contracts, including on-farm demonstrations).

- o Research, reporting, evaluation and monitoring: Evaluate existing or new technologies and farming systems on working farms for water quality benefits at both the field and small watershed level.

	FY06	FY07	FY08	FY09
SubTotal	\$ 100,000	\$ 800,000	\$1,200,000	\$1,200,000

Total	\$ 700,000	\$3,900,000	\$4,400,000	\$4,400,000
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FTEs	FY06	FY07	FY08	FY09
New	1.75	5.0	5.0	5.0
Reallocated	4.0	6.0	7.0	7.0

Long-Term Fiscal Considerations

The implementation costs for the Department will continue through FY 2015 in order to restore impaired waters listed for 2004. The costs could increase if or when additional priority impairments are added.

For planning purposes, FY 2008 and FY 2009 expenditures are estimated as the amounts needed to meet the responsibilities of the MDA under the Act, but may be subject to changes based upon the recommendations of the Clean Water Council.

Local Government Costs

There will be costs to local governments to certify eligibility for the Ag BMP loans. These costs will be part of the increased financial support provided through the Board of Water and Soil Resources.

References/Sources

Agency Contact Name: Gerald Heil 651-296-1486
 FN Coord Signature: STEVE ERNEST
 Date: 04/19/05 Phone: 215-5770

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEONIE HUANG
 Date: 04/19/05 Phone: 296-5779

Fiscal Note – 2005-06 Session

Bill #: S0762-2E Complete Date: 04/20/05

Chief Author: FREDERICKSON, DENNIS

Title: CLEAN WATER LEGACY ACT

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agency Name: Employment & Economic Dev Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
New Fund		4,422	21,667	19,475	19,958
Public Facilities Authority Fund			44,866	42,926	42,296
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
New Fund		4,422	21,667	19,475	19,958
Public Facilities Authority Fund			44,866	42,926	42,296
Revenues					
New Fund		22	85	75	558
Public Facilities Authority Fund			22,433	21,463	21,148
Net Cost <Savings>					
New Fund		4,400	21,582	19,400	19,400
Public Facilities Authority Fund			22,433	21,463	21,148
Total Cost <Savings> to the State		4,400	44,015	40,863	40,548

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
New Fund		0.12	0.50	0.50	0.50
Public Facilities Authority Fund		0.13	0.50	0.50	0.50
Total FTE		0.25	1.00	1.00	1.00

Bill Description

As it relates to the Minnesota Public Facilities Authority ONLY.

This bill sets and collects fees from each municipal wastewater connection and septic system throughout the State. Funds are appropriated to various departments and agencies for FY's 06 and 07. Future distribution will be determined during the budget process with the Clean Water Council making recommendations to the Governor.

The bill requires the Minnesota Public Facilities Authority to create a Clean Water Legacy Capital Improvement Fund that will be used to make grants to local governments for a portion of the costs associated with the design and construction of wastewater treatment facility projects that will reduce the discharge of phosphorus to one milligram per liter. The bill also appropriates special revenue to the Fund and authorizes the Authority to collect fees to cover its administrative costs.

The bill also creates a Total Maximum Daily Load (TMDL) Grant Program for the Authority to make grants to municipalities for up to one-half the cost of projects required by wasteload reductions under TMDL plans. There are currently no projects eligible for this program. As phosphorus reduction projects funded through the Clean Water Legacy Capital Improvement Fund are completed, those funds can be made available for these needs as TMDL plans are completed.

The bill requires the Authority to establish a Community Septic System Replacement Fund to finance public ownership of individual septic systems installed to replace failing or inadequate individual sewage treatment systems.

The Bill also appropriates funds to the Water Pollution Control Revolving Fund.

Assumptions:

Subdivision 7 of the bill appropriates funding for fiscal years 2006 and 2007 as shown on the following chart. For planning purposes, fiscal years 2008 and 2009 expenditures are estimated and are subject to change based on recommendations by the clean water council.

<u>Appropriations</u> (Dollars in thousands)	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Clean Water Legacy Capital Fund	\$4,400	17,000	\$15,000	\$15,000
Community Septic System Replacement	\$0	\$4,582	\$4,400	\$4,400
Water Pollution Control Revolving Fund	\$0	\$22,433	\$21,463	\$21,148

Staffing may or may not change due to these funds, but the individual funds must generate sufficient revenues to cover the Authority's cost of administering each. The Authority must generate fees to recover its costs since it receives no general fund support for administration.

Expenditure and Revenue Formula

It is assumed that the funds appropriated will be awarded in the fiscal year they are appropriated and for the purposes of this fiscal note will be considered expended. The actual expenditures will most likely be over an 18 to 36 month period.

Clean Water Legacy Capital Improvement Fund: Grants made from the Clean Water Legacy Capital Improvement Fund will generate fee revenue to cover the Authority's administrative costs at a rate of

one half of one percent (0.5% X \$4,400,000 = \$22,000 in FY 2006; 0.5% X \$17,000,000 = \$85,000 in FY 2007; 0.5% X 15,000,000 = \$75,000 in FY 2008 and FY 2009.

The Minnesota Public Facility Authority will use the revenues primarily to reimburse staff costs incurred by the Department of Employment and Economic Development. The Public Facility Authority also funds administrative costs through interagency agreements with various agencies supporting its programs. Each program or fund must generate enough revenue to fund these services.

Community Septic System Replacement Fund: Grants made from the Community Septic System Replacement Fund will generate loan repayments, which will be recycled into additional loans. The Authority assumes the \$4,582,000 appropriated in 2007 will have revenues available to lend out in FY 2009. \$4,582,000 lent at 1% over 10 years with semi-annual payments the Authority will receive annual repayments of \$482,634 beginning in FY 2009 which in turn be loaned and a portion to be used to cover administrative costs under MS 446A.04 Subd.05.

Water Pollution Control Revolving Fund: Water Pollution Control Revolving Fund expenditures are based upon the funds being leveraged with the Authority's AAA/AAA/Aaa rated revenue bonds at a ratio of at least 2 to 1 (e.g. 2 X \$22,433,000 = \$44,866,000). However, expenditures may be higher depending on the pool of borrowers and interest rate discounts offered on these loans.

Expenditures and Revenues: Due to system limitations of not enabling more than one new Fund in the spreadsheet on page 1, Clean Water Legacy Capital Fund and Community Septic System Replacement Funds expenditure figures have been consolidated. See below for an itemized detail of each Fund. Revenues from the repayment of loans are excluded from this worksheet because during the first couple years most of the loan repayments are used or pledged to bond holders for debt service on the bonds. Revenues to the Community Septic System Replacement Fund begin to accumulate in FY2009. The Authority does assume 100% of the equity will be retained in the Fund over the 20-year repayment period. It is the "equity maintenance" test that is important to the Authority's bond rating. Loan repayments in excess of debt service coverage and revenue requirements (assets pledged to bond holders) are not expected to be available until after FY 2010.

<u>Expenditures</u> (Dollars in thousands)	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Fund Clean Water Legacy Capital Fund	\$4,400	17,000	\$15,000	\$15,000
Fund Community Septic System Replacement	\$0	\$4,582	\$4,400	\$4,400
Fund Water Pollution Control Revolving Fund	\$0	\$44,866*	\$42,926*	\$42,296*

*Represents funds being leveraged at a ratio of 2 to 1

<u>Revenue</u> (Dollars in thousands)	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Fund Clean Water Legacy Capital Fund	\$22	\$85	\$75	\$75
Fund Community Septic System Replacement	\$0	\$0	\$0	\$483

Long term fiscal considerations

The Clean Water Legacy Capital Improvement Fund is designed to reduce the subsidy level from 75% grant to 50% grant on July 1, 2009. This will be an incentive for Cities to move quickly in an effort to reduce this pollutant from municipal wastewater discharges. Eventually, funding appropriated for these grants can be used in other high demand areas as TMDL studies are completed. The Community Septic System Replacement Fund should eventually be self-sufficient and revolve at adequate levels to meet the demand. The Water Pollution Control Revolving Fund is in need of additional equity to meet the

growing demand for wastewater treatment financing. The TMDL requirements will substantially increase the demand on this Fund.

Local Government Costs

Local governments will have access to low cost financing (grants and low interest loans) through the Clean Water Legacy Capital Fund, the Community Septic System Fund, and the Water Pollution Control Revolving Loan Fund to cover the costs necessary to meet the requirements under the federal Clean Water Act. Loan repayments will generally be backed by the general obligation pledge of a municipality, with user fees or special assessments used to actually generate debt service revenues.

FN Coord Signature: MIKE MEYER

Date: 04/20/05 Phone: 297-1978

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KEITH BOGUT

Date: 04/20/05 Phone: 296-7642

Fiscal Note – 2005-06 Session

Bill #: S0762-2E **Complete Date:** 04/25/05

Chief Author: FREDERICKSON, DENNIS

Title: CLEAN WATER LEGACY ACT

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

Agency Name: Revenue Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Environmental Fund	0	38	31	31	31
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
Environmental Fund	0	38	31	31	31
Revenues					
Environmental Fund	0	8,196	62,684	63,725	64,766
Net Cost <Savings>					
Environmental Fund	0	(8,158)	(62,653)	(63,694)	(64,735)
Total Cost <Savings> to the State	0	(8,158)	(62,653)	(63,694)	(64,735)

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
Environmental Fund	0.00	0.50	0.50	0.50	0.50
Total FTE	0.00	0.50	0.50	0.50	0.50

Bill Description – The proposed bill creates goals to clean pollutants from Minnesota surface waters, establishes a Clean Water Council, creates numerous plans and procedures, sets priorities and other requirements, and creates a fee, administered by the Commissioner of Revenue, to fund the clean water program.

There will be a positive revenue impact to the state's environmental fund if the proposed bill passes. The revenue impact of the proposed bill is included in this fiscal note as the Department of Revenue will be collecting the water fee. However, the revenue assumptions and formula's that make up the revenue impact is contained in the Pollution Control Agencies' fiscal note portion.

There will be a negative fiscal impact to the environmental fund for operational costs to the Department of Revenue to administer the proposed bill if it passes.

Revenue Analysis Assumptions

- See the Pollution Control Agency fiscal note for details

Fiscal Impact Assumptions

- The fee would become effective January 1, 2006.
- There will be approximately 750 remitters.
- The Department of Revenue would hire a .50 FTE Revenue Tax Specialist beginning in FY06 to set-up and administer the collection of the fees.
- The department would develop a new form and instructions that remitters would use remit fees to DOR.
- The department would need to make computer system changes and enhancements to the e-file system and the taxpayer accounting system.
- The department would incur check processing charges from the departments current out-side vendor to handle remitted checks.
- The department will incur minor accounting and processing costs.
- The fiscal impacts of the FY08 & FY09 expenditures are estimated but are subject to the recommendations by the Clean Water Council.

Revenue Analysis Formula

1. See the Pollution Control Agency fiscal note for details

Fiscal Impact Formula

FY06 Detail = .50 RTS Senior = \$28,000
Travel, Computer, Supplies = \$ 2,500
Forms & Instructions = \$ 1,000
Systems Development = \$ 5,500
Processing & Accounting = \$ 1,000

From FY07 Detail = .50 RTS Senior = \$28,000
Travel, Supplies = \$ 1,175
Forms & Instructions = \$ 825
Processing & Accounting = \$ 1,000

Long-Term Fiscal Considerations

The department will incur costs beyond FY09 to continue to collect these water fees.

Local Government Costs

None

References/Sources

The revenue impact was provided by the Pollution Control Agency.

FN Coord Signature: JOHN POWERS
Date: 04/25/05 Phone: 556-4054

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: NANCY HOMANS
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S.F. No. 762 - (Division Report) - The Clean Water Legacy Act

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Date: May 6, 2005

Section 1 [Citation] cites the act as the "Clean Water Legacy Act."

Section 2 [Legislative Purpose and Findings] states the legislative purpose of and findings for the Clean Water Legacy Act.

Section 3 [Definitions] defines "citizen monitoring," "clean water council," "federal TMDL requirement," "impaired water," "public agencies," "restoration," "surface waters," "third-party TMDL," "total maximum daily load" or "TMDL," and "water quality standards" for the purposes of the Clean Water Legacy Act.

Section 4 [Implementation, Coordination, Goals, Policies, and Priorities]

Subdivision 1. [Coordination and Cooperation] directs the public agencies implementing this act to coordinate and cooperate with other agencies, individuals, and organizations in implementing the Clean Water Legacy Act.

Subdivision 2. [Goals for Implementation] states that the goals for implementation of the Clean Water Legacy Act are:

1. identify impaired waters within 10 years and ensure continuing evaluation of surface waters thereafter;
2. submit TMDL's to the U.S. Environmental Protection Agency (EPA) for all impaired waters in a timely manner;

3. set a reasonable time for restoring impaired waters;
4. provide assistance and incentives to improve the quality of waters; and
5. promptly seek delisting of waters from the impaired waters list.

Subdivision 3. [Implementation Policies] states that the policies to guide implementation of the Clean Water Legacy Act are:

1. develop regional and watershed TMDL's for multiple pollutants where reasonable and feasible;
2. maximize use of available organizational, technical, and financial resources;
3. maximize restoration opportunities by prioritizing and targeting available resources;
4. use existing regulatory authorities where applicable;
5. use demonstrated restoration methods;
6. identify any innovative approaches for the Legislature; and
7. identify and encourage prevention.

Subdivision 4. [Priorities for Identifying Impaired Waters] provides that priorities for identifying impaired waters are:

1. where the impairments pose the greatest risk to human and aquatic health; and
2. waters where public agency or citizen monitoring show impaired conditions.

Subdivision 5. [Priorities for Preparation of TMDL's] directs the Clean Water Council to recommend priorities for scheduling the preparation of TMDL's taking into account the severity of the impairment, the designated uses of the water, and applicable federal TMDL requirements. Additional considerations are listed.

Subdivision 6. [Priorities for Restoration of Impaired Waters] directs the Clean Water Council to give priority for recommending impaired waters restoration projects that are based on the priorities in subdivision 5, and:

1. use existing local authorities and infrastructure;
2. support existing restoration efforts;

3. leverage other sources of restoration funding;
4. have a high potential for early delisting; and
5. show a high potential for long-term water quality and related conservation benefits.

Subdivision 7. [Priorities for Funding Prevention Actions] directs the Clean Water Council to use the priorities in Subdivision 6 for funding prevention actions.

Section 5 [Administration; Pollution Control Agency]

Subdivision 1. [General Duties and Authorities] directs the Pollution Control Agency (PCA) to identify impaired waters, develop and approve TMDL's, and propose waters to delist water from the impaired waters list. This subdivision also specifies that a TMDL must include a statement of facts and scientific data supporting the TMDL.

Subdivision 2. [Administrative Procedures for TMDL Approval] provides that the approval of a TMDL is a final agency action and subject to the contested case procedures. This subdivision also requires a 30-day public comment period for a TMDL and also clarifies that a TMDL is not subject to rulemaking requirements.

Subdivision 3. [Third-Party TMDL Development] allows the PCA to enter into agreements with qualified public agencies to develop a third-party TMDL. A third-party TMDL must be approved by the PCA.

Section 6 [Clean Water Council]

Subdivision 1. [Creation; Duties] provides for the creation of the Clean Water Council to advise on the administration and implementation of the Clean Water Legacy Act. The PCA shall provide administrative support for the Council. The members will select a chair of the Council from the public members.

Subdivision 2. [Membership; Appointment] establishes membership for the Clean Water Council of 23 members. Four of the members shall represent state agencies and are appointed by the heads of the agencies. The agencies are: the Department of Natural Resources; Department of Agriculture; Pollution Control Agency; and Board of Water and Soil Resources. Nineteen additional nonagency members to the Council shall be appointed representing specific interests as follows:

- statewide farm organizations, two members appointed by the Governor;
- business organizations, one member appointed by the Governor;
- environmental organizations, one member appointed by the Governor;

- soil and water conservation districts, one member appointed by the Governor;
- watershed districts, one member appointed by the Governor;
- organizations focused on improving lakes and streams, one member appointed by the Governor;
- organizations of county governments, two members appointed by the Governor;
- organizations of city governments, two members appointed by the Governor;
- the Metropolitan Council, one member appointed by the Governor;
- township officers, one member appointed by the Governor;
- the House of Representatives, one member appointed by the speaker;
- the Senate, one member appointed by the majority leader;
- the University of Minnesota or state university, one member appointed by the Governor;
- rural counties, one member appointed by the Governor;
- metropolitan counties, one member appointed by the Governor; and
- tribal governments, one member appointed by the Governor.

Subdivision 3. [Terms, Compensation, and Removal] provides that the state agency and metropolitan council appointees are coterminous with the Governor. This subdivision also provides that the terms, compensation, removal, and filling of vacancies for the other Clean Water Council members is as provided under general law for advisory councils. This subdivision also provides that the initial terms of the state agency and metropolitan council appointees expire on January 1, 2007.

Subdivision 4. [Implementation Plan] directs the Clean Water Council to develop an implementation plan for the Clean Water Legacy Act. The first implementation plan must be issued by December 1, 2005. After the first plan, the Council must issue biennial implementation plans by December 1 of each even-numbered year.

Subdivision 5. [Appropriation Recommendations] directs the Clean Water Council to recommend to the Governor appropriations from the Clean Water Legacy Account.

Subdivision 6. [Biennial Report] requires a biennial report, by December 1, of each even-numbered year, to the Legislature from the Clean Water Council on past

expenditures, recommendations for future expenditures, and the impact of the impaired waters program on economic development. The 2014 report must include an evaluation of the progress and need for future funding.

Section 7 [Public and Stakeholder Participation, Scientific Review, and Education]

Subdivision 1. [Public and Stakeholder Participation] directs public agencies involved in the implementation of the Clean Water Legacy Act to encourage participation by the public and stakeholders.

Subdivision 2. [Expert Scientific Advice] directs the Clean Water Council and public agencies to make use of expertise from educational, research, and technical organizations in implementing the Clean Water Legacy Act.

Subdivision 3. [Education] directs the Clean Water Council to develop strategies for informing, educating, and encouraging the participation of the public and stakeholders in the implementation of the Clean Water Legacy Act.

Section 8 [Clean Water Legacy Account]

Subdivision 1. [Creation] creates the Clean Water Legacy Account in the Environmental Fund and states that money in the account must be made available for the Clean Water Phosphorus Reduction Grants, the Community Septic System Loan Program, and the TMDL Grant Program. This section also provides that the funding for the grant and loan programs must not supplant existing funding.

Subdivision 2. [Sources of Revenue] specifies that the sources of revenue for the Clean Water Legacy Account are money transferred to the account and interest on the account.

Subdivision 3. [Purposes] provides specific purposes that the Clean Water Legacy Account may be spent on, subject to appropriation by the Legislature.

Section 9 [Clean Water Legacy Phosphorus Reduction Grants]

Subdivision 1. [Creation of Fund, Appropriation] establishes the Clean Water Legacy Capital Improvement Fund to make grants for phosphorus reduction grants. The balance in the Fund is appropriated to the Public Facilities Authority (PFA) for the purposes of this section.

Subdivision 2. [Grants] directs the PFA to make grants from the Clean Water Legacy Capital Improvement Fund for wastewater treatment facility projects that will reduce the discharge of phosphorus to one milligram per liter.

Subdivision 3. [Eligible Capital Costs] provide that eligible capital cost for a loan under this section include as-bid construction costs and engineering planning and design costs.

Subdivision 4. [Grant Amounts and Priorities] specifies that grant amounts under this section are 75 percent of the costs for projects approved by July 1, 2009, and 50 percent for projects approved on or after July 1, 2009. Priority is given for projects that started construction after July 1, 2005. Application for a grant for any project that started before July 1, 2005, must be submitted by June 30, 2007.

Subdivision 5. [Fees] allows the PFA to charge an administrative fee of up to one-half of one percent of the grant amount.

Section 10 [Small Community Wastewater Treatment Loan Program]

Subdivision 1. [Creation of Fund] directs the PFA to establish a small community wastewater treatment fund to make loans for individual sewage treatment system (ISTS) replacement. Money in the fund is appropriated to the PFA for the loans. All repayments, investment income from the fund, and servicing fees charged must be deposited into the fund.

Subdivision 2. [Loans] directs the PFA to award loans to governmental units from the small community wastewater treatment fund to replace failing or inadequate systems. The governmental unit must own the replacement system and be responsible for inspection, maintenance, repair of the ISTS.

Subdivision 3. [Project Priority List] directs the PCA to rank loan applications based on the Water Pollution Control Revolving Fund priorities list.

Subdivision 4. [Loan Applications] specifies the information required on the application for a loan under this section.

Subdivision 5. [Loan Awards] specifies that the loans shall be awarded based on the priority list. The maximum loan to a government unit in any year is \$500,000.

Subdivision 6. [Loan Terms and Conditions] specifies that the loans:

1. must provide that debt service payments begin no later than two years after the loan is issued;
2. be at a one percent interest;
3. be amortized within ten years or, if the loan amount exceeds \$10,000 per household, amortized within 20 years;

4. be paid from a dedicated source or sources of revenue and be guaranteed by a general obligation note of the governmental unit; and

5. be made only where permanent easements to the governmental unit are obtained for access to the financed systems.

Subdivision 7. [Special Assessment Deferral] allows governmental units to defer special assessments for the ISTS loans, as provided under current law for special assessments. The governmental unit may request loan deferral for the portion of the loan related to the deferred special assessments.

Subdivision 8. [Eligible Costs] provides that the costs of planning, design, construction, legal fees, administration, and land acquisition are eligible costs for the loans.

Subdivision 9. [Disbursements] provides that the loan disbursement must be made for eligible project costs as they are incurred.

Subdivision 10. [Audits] requires governmental units that receive a loan to provide a copy of their annual audit or, if not required, their annual financial reporting form to the PFA.

Section 11 [Total Maximum Daily Load Grants]

Subdivision 1. [Program Established] directs the Public Facilities Authority (PFA) to make grants for 50 percent of the cost of wastewater or stormwater projects that are necessary for wasteload reductions required under a TMDL.

Subdivision 2. [Grant Application] provides for the grant application to be reviewed by the PCA for certification.

Subdivision 3. [Project Priorities] provides that grant priorities are based on when the TMDL was approved by the EPA.

Subdivision 4. [Grant Approval] provides that a grant may be made only after all approvals have been completed and the additional financing has been committed.

Subdivision 5. [Grant Disbursement] provides for disbursement of the grant as eligible costs are incurred.

Section 12 [Appropriations] (See attached spreadsheet from Dan Mueller)

GK:dv
Enclosure

**SF762, Division Report - Sen. Frederickson:
Clean Water Legacy Acct; General Fund Appropriations
Proposed Appropriations**

	(in 000's)		<u>Biennium</u>
	<u>FY2006</u>	<u>FY2007</u>	<u>Total</u>
Expenditures (Legacy Account; General Fund)			
Pollution Control Agency			
Statewide assessment of surface water quality	2,165	876	3,041
- Grants or contracts for citizen monitoring	1,960	793	2,753
Develop TMDL's for impaired waters	2,171	878	3,049
- Grants or contracts for TMDL's	1,119	453	1,572
Total Approp.: PCA:	7,415	3,000	10,415
Agriculture Department			
Low-interest loans, best management	200	-	200
- Pass-through to local governments	2,100	-	2,100
Technical asst. for pasture management	590	-	590
- Grants to develop conservation information	210	-	210
Effectiveness in restoring impaired waters	200	-	200
- Grants for on-farm demonstrations	600	-	600
Total Approp.: Agriculture:	3,900	-	3,900
Brd. Of Water & Soil Resources			
Targeted restoration incentive payments	94	-	94
- Grants to soil and water conservation dist.	1,713	-	1,713
Targeted restoration technical assistance	63	-	63
- Grants to support implementation activities	1,022	-	1,022
Evaluation of soil & water conservation practices	63	-	63
Grants to counties for ISTS	755	-	755
Grants for lake and river protection	471	-	471
Streambank, lakeshore and roadside protection	755	-	755
Total Approp.: BWSR:	4,936	-	4,936
Public Facilities Authority (DEED)			
Wastewater treatment and stormwater projects	7,677	-	7,677
Grants for phosphorus treatment infrastructure	6,131	-	6,131
Loans for septic system replacement	1,441	-	1,441
Total Approp.: PFA/DEED:	15,249	-	15,249
Total Approp.: ALL AGENCIES:	31,500	3,000	34,500

Organizations (Entities) Participating in the Completion of TMDLs

2/24/05

Projects with Entities Leading the Completion of TMDLs:

<u>TMDL Project</u>	<u>Entity</u>
Red River - Moorhead - Ammonia	Red River Basin Commission
South Branch Yellow Medicine River - Fecal Coliform	Yellow Medicine Watershed District
Shingle Creek, Upper Mississippi River Basin - Chloride	Shingle Creek Watershed Management Organization
North Branch, Sunrise River - Fecal Coliform	Chisago County
Red River - Moorhead - Fecal Coliform & Turbidity	Red River Basin Commission
Clearwater River, Red River Basin- Fecal Coliform & Dissolved Oxygen	Red Lake Watershed District
Minnehaha Creek Watershed Lakes, Metro Mississippi River Basin	Minnehaha Creek Watershed District
Shingle Lakes Group, Metro Mississippi River Basin	Shingle Creek Watershed Management Commission
Knife River, Lake Superior Basin	South St. Louis Soil and Water Conservation District
Hardwood Creek, Upper Mississippi River Basin - Impaired Biota & Dissolved Oxygen	Rice Creek Watershed District
Carver and Bevens Creek - Multiple Pollutants	Carver County
Cannon River, Lower Mississippi Regional Turbidity	Cannon River Partnership <i>print on folder</i>
Clearwater River Watershed, Upper Miss. Basin	Clearwater River Watershed District
Riley, Purgatory, Bluff, and Nine Mile Creeks - Turbidity & Impaired Biota	Riley, Purgatory, and Bluff Creek Watershed District; Nine Mile Creek Watershed District
Lake Byllesby, Lower Mississippi River Basin	Cannon River Partnership
Blue Earth River Basin - Fecal Coliform	Mankato State Water Resources Center, Blue Earth River Basin Initiative, Martin County
Red River Basin Turbidity TMDL	Red River Watershed Management Board
Golden Lake, Metro Mississippi River Basin	Rice Creek Watershed District

Projects with Entities Assisting in the Completion of TMDLs:

TMDL Project	Entity
Chippewa River - Ammonia	Chippewa River Watershed Project
Lower Mississippi River Basin - Fecal Coliform	Cannon River Partnership, Dakota County Soil and Water Conservation District, BALMM
Long Prairie River - Dissolved Oxygen	Todd County
Lower Ottertail River - Turbidity	Wilkin County, Wilkin County Soil and Water Conservation District
Upper Mississippi River Headwaters - Dissolved Oxygen	Bemidji State University
Baudette River - Dissolved Oxygen	Lake of the Woods Soil and Water Conservation District
Martin and Typo Lakes, St. Croix River Basin	Anoka Conservation District
West Fork Des Moines River Watershed - Turbidity, Fecal Coliform, & Others	Cottonwood County, Heron Lake Watershed District
Williams Creek - Dissolved Oxygen	Lake of the Woods Soil and Water Conservation District
Groundhouse River - Fecal Coliform & Impaired Biota	Snake River Watershed Management Board
Chippewa River - Fecal Coliform	Chippewa River Watershed Project
Pipestone Creek - Fecal Coliform & Turbidity	Pipestone County
Lac Qui Parle River - Dissolved Oxygen	Lac qui Parle-Yellow Bank Watershed District
Crow River Watershed TMDLs - Multiple Reaches & Pollutants	Crow River Organization of Waters

Projects with Little to No Assistance from Other Entities (i.e. led by MPCA):

TMDL Project
Lower Minnesota River - Dissolved Oxygen
Vermillion River, Lower Mississippi River Basin - Turbidity
Lake Pepin Area - Turbidity & Excessive Nutrients
Minnesota River Basin, Mainstem and Mouth of Major Watersheds - Turbidity
Red River Headwaters - Dissolved Oxygen
Lower Mississippi Regional Turbidity

Organizations Supporting Clean Water Legacy

American Public Information on the Environment
Audubon Chapter of Minneapolis
Audubon Minnesota
Blue Earth River Basin Initiative
Cannon River Watershed Partnership
Carpenter Saint Croix Valley Nature Center
Cenex Harvest States
Clean Water Action Alliance Minnesota
Clean Up the River Environment
Dakota Soil and Water Conservation District
Environmental Justice Advocates of Minnesota
Friends of the Boundary Waters Wilderness
Friends of the Mississippi River
Goodhue County
Land Stewardship Project
LaSeuer Soil and Water Conservation District
League of Minnesota Cities
Minnesota Agri-Growth Council
Minnesota Association of Small Cities
Minnesota Association of Soil and Water Conservation Districts
Minnesota Center for Environmental Advocacy
Minnesota Chamber of Commerce
Minnesota Conservation Federation
Minnesota Environmental Partnership
Minnesota Farm Bureau
Minnesota Farmers Union
Minnesota Lakes Association
Minnesota Milk Producers Association
Minnesota Pork Producers Association
Minnesota Power
Minnesota Project
Minnesota Rivers Council
Minnesota Soybean Growers Association
The Nature Conservancy
Rice Soil and Water Conservation District
Rural Advantage
Steele Soil and Water Conservation District
Waseca Soil and Water Conservation District
Trust for Public Land, Minnesota Office

Clean Water Legacy Act (HF 826 & SF 762)

Wastewater Treatment Plant Name	Phosphorus Grants	Wastewater Treatment Plant Name	Phosphorus Grants
1 Ada WWTP	New Grant	59 Faribault WWTP	New Grant
2 Adams WWTP	New Grant	60 Finlayson WWTP	New Grant
3 Adrian WWTP	New Grant	61 Fosston WWTP	New Grant
4 Aitkin WWTP	New Grant	62 Frazee WWTP	New Grant
5 Albert Lea WWTP	New Grant	63 Gaylord WWTP	New Grant
6 Altura WWTP	New Grant	64 Glencoe WWTP	New Grant
7 Amboy WWTP	New Grant	65 Grand Rapids WWTP	New Grant
8 Annandale/Maple Lake WWTP	Retroactive Grant	66 Granite Falls WWTP	New Grant
9 Appleton WWTP	New Grant	67 Grasston WWTP	New Grant
10 Arlington WWTP	New Grant	68 Green Lake SSWD WWTP	New Grant
11 Aspen Hills WWTP	Retroactive Grant	69 Grove City WWTP	New Grant
12 Audubon WWTP	Retroactive Grant	70 Hawley WWTP	New Grant
13 Austin WWTP	New Grant	71 Hayfield WWTP	New Grant
14 Avon WWTP	Retroactive Grant	72 Hector WWTP	New Grant
15 Barnesville WWTP	New Grant	73 Heron Lake WWTP	Retroactive Grant
16 Baudette WWTP	New Grant	74 Holdingford WWTP	New Grant
17 Belle Plaine WWTP	Retroactive Grant	75 Houston WWTP	New Grant
18 Benson WWTP	Retroactive Grant	76 Hutchinson WWTP	New Grant
19 Bertha WWTP	New Grant	77 Isanti WWTP	New Grant
20 Big Lake WWTP	New Grant	78 Jackson WWTP	New Grant
21 Bigfork WWTP	Retroactive Grant	79 Janesville WWTP	New Grant
22 Blooming Prairie WWTP	New Grant	80 Kasson WWTP	Retroactive Grant
23 Braham WWTP	New Grant	81 Kenyon WWTP	New Grant
24 Brainerd WWTP	New Grant	82 La Crescent WWTP	Retroactive Grant
25 Breckenridge WWTP	New Grant	83 Lake Crystal WWTP	Retroactive Grant
26 Brewster WWTP	Retroactive Grant	84 Lake Park WWTP	Retroactive Grant
27 Browerville WWTP	New Grant	85 Lakefield WWTP	New Grant
28 Browns Valley WWTP	New Grant	86 Le Center WWTP	Retroactive Grant
29 Buffalo WWTP	New Grant	87 LeSueur WWTP	New Grant
30 Byron WWTP	Retroactive Grant	88 Lewiston WWTP	Retroactive Grant
31 Caledonia WWTP	New Grant	89 Litchfield WWTP	Retroactive Grant
32 Cambridge WWTP	New Grant	90 Little Falls WWTP	New Grant
33 Canby WWTP	New Grant	91 Long Prairie WWTP - Municipal	Retroactive Grant
34 Cannon Falls WWTP	Retroactive Grant	92 Lonsdale WWTP	Retroactive Grant
35 Carver WWTP	New Grant	93 Luverne WWTP	New Grant
36 Chatfield WWTP	New Grant	94 Madelia WWTP	Retroactive Grant
37 Chisago Lakes Joint STC	Retroactive Grant	95 Madison WWTP	New Grant
38 Clara City WWTP	New Grant	96 Mahanomen WWTP	New Grant
39 Claremont WWTP	Retroactive Grant	97 Mankato WWTP	New Grant
40 Clarkfield WWTP	New Grant	98 Mapleton WWTP	New Grant
41 Clear Lake/Clearwater WWTP	New Grant	99 Marshall WWTP	New Grant
42 Clements WWTP	New Grant	100 Met Council - Blue Lake WWTP	Retroactive Grant
43 Clinton WWTP	Retroactive Grant	101 Met Council - Eagles Point WWTP	Retroactive Grant
44 Cokato WWTP	New Grant	102 Met Council - Empire WWTP	Retroactive Grant
45 Cold Spring WWTP	Retroactive Grant	103 Met Council - Hastings WWTP	New Grant
46 Coleraine-Bovey-Taconite Joint WWTP	New Grant	104 Met Council - Metropolitan WWTP	New Grant
47 Cook WWTP	New Grant	105 Met Council - Rosemount WWTP	Retroactive Grant
48 Crane Lake WWTP	Retroactive Grant	106 Met Council - Seneca WWTP	Retroactive Grant
49 Crookston WWTP	New Grant	107 Milaca WWTP	New Grant
50 Crosslake WWTP	Retroactive Grant	108 Minneota WWTP	New Grant
51 Dassel WWTP	Retroactive Grant	109 Montevideo WWTP	New Grant
52 Dawson WWTP	New Grant	110 Montgomery WWTP	Retroactive Grant
53 Delano WWTP	Retroactive Grant	111 Monticello WWTP	New Grant
54 Dodge Center WWTP	New Grant	112 Montrose WWTP	Retroactive Grant
55 East Grand Forks WWTP	New Grant	113 Moorhead WWTP	New Grant
56 Elk River WWTP	New Grant	114 Moose Lake WWTP	New Grant
57 Fairfax WWTP	New Grant	115 Moose Lake WWTP	New Grant
58 Fairmont WWTP	Retroactive Grant	116 Mora WWTP	New Grant

117 Mora WWTP	New Grant	152 St Clair WWTP	New Grant
118 Morgan WWTP	New Grant	153 St Cloud WWTP	New Grant
119 Morris WWTP	New Grant	154 St Francis WWTP	Retroactive Grant
120 Motley WWTP	New Grant	155 St James WWTP	New Grant
121 Mountain Lake WWTP	New Grant	156 St Michael WWTP	Retroactive Grant
122 New Prague WWTP	Retroactive Grant	157 St Peter WWTP	Retroactive Grant
123 New Richland WWTP	New Grant	158 Staples WWTP	New Grant
124 New Ulm WWTP	New Grant	159 Starbuck WWTP	New Grant
125 North Branch WWTP	Retroactive Grant	160 Stewart WWTP	New Grant
126 North Koochiching WWTP	New Grant	161 Stewartville WWTP	New Grant
127 Norwood Young America WWTP	New Grant	162 Thief River Falls WWTP	New Grant
128 Olivia WWTP	New Grant	163 Tracy WWTP	New Grant
129 Onamia WWTP	New Grant	164 Trimont WWTP	Retroactive Grant
130 Ortonville WWTP	Retroactive Grant	165 Truman WWTP	New Grant
131 Otsego WWTP West	Retroactive Grant	166 Wadena WWTP	New Grant
132 Owatonna WWTP	New Grant	167 Wahkon WWTP	Retroactive Grant
133 Park Rapids WWTP	New Grant	168 Wanamingo WWTP	New Grant
134 Pelican Rapids WWTP	New Grant	169 Warroad WWTP	New Grant
135 Pine City WWTP	New Grant	170 Waseca WWTP	New Grant
136 Pipestone WWTP	New Grant	171 Watertown WWTP	New Grant
137 Plainview-Elgin Sanitary District WWTP	New Grant	172 Waterville WWTP	Retroactive Grant
138 Preston WWTP	New Grant	173 Welcome WWTP	New Grant
139 Princeton WWTP	Retroactive Grant	174 Wells Easton Minnesota Lake W	New Grant
140 Red Wing WWTP	Retroactive Grant	175 West Concord WWTP	Retroactive Grant
141 Redwood Falls WWTP	New Grant	176 Wheaton WWTP	New Grant
142 Rockford WWTP	New Grant	177 Whitewater River Pollution Contr	New Grant
143 Roseau WWTP	New Grant	178 Williams WWTP	Retroactive Grant
144 Rush City WWTP	New Grant	179 Willmar WWTP	New Grant
145 Sandstone WWTP	New Grant	180 Windom WWTP	New Grant
146 Sherburn WWTP	New Grant	181 Winnebago WWTP	New Grant
147 Slayton WWTP	New Grant	182 Winona WWTP	New Grant
148 Sleepy Eye WWTP	New Grant	183 Winsted WWTP	New Grant
149 Spring Grove WWTP	New Grant	184 Winthrop WWTP	New Grant
150 Spring Valley WWTP	New Grant	185 Zimmerman WWTP	Retroactive Grant
151 Springfield WWTP	New Grant	186 Zumbrota WWTP	New Grant

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2/24/05

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Clearwater River, Red River Basin- Fecal Coliform & Dissolved Oxygen	Red Lake Watershed District
Minnehaha Creek Watershed Lakes, Metro Mississippi River Basin	Minnehaha Creek Watershed District
Shingle Lakes Group, Metro Mississippi River Basin	Shingle Creek Watershed Management Commission
Knife River, Lake Superior Basin	South St. Louis Soil and Water Conservation District
Hardwood Creek, Upper Mississippi River Basin - Impaired Biota & Dissolved Oxygen	Rice Creek Watershed District
Carver and Bevens Creek - Multiple Pollutants	Carver County
Cannon River, Lower Mississippi Regional Turbidity	Cannon River Partnership <i>priority non-target</i>
Clearwater River Watershed, Upper Miss. Basin	Clearwater River Watershed District
Riley, Purgatory, Bluff, and Nine Mile Creeks - Turbidity & Impaired Biota	Riley, Purgatory, and Bluff Creek Watershed District; Nine Mile Creek Watershed District
Lake Byllesby, Lower Mississippi River Basin	Cannon River Partnership
Blue Earth River Basin - Fecal Coliform	Mankato State Water Resources Center, Blue Earth River Basin Initiative, Martin County
Red River Basin Turbidity TMDL	Red River Watershed Management Board
Golden Lake, Metro Mississippi River Basin	Rice Creek Watershed District

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Baudette River - Dissolved Oxygen	Lake of the Woods Soil and Water Conservation District
Martin and Typo Lakes, St. Croix River Basin	Anoka Conservation District
West Fork Des Moines River Watershed - Turbidity, Fecal Coliform, & Others	Cottonwood County, Heron Lake Watershed District
Williams Creek - Dissolved Oxygen	Lake of the Woods Soil and Water Conservation District
Groundhouse River - Fecal Coliform & Impaired Biota	Snake River Watershed Management Board
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Pipestone Creek - Fecal Coliform & Turbidity	Pipestone County
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Minnesota River Basin, Mainstem and Mouth of Major Watersheds - Turbidity
Red River Headwaters - Dissolved Oxygen
Lower Mississippi Regional Turbidity

Developers find dirty water limiting growth

ANNANDALE, Minn. (AP) — Old west storefronts still line the main street here, but farm fields are making way for subdivisions in this town in one of the United States' fastest-growing counties.

Developers are eager to build more houses in a part of the state where communities settled and thrived around the many lakes and rivers. But water, a resource that once fostered growth, now threatens to halt it.

Environmentalists are suing to block a planned water treatment plant here because they say rivers and lakes are already too polluted to take more discharge. They say they're supported by the federal Clean Water Act. The lawsuit has drawn the attention of business leaders statewide, who fear that the state's water quality problems could stymie development in growing areas.

Annandale and neighboring Maple Lake sought the plant because their aging sewer systems

can't take any more strain.

"We basically tell them, 'Get in line,'" Annandale Mayor Marian Harmoning said of the developers who come to city hall, seeking annexation of farmland for new city neighborhoods.

It's put developers in the unexpected position of pushing for legislation to improve enforcement of environmental regulations and clean up Minnesota's dirty water.

"It's a dual message you get," said developer Brad Paumen, owner of Maple Lake-based Paumen Properties. "One message is we need more jobs in town, we need more businesses in town, so we need more houses in town. For the developer, what's frustrating is you buy property, invest some engineering and incur expenses, and then it gets put on hold for two years."

Local politicians say they want to see their cities grow, but are forced to put a hold on it un-

til they're able to expand sewer capacity.

"We're caught between a rock and a hard spot," said Maple Lake Mayor Mike Messina. "We're trying to be environmentally responsible — but at what cost?"

The lawsuit, filed by the St. Paul-based Minnesota Center for Environmental Advocacy, is awaiting arguments in the Minnesota Court of Appeals. It contends that the Minnesota Pollution Control Agency violated the federal Clean Water Act when it granted a permit to the Annandale-Maple Lake plant.

The \$11 million plant in rural Albion Township would discharge treated wastewater, including phosphorous, into the north fork of the Crow River, which flows into the Mississippi River. Eventually the discharge makes its way to southeastern Minnesota's Lake Pepin, which is fed by the Mississippi.

The MPCA has declared the

lake "impaired." That prompts a federal requirement that Lake Pepin have a state cleanup plan before more pollutants are permitted. But the MPCA hasn't done that for Lake Pepin or the Crow River.

"The new plant is adding pollutants to an already-polluted situation contrary to the clear recommendations of MPCA's own scientists," the lawsuit states.

MPCA officials say they don't have the money to prepare the cleanup plans.

A bipartisan group of state lawmakers, with support from both the environmental community and business groups, are getting behind a bill at the Capitol to raise \$80 million a year for water testing and cleanup. The money would come from sewer fees of \$36 a year for homeowners and business fees ranging from \$120 to \$600 a year, depending on their size.

Editorials, labeled "Our perspective," represent the institutional voice of the Star Tribune. They are prepared by the Editorial Department, which is independent of the newsroom.

Star Tribune

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OUR PERSPECTIVE

Clean water

Alas, a 'user fee' is necessary

Minnesota appears poised to create an \$80 million-a-year program to inspect and restore the state's polluted waters. This is an important, overdue step forward in caring for the state's trademark resource. Its "user fee" funding method is unfortunate, in our view, but manifestly an idea whose time has come.

Under federal law, states must inventory their lakes and rivers for a wide range of pollutants: mercury, phosphorus, coliform bacteria and so on. Where contamination exceeds U.S. standards, plans must be developed for reducing it and holding the "total maximum daily load" (TMDL) of pollutants to acceptable levels; otherwise, further development in the watershed may be banned. This is hardly an abstract possibility: Among the small fraction of Minnesota waters tested so far, 40 percent exceeded the limit for one or more pollutants and were officially classed as "impaired."

The threat to economic growth is one of two big reasons for the unusual unity behind the Clean Water Legacy legislation: 88 environmental, business, local government and agriculture groups support it; the co-authors include House Speaker Steve Sviggum on the Republican side and Senate Majority Leader Dean Johnson of the DFL; Gov. Tim Pawlenty has praised the consensus approach. Apart from some quibbles over implementation details, there appears to be no substantial dissent — unusual, these days, for such a large and ambitious environmental initiative.

The other reason is that this program will be funded not from tax revenue but with a \$36 annual fee on every household that discharges wastewater into a sewer or septic system — essentially every residence. Apartment houses will be charged \$36 per unit; commercial properties will pay \$120, \$300 or \$600 per year, depending on discharge volume.

There is much to be said for fee-based financing of public services that are used only by some citizens, or used much more heavily by some citizens than others, or used chiefly

as a matter of choice. Hunting and fishing licenses come to mind, along with recreational vehicle registrations and campground charges.

But wastewater disposal? It's hard to think of a more universally necessary public function; even people who prefer to haul their own trash can't do the same with wastewater. And though every home and business in the state requires clean drinking water, they certainly do not share equally in creating the pollution problems that the TMDL program is meant to address.

The aims of Clean Water Legacy make it a perfect example of a public function that should be financed from a progressive tax system, perhaps supplemented with additional fees from the largest polluters. To call this universal, compulsory charge a "user fee" is a fanciful, if not cynical, relabeling of what is clearly a tax in both form and function — and a regressive one at that, despite the plan's higher business rates and unspecified exemptions for some low-income households.

Regrettably, such artifice seems necessary to accomplish objectives that Minnesota has been neglecting. Only 8 percent of rivers and 14 percent of lakes have been tested under the TMDL standards. Yet year after year, clean water programs suffer in the competition for state revenue. There's a paradox here — clean water has a universal constituency, and for that very reason lacks the narrower, focused backing of other causes. Dramatic funding cuts have been the upshot.

Steve Morse, the former state senator and deputy commissioner of natural resources who played a key role in shaping the Legacy approach, notes that environmental spending across the board has been reduced by about one-third in the last four years of Ventura and Pawlenty budgets; even some specially designated funds have been raided for other purposes.

In a better world, the notion of user fees for clean water would be laughable. In this world, it's lamentable that such an important job won't get done without them.

Frederick Som

Organizations Supporting Clean Water Legacy

American Public Information on the Environment
Audubon Chapter of Minneapolis
Audubon Minnesota
Blue Earth River Basin Initiative
Cannon River Watershed Partnership
Carpenter Saint Croix Valley Nature Center
Cenex Harvest States
Clean Water Action Alliance Minnesota
Clean Up the River Environment
Dakota Soil and Water Conservation District
Environmental Justice Advocates of Minnesota
Friends of the Boundary Waters Wilderness
Friends of the Mississippi River
Goodhue County
Land Stewardship Project
LaSeuer Soil and Water Conservation District
League of Minnesota Cities
Minnesota Agri-Growth Council
Minnesota Association of Small Cities
Minnesota Association of Soil and Water Conservation Districts
Minnesota Center for Environmental Advocacy
Minnesota Chamber of Commerce
Minnesota Conservation Federation
Minnesota Environmental Partnership
Minnesota Farm Bureau
Minnesota Farmers Union
Minnesota Lakes Association
Minnesota Milk Producers Association
Minnesota Pork Producers Association
Minnesota Power
Minnesota Project
Minnesota Rivers Council
Minnesota Soybean Growers Association
The Nature Conservancy
Rice Soil and Water Conservation District
Rural Advantage
Steele Soil and Water Conservation District
Waseca Soil and Water Conservation District
Trust for Public Land, Minnesota Office

Clean Water Legacy Act (HF 826 & SF 762)

<u>Wastewater Treatment Plant Name</u>	<u>Phosphorus Grants</u>	<u>Wastewater Treatment Plant Name</u>	<u>Phosphorus Grants</u>
1 Ada WWTP	New Grant	59 Faribault WWTP	New Grant
2 Adams WWTP	New Grant	60 Finlayson WWTP	New Grant
3 Adrian WWTP	New Grant	61 Fosston WWTP	New Grant
4 Aitkin WWTP	New Grant	62 Frazee WWTP	New Grant
5 Albert Lea WWTP	New Grant	63 Gaylord WWTP	New Grant
6 Altura WWTP	New Grant	64 Glencoe WWTP	New Grant
7 Amboy WWTP	New Grant	65 Grand Rapids WWTP	New Grant
Annandale/Maple Lake WWTP	Retroactive Grant	66 Granite Falls WWTP	New Grant
9 Appleton WWTP	New Grant	67 Grasston WWTP	New Grant
10 Arlington WWTP	New Grant	68 Green Lake SSWD WWTP	New Grant
11 Aspen Hills WWTP	Retroactive Grant	69 Grove City WWTP	New Grant
12 Audubon WWTP	Retroactive Grant	70 Hawley WWTP	New Grant
13 Austin WWTP	New Grant	71 Hayfield WWTP	New Grant
14 Avon WWTP	Retroactive Grant	72 Hector WWTP	New Grant
15 Barnesville WWTP	New Grant	73 Heron Lake WWTP	Retroactive Grant
16 Baudette WWTP	New Grant	74 Holdingford WWTP	New Grant
17 Belle Plaine WWTP	Retroactive Grant	75 Houston WWTP	New Grant
18 Benson WWTP	Retroactive Grant	76 Hutchinson WWTP	New Grant
19 Bertha WWTP	New Grant	77 Isanti WWTP	New Grant
20 Big Lake WWTP	New Grant	78 Jackson WWTP	New Grant
21 Bigfork WWTP	Retroactive Grant	79 Janesville WWTP	New Grant
22 Blooming Prairie WWTP	New Grant	80 Kasson WWTP	Retroactive Grant
23 Braham WWTP	New Grant	81 Kenyon WWTP	New Grant
24 Brainerd WWTP	New Grant	82 La Crescent WWTP	Retroactive Grant
25 Breckenridge WWTP	New Grant	83 Lake Crystal WWTP	Retroactive Grant
26 Brewster WWTP	Retroactive Grant	84 Lake Park WWTP	Retroactive Grant
27 Browerville WWTP	New Grant	85 Lakefield WWTP	New Grant
Browns Valley WWTP	New Grant	86 Le Center WWTP	Retroactive Grant
29 Buffalo WWTP	New Grant	87 LeSueur WWTP	New Grant
30 Byron WWTP	Retroactive Grant	88 Lewiston WWTP	Retroactive Grant
31 Caledonia WWTP	New Grant	89 Litchfield WWTP	Retroactive Grant
32 Cambridge WWTP	New Grant	90 Little Falls WWTP	New Grant
33 Canby WWTP	New Grant	91 Long Prairie WWTP - Municipal	Retroactive Grant
34 Cannon Falls WWTP	Retroactive Grant	92 Lonsdale WWTP	Retroactive Grant
35 Carver WWTP	New Grant	93 Luverne WWTP	New Grant
36 Chatfield WWTP	New Grant	94 Madelia WWTP	Retroactive Grant
37 Chisago Lakes Joint STC	Retroactive Grant	95 Madison WWTP	New Grant
38 Clara City WWTP	New Grant	96 Mahanomen WWTP	New Grant
39 Claremont WWTP	Retroactive Grant	97 Mankato WWTP	New Grant
40 Clarkfield WWTP	New Grant	98 Mapleton WWTP	New Grant
41 Clear Lake/Clearwater WWTP	New Grant	99 Marshall WWTP	New Grant
42 Clements WWTP	New Grant	100 Met Council - Blue Lake WWTP	Retroactive Grant
43 Clinton WWTP	Retroactive Grant	101 Met Council - Eagles Point WWTP	Retroactive Grant
44 Cokato WWTP	New Grant	102 Met Council - Empire WWTP	Retroactive Grant
45 Cold Spring WWTP	Retroactive Grant	103 Met Council - Hastings WWTP	New Grant
46 Coleraine-Bovey-Taconite Joint WWTP	New Grant	104 Met Council - Metropolitan WWTP	New Grant
47 Cook WWTP	New Grant	105 Met Council - Rosemount WWTP	Retroactive Grant
Crane Lake WWTP	Retroactive Grant	106 Met Council - Seneca WWTP	Retroactive Grant
Crookston WWTP	New Grant	107 Milaca WWTP	New Grant
50 Crosslake WWTP	Retroactive Grant	108 Minneota WWTP	New Grant
51 Dassel WWTP	Retroactive Grant	109 Montevideo WWTP	New Grant
52 Dawson WWTP	New Grant	110 Montgomery WWTP	Retroactive Grant
53 Delano WWTP	Retroactive Grant	111 Monticello WWTP	New Grant
54 Dodge Center WWTP	New Grant	112 Montrose WWTP	Retroactive Grant
55 East Grand Forks WWTP	New Grant	113 Moorhead WWTP	New Grant
56 Elk River WWTP	New Grant	114 Moose Lake WWTP	New Grant
57 Fairfax WWTP	New Grant	115 Moose Lake WWTP	New Grant
58 Fairmont WWTP	Retroactive Grant	116 Mora WWTP	New Grant

117 Mora WWTP	New Grant	152 St Clair WWTP	New Grant
118 Morgan WWTP	New Grant	153 St Cloud WWTP	New Grant
119 Morris WWTP	New Grant	154 St Francis WWTP	Retroactive Grant
120 Motley WWTP	New Grant	155 St James WWTP	New Grant
121 Mountain Lake WWTP	New Grant	156 St Michael WWTP	Retroactive Grant
122 New Prague WWTP	Retroactive Grant	157 St Peter WWTP	Retroactive Grant
123 New Richland WWTP	New Grant	158 Staples WWTP	New Grant
124 New Ulm WWTP	New Grant	159 Starbuck WWTP	New Grant
125 North Branch WWTP	Retroactive Grant	160 Stewart WWTP	New Grant
126 North Koochiching WWTP	New Grant	161 Stewartville WWTP	New Grant
127 Norwood Young America WWTP	New Grant	162 Thief River Falls WWTP	New Grant
128 Olivia WWTP	New Grant	163 Tracy WWTP	New Grant
129 Onamia WWTP	New Grant	164 Trimont WWTP	Retroactive Grant
130 Ortonville WWTP	Retroactive Grant	165 Truman WWTP	New Grant
131 Otsego WWTP West	Retroactive Grant	166 Wadena WWTP	New Grant
132 Owatonna WWTP	New Grant	167 Wahkon WWTP	Retroactive Grant
133 Park Rapids WWTP	New Grant	168 Wanamingo WWTP	New Grant
134 Pelican Rapids WWTP	New Grant	169 Warroad WWTP	New Grant
135 Pine City WWTP	New Grant	170 Waseca WWTP	New Grant
136 Pipestone WWTP	New Grant	171 Watertown WWTP	New Grant
137 Plainview-Elgin Sanitary District WWTP	New Grant	172 Waterville WWTP	Retroactive Grant
138 Preston WWTP	New Grant	173 Welcome WWTP	New Grant
139 Princeton WWTP	Retroactive Grant	174 Wells Easton Minnesota Lake W	New Grant
140 Red Wing WWTP	Retroactive Grant	175 West Concord WWTP	Retroactive Grant
141 Redwood Falls WWTP	New Grant	176 Wheaton WWTP	New Grant
142 Rockford WWTP	New Grant	177 Whitewater River Pollution Contr	New Grant
143 Roseau WWTP	New Grant	178 Williams WWTP	Retroactive Grant
144 Rush City WWTP	New Grant	179 Willmar WWTP	New Grant
145 Sandstone WWTP	New Grant	180 Windom WWTP	New Grant
146 Sherburn WWTP	New Grant	181 Winnebago WWTP	New Grant
147 Slayton WWTP	New Grant	182 Winona WWTP	New Grant
148 Sleepy Eye WWTP	New Grant	183 Winsted WWTP	New Grant
149 Spring Grove WWTP	New Grant	184 Winthrop WWTP	New Grant
150 Spring Valley WWTP	New Grant	185 Zimmerman WWTP	Retroactive Grant
151 Springfield WWTP	New Grant	186 Zumbrota WWTP	New Grant

Organizations (Entities) Participating in the Completion of TMDLs

2/24/05

Projects with Entities Leading the Completion of TMDLs:

<u>TMDL Project</u>	<u>Entity</u>
Red River - Moorhead - Ammonia	Red River Basin Commission
South Branch Yellow Medicine River - Fecal Coliform	Yellow Medicine Watershed District
Shingle Creek, Upper Mississippi River Basin - Chloride	Shingle Creek Watershed Management Organization
North Branch, Sunrise River - Fecal Coliform	Chisago County
Red River - Moorhead - Fecal Coliform & Turbidity	Red River Basin Commission
Clearwater River, Red River Basin- Fecal Coliform & Dissolved Oxygen	Red Lake Watershed District
Minnehaha Creek Watershed Lakes, Metro Mississippi River Basin	Minnehaha Creek Watershed District
Shingle Lakes Group, Metro Mississippi River Basin	Shingle Creek Watershed Management Commission
Knife River, Lake Superior Basin	South St. Louis Soil and Water Conservation District
Hardwood Creek, Upper Mississippi River Basin - Impaired Biota & Dissolved Oxygen	Rice Creek Watershed District
Carver and Bevens Creek - Multiple Pollutants	Carver County
Cannon River, Lower Mississippi Regional Turbidity	Cannon River Partnership <i>priority non-point</i>
Clearwater River Watershed, Upper Miss. Basin	Clearwater River Watershed District
Riley, Purgatory, Bluff, and Nine Mile Creeks - Turbidity & Impaired Biota	Riley, Purgatory, and Bluff Creek Watershed District; Nine Mile Creek Watershed District
Lake Byllesby, Lower Mississippi River Basin	Cannon River Partnership
Blue Earth River Basin - Fecal Coliform	Mankato State Water Resources Center, Blue Earth River Basin Initiative, Martin County
Red River Basin Turbidity TMDL	Red River Watershed Management Board
Golden Lake, Metro Mississippi River Basin	Rice Creek Watershed District

Projects with Entities Assisting in the Completion of TMDLs:

TMDL Project	Entity
Chippewa River - Ammonia	Chippewa River Watershed Project
Lower Mississippi River Basin - Fecal Coliform	Cannon River Partnership, Dakota County Soil and Water Conservation District, BALMM
Long Prairie River - Dissolved Oxygen	Todd County
Lower Ottetail River - Turbidity	Wilkin County, Wilkin County Soil and Water Conservation District
Upper Mississippi River Headwaters - Dissolved Oxygen	Bemidji State University
Baudette River - Dissolved Oxygen	Lake of the Woods Soil and Water Conservation District
Martin and Typo Lakes, St. Croix River Basin	Anoka Conservation District
West Fork Des Moines River Watershed - Turbidity, Fecal Coliform, & Others	Cottonwood County, Heron Lake Watershed District
Williams Creek - Dissolved Oxygen	Lake of the Woods Soil and Water Conservation District
Groundhouse River - Fecal Coliform & Impaired Biota	Snake River Watershed Management Board
Chippewa River - Fecal Coliform	Chippewa River Watershed Project
Pipestone Creek - Fecal Coliform & Turbidity	Pipestone County
Lac Qui Parle River - Dissolved Oxygen	Lac qui Parle-Yellow Bank Watershed District
Crow River Watershed TMDLs - Multiple Reaches & Pollutants	Crow River Organization of Waters

Projects with Little to No Assistance from Other Entities (i.e. led by MPCA):

TMDL Project
Lower Minnesota River - Dissolved Oxygen
Vermillion River, Lower Mississippi River Basin - Turbidity
Lake Pepin Area - Turbidity & Excessive Nutrients
Minnesota River Basin, Mainstem and Mouth of Major Watersheds - Turbidity
Red River Headwaters - Dissolved Oxygen
Lower Mississippi Regional Turbidity

1 A bill for an act

2 relating to state employment; providing voluntary
3 unpaid leave options and early retirement incentives
4 to state employees.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

6 Section 1. [EARLY RETIREMENT INCENTIVE.]

7 Subdivision 1. [ELIGIBILITY.] An appointing authority in
8 the executive or legislative branch of state government or the
9 Board of Public Defense may offer the early retirement incentive
10 in this section to an employee who:

11 (1) has at least five years of allowable service in one or
12 more of the funds listed in Minnesota Statutes, section 356.30,
13 subdivision 3, and upon retirement is immediately eligible for a
14 retirement annuity from one or more of these funds; and

15 (2) terminates state service after the effective date of
16 this section and before September 1, 2005.

17 Subd. 2. [INCENTIVE.] (a) For an employee eligible under
18 subdivision 1, the employer may provide an amount up to \$17,000,
19 to be used:

20 (1) for an employee who terminates state service after the
21 effective date of this section and on or before July 15, 2005,
22 for deposit in the employee's account in the health care savings
23 plan established by Minnesota Statutes, section 352.98; or

24 (2) for an employee who terminates state service after July
25 15, 2005, and before September 1, 2005:

1 (i) notwithstanding Minnesota Statutes, section 352.01,
2 subdivision 11, for purchase of service credit for unperformed
3 service sufficient to enable the employee to retire under
4 Minnesota Statutes, section 352.116, subdivision 1, paragraph
5 (b); or

6 (ii) for purchase of a lifetime annuity or annuity for a
7 specific number of years from the state unclassified retirement
8 program to provide additional benefits under Minnesota Statutes,
9 section 352D.06, subdivision 1.

10 (b) An employee is eligible for the payment under paragraph
11 (a), clause (2), item (i), if the employee uses money from a
12 deferred compensation account that, combined with the payment
13 under paragraph (a), clause (2), item (i), would be sufficient
14 to purchase enough service credit to qualify for retirement
15 under Minnesota Statutes, section 352.116, subdivision 1,
16 paragraph (b).

17 Subd. 3. [DESIGNATION OF POSITIONS; EMPLOYER
18 DISCRETION.] Before offering an incentive under this section, an
19 appointing authority must designate the job classifications or
20 positions within job classifications that qualify for the
21 incentive. The appointing authority may modify this designation
22 at any time. Designation of positions eligible for the
23 incentive under this section, participation of individual
24 employees, and the amount of the payment under this section are
25 at the sole discretion of the appointing authority. Unilateral
26 implementation of this section by the employer is not an unfair
27 labor practice under Minnesota Statutes, chapter 179A.

28 Sec. 2. [POSTRETIREMENT EMPLOYMENT.]

29 (a) This section applies to a state employee who:

30 (1) on the effective date of this section is regularly
31 scheduled to work 1,044 or more hours a year in a position
32 covered by the Minnesota state retirement system general
33 employees retirement plan, correctional plan, or unclassified
34 plan;

35 (2) enters into an agreement with the appointing authority
36 to work a reduced schedule that is both (i) a reduction of at

1 least 25 percent from the number of regularly scheduled work
2 hours; and (ii) 1,044 hours or less in the covered position; and
3 (3) at the time of entering into the agreement under clause
4 (2), meets the age and service requirements necessary to receive
5 an unreduced retirement benefit from the plan.

6 (b) Notwithstanding any law to the contrary, for service
7 under an agreement entered into under paragraph (a), an employee:

8 (1) may receive a retirement annuity from the plan without
9 separating from state service; and

10 (2) is not subject to the cessation of annuity provisions
11 in Minnesota Statutes, section 352.115, subdivision 10.

12 (c) The amount of hours worked, the work schedule, and the
13 duration of the phased retirement employment must be mutually
14 agreed to by the employee and the appointing authority. The
15 appointing authority may not require a person to waive any
16 rights under a collective bargaining agreement as a condition of
17 participation under this section. The appointing authority has
18 sole discretion to determine if and the extent to which phased
19 retirement under this section is available to an employee. Upon
20 expiration of an agreement entered into under this section, the
21 appointing authority must restore the position to its status
22 prior to the agreement.

23 (d) Notwithstanding any law to the contrary, a person may
24 not earn service credit in the Minnesota state retirement system
25 for employment covered under this section, and employer
26 contributions and payroll deductions for the retirement fund
27 must not be made based on earnings of a person working under
28 this section. No change shall be made to a monthly annuity or
29 retirement allowance based on employment under this section.

30 (e) A person who works under this section is a member of
31 the appropriate bargaining unit; is covered by the appropriate
32 collective bargaining contract or compensation plan; and is
33 eligible for health care coverage as provided in the collective
34 bargaining contract or compensation plan.

35 (f) An agreement under this section may apply only to work
36 through June 30, 2007.

1 Sec. 3. [VOLUNTARY HOUR REDUCTION PLAN.]

2 (a) This section applies to a state employee who:

3 (1) on the effective date of this section is regularly
4 scheduled to work 1,044 or more hours a year in a position
5 covered by a pension plan administered by the Minnesota state
6 retirement system; and

7 (2) enters into an agreement with the appointing authority
8 to work a reduced schedule of 1,044 hours or less in the covered
9 position.

10 (b) Notwithstanding any law to the contrary, for service
11 under an agreement entered into under paragraph (a),
12 contributions may be made to the applicable plan of the
13 Minnesota state retirement system as if the employee had not
14 reduced hours. The employee must pay the additional employee
15 contributions and the employer must pay the additional employer
16 contributions necessary to bring the service credit and salary
17 up to the level prior to the voluntary reduction in hours.
18 Contributions must be made in a time and manner prescribed by
19 the executive director of the Minnesota state retirement system.

20 (c) The amount of hours worked, the work schedule, and the
21 duration of the voluntary hour reduction must be mutually agreed
22 to by the employee and the appointing authority. The appointing
23 authority may not require a person to waive any rights under a
24 collective bargaining agreement as a condition of participation
25 under this section. The appointing authority has sole
26 discretion to determine if and the extent to which voluntary
27 hour reduction under this section is available to an employee.

28 (d) A person who works under this section is a member of
29 the appropriate bargaining unit; is covered by the appropriate
30 collective bargaining contract or compensation plan; and is
31 eligible for health care coverage as provided in the collective
32 bargaining contract or compensation plan.

33 (e) An agreement under this section may apply only to work
34 through June 30, 2007.

35 Sec. 4. [VOLUNTARY UNPAID LEAVE OF ABSENCE.]

36 Appointing authorities in state government may allow each

1 employee to take unpaid leaves of absence for up to 1,044 hours
2 between June 1, 2005, and June 30, 2007. Each appointing
3 authority approving such a leave shall allow the employee to
4 continue accruing vacation and sick leave, be eligible for paid
5 holidays and insurance benefits, accrue seniority, and accrue
6 service credit and credited salary in the state retirement plans
7 as if the employee had actually been employed during the time of
8 leave. An employee covered by the unclassified plan may
9 voluntarily make both the employee and employer contributions to
10 the unclassified plan during the leave of absence. If the leave
11 of absence is for one full pay period or longer, any holiday pay
12 shall be included in the first payroll warrant after return from
13 the leave of absence. The appointing authority shall attempt to
14 grant requests for the unpaid leaves of absence consistent with
15 the need to continue efficient operation of the agency.
16 However, each appointing authority shall retain discretion to
17 grant or refuse to grant requests for leaves of absence and to
18 schedule and cancel leaves, subject to the applicable provisions
19 of collective bargaining agreements and compensation plans.

20 Sec. 5. [RELATIONSHIP OF SECTIONS.]

21 (a) An employee covered by a phased retirement agreement
22 under section 2 may not be covered by the voluntary hour
23 reduction provisions of section 3 or by a voluntary unpaid leave
24 of absence agreement under section 4 during the same time period
25 or any later time period.

26 (b) An employee covered by the voluntary hour reduction
27 provisions of section 3:

28 (1) may not be covered by a phased retirement agreement
29 under section 2 during the same time period, but may be covered
30 by a phased retirement agreement under section 2 during a later
31 time period; and

32 (2) may be covered by the voluntary leave of absence
33 provision of section 4 during an earlier or later time period.

34 (c) An employee may receive the early retirement incentive
35 in section 1 after being covered under section 2, 3, or 4. An
36 employee who receives an incentive under section 1 may not later

1 be covered by section 2, 3, or 4.

2 Sec. 6. [EFFECTIVE DATE.]

3 Sections 1 to 5 are effective the day following final

4 enactment.

1 M moves to amend S.F. No. 1057; H.F. 1120,
2 as follows:

3 Delete everything after the enacting clause and insert:

4 "ARTICLE 1
5 VARIOUS RETIREMENT PLAN CONTRIBUTION
6 RATE INCREASES

7 Section 1. Minnesota Statutes 2004, section 352.04,
8 subdivision 2, is amended to read:

9 Subd. 2. [EMPLOYEE CONTRIBUTIONS.] The employee
10 contribution to the fund must be equal to 4.0 percent of
11 salary. Beginning on July 1, 2007, the employee contribution
12 must be equal to 4.25 percent of salary. Beginning on July 1,
13 2008, the employee contribution must be equal to 4.50 percent of
14 salary. Beginning on July 1, 2009, the employee contribution
15 must be equal to 4.75 percent of salary. Beginning on July 1,
16 2010, the employee contribution must be equal to 5.0 percent of
17 salary. These contributions must be made by deduction from
18 salary as provided in subdivision 4.

19 Sec. 2. Minnesota Statutes 2004, section 352.04,
20 subdivision 3, is amended to read:

21 Subd. 3. [EMPLOYER CONTRIBUTIONS.] The employer
22 contribution to the fund must be equal to 4.0 percent of
23 salary. Beginning on July 1, 2007, the employer contribution
24 must be equal to 4.25 percent of salary. Beginning on July 1,
25 2008, the employer contribution must be equal to 4.50 percent of
26 salary. Beginning on July 1, 2009, the employer contribution
27 must be equal to 4.75 percent of salary. Beginning on July 1,
28 2010, the employer contribution must be equal to 5.0 percent of
29 salary.

30 Sec. 3. Minnesota Statutes 2004, section 352.92,
31 subdivision 1, is amended to read:

32 Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] Employee
33 contributions of covered correctional employees must be in an
34 amount equal to 5-69 a percent of salary. Beginning July 1,
35 2007, through June 30, 2008, the employee contribution must be
36 equal to 6.4 percent of salary. Beginning July 1, 2008, through

1 June 30, 2009, the employee contribution must be equal to 7.0
2 percent of salary. Beginning July 1, 2009, through June 30,
3 2010, the employee contribution must be equal to 7.7 percent of
4 salary. Beginning July 1, 2010, the ongoing employee
5 contribution must be equal to 8.6 percent of salary.

6 Sec. 4. Minnesota Statutes 2004, section 352.92,
7 subdivision 2, is amended to read:

8 Subd. 2. [EMPLOYER CONTRIBUTIONS.] The employer shall
9 contribute for covered correctional employees an amount equal to
10 7.98 a percent of salary. Beginning July 1, 2007, through June
11 30, 2008, the employer contribution must be equal to 9.1 percent
12 of salary. Beginning July 1, 2008, through June 30, 2009, the
13 employer contribution must be equal to 10.1 percent of salary.
14 Beginning July 1, 2009, through June 30, 2010, the employer
15 contribution must be equal to 11.1 percent of salary. Beginning
16 July 1, 2010, the ongoing employer contribution must be equal to
17 12.1 percent of salary.

18 Sec. 5. Minnesota Statutes 2004, section 352B.02,
19 subdivision 1a, is amended to read:

20 Subd. 1a. [MEMBER CONTRIBUTIONS.] Each member shall pay a
21 sum equal to ~~8.40~~ a percent of the member's salary, which shall
22 constitute the member contribution to the fund. Beginning July
23 1, 2007, through June 30, 2008, each member contribution shall
24 be equal to 9.1 percent of salary. Beginning July 1, 2008, the
25 ongoing member contribution amount shall be equal to 9.8 percent
26 of salary.

27 Sec. 6. Minnesota Statutes 2004, section 352B.02,
28 subdivision 1c, is amended to read:

29 Subd. 1c. [EMPLOYER CONTRIBUTIONS.] In addition to member
30 contributions, department heads shall pay a sum equal to ~~12.60~~ a
31 percent of the salary upon which deductions were made, which
32 shall constitute the employer contribution to the fund.
33 Beginning July 1, 2007, through June 30, 2008, the employer
34 contribution shall be equal to 13.6 percent of salary.
35 Beginning July 1, 2008, the ongoing employer contribution amount
36 shall be equal to 14.6 percent of salary. Department

1 contributions must be paid out of money appropriated to
2 departments for this purpose.

3 Sec. 7. Minnesota Statutes 2004, section 352D.04,
4 subdivision 2, is amended to read:

5 Subd. 2. [CONTRIBUTION RATES.] (a) The money used to
6 purchase shares under this section is the employee and employer
7 contributions provided in this subdivision.

8 (b) The employee contribution is an amount equal to the
9 ~~employee-contribution-specified-in-section-352-047-subdivision-2~~
10 four percent of salary.

11 (c) The employer contribution is an amount equal to six
12 percent of salary.

13 (d) These contributions must be made in the manner provided
14 in section 352.04, subdivisions 4, 5, and 6.

15 (e) For members of the legislature, the contributions under
16 this subdivision also must be made on per diem payments received
17 during a regular or special legislative session, but may not be
18 made on per diem payments received outside of a regular or
19 special legislative session, on the additional compensation
20 attributable to a leadership position under section 3.099,
21 subdivision 3, living expense payments under section 3.101, or
22 special session living expense payments under section 3.103.

23 (f) For a judge who is a member of the unclassified plan
24 under section 352D.02, subdivision 1, paragraph (c), clause
25 (16), the employee contribution rate is eight percent of salary,
26 and there is no employer contribution.

27 Sec. 8. Minnesota Statutes 2004, section 353.27,
28 subdivision 2, is amended to read:

29 Subd. 2. [EMPLOYEE CONTRIBUTION.] (a) The employee
30 contribution is the following applicable percentage of the total
31 salary amount for a "basic member" and for a "coordinated
32 member":

	Basic	Coordinated
	Program	Program
35 Before-January-17-2002	8.75	4.75
36 Effective-January-17-2002		

1	<u>Effective before January 1, 2006</u>	9.10	5.10
2	<u>Effective January 1, 2006</u>	<u>9.10</u>	<u>5.50</u>
3	<u>Effective January 1, 2007</u>	<u>9.10</u>	<u>5.75</u>
4	<u>Effective January 1, 2008</u>	<u>9.10</u>	<u>6.00 plus any</u>
5			<u>contribution</u>
6			<u>rate adjustment</u>
7			<u>under</u>
8			<u>subdivision 3b</u>

9 (b) These contributions must be made by deduction from
10 salary as defined in section 353.01, subdivision 10, in the
11 manner provided in subdivision 4. Where If any portion of a
12 member's salary is paid from other than public funds, such the
13 member's employee contribution must be based on the total salary
14 received by the member from all sources.

15 Sec. 9. Minnesota Statutes 2004, section 353.27,
16 subdivision 3, is amended to read:

17 Subd. 3. [EMPLOYER CONTRIBUTION.] (a) The employer
18 contribution is the following applicable percentage of the total
19 salary amount for "basic members" and for "coordinated members":

	Basic	Coordinated
	Program	Program
20		
21		
22	Before-January-17-2002	8.75 4.75
23	Effective-January-17-2002	
24	<u>Effective before January 1, 2006</u>	9.10 5.10
25	<u>Effective January 1, 2006</u>	<u>9.10</u> <u>5.50</u>
26	<u>Effective January 1, 2007</u>	<u>9.10</u> <u>5.75</u>
27	<u>Effective January 1, 2008</u>	<u>9.10</u> <u>6.00 plus any</u>
28		<u>contribution</u>
29		<u>rate adjustment</u>
30		<u>under</u>
31		<u>subdivision 3b</u>

32 (b) This contribution must be made from funds available to
33 the employing subdivision by the means and in the manner
34 provided in section 353.28.

35 Sec. 10. Minnesota Statutes 2004, section 353.27,
36 subdivision 3a, is amended to read:

1 Subd. 3a. [ADDITIONAL EMPLOYER CONTRIBUTION.] (a) An
 2 additional employer contribution must be made equal to ~~(1)-2-68~~
 3 ~~percent-of~~ the following applicable percentage of the total
 4 ~~salary of-each~~ amount for "basic member members"; and ~~(2)~~
 5 ~~.43-percent-of-the-total-salary-of-each~~ for "coordinated member-
 6 members":

	<u>Basic</u>	<u>Coordinated</u>
	<u>Program</u>	<u>Program</u>
9 <u>Effective before January 1, 2006</u>	<u>2.68</u>	<u>.43</u>
10 <u>Effective January 1, 2006</u>	<u>2.68</u>	<u>.50</u>
11 <u>Effective January 1, 2009</u>	<u>2.68</u>	<u>.75</u>
12 <u>Effective January 1, 2010</u>	<u>2.68</u>	<u>1.00</u>

13 These contributions must be made from funds available to
 14 the employing subdivision by the means and in the manner
 15 provided in section 353.28.

16 (b) The coordinated program contribution rates set forth in
 17 paragraph (a) effective for January 1, 2009, or January 1, 2010,
 18 must not be implemented if, following receipt of the July 1,
 19 2008, or July 1, 2009, annual actuarial valuation reports under
 20 section 356.215, respectively, the actuarially required
 21 contributions are equal to or less than the total rates under
 22 this section in effect as of January 1, 2008.

23 (c) This subdivision is repealed once the actuarial value
 24 of the assets of the plan equal or exceed the actuarial accrued
 25 liability of the plan as determined by the actuary retained by
 26 the Legislative Commission on Pensions and Retirement under
 27 section 356.215. The repeal is effective on the first day of
 28 the first full pay period occurring after March 31 of the
 29 calendar year following the issuance of the actuarial valuation
 30 upon which the repeal is based.

31 Sec. 11. Minnesota Statutes 2004, section 353.27, is
 32 amended by adding a subdivision to read:

33 Subd. 3b. [CHANGE IN EMPLOYEE AND EMPLOYER CONTRIBUTIONS
 34 IN CERTAIN INSTANCES.] (a) For purposes of this section, a
 35 contribution sufficiency exists if the total of the employee
 36 contribution under subdivision 2, the employer contribution

1 under subdivision 3, the additional employer contribution under
2 subdivision 3a, and any additional contribution previously
3 imposed under this subdivision exceeds the total of the normal
4 cost, the administrative expenses, and the amortization
5 contribution of the retirement plan as reported in the most
6 recent actuarial valuation of the retirement plan prepared by
7 the actuary retained under section 356.214 and prepared under
8 section 356.215 and the standards for actuarial work of the
9 Legislative Commission on Pensions and Retirement. For purposes
10 of this section, a contribution deficiency exists if the total
11 of the employee contributions under subdivision 2, the employer
12 contributions under subdivision 3, the additional employer
13 contribution under subdivision 3a, and any additional
14 contribution previously imposed under this subdivision is less
15 than the total of the normal cost, the administrative expenses,
16 and the amortization contribution of the retirement plan as
17 reported in the most recent actuarial valuation of the
18 retirement plan prepared by the actuary retained under section
19 356.214 and prepared under section 356.215 and the standards for
20 actuarial work of the Legislative Commission on Pensions and
21 Retirement.

22 (b) Employee and employer contributions under subdivisions
23 2 and 3 must be adjusted:

24 (1) if, after July 1, 2010, the regular actuarial
25 valuations of the general employees retirement plan of the
26 Public Employees Retirement Association under section 356.215
27 indicate that there is a contribution sufficiency under
28 paragraph (a) equal to or greater than 0.5 percent of covered
29 payroll for two consecutive years, the coordinated program
30 employee and employer contribution rates must be decreased as
31 determined under paragraph (c) to a level such that the
32 sufficiency equals no more than 0.25 percent of covered payroll
33 based on the most recent actuarial valuation; or

34 (2) if, after July 1, 2010, the regular actuarial
35 valuations of the general employees retirement plan of the
36 Public Employees Retirement Association under section 356.215

1 indicate that there is a deficiency equal to or greater than 0.5
2 percent of covered payroll for two consecutive years, the
3 coordinated program employee and employer contribution rates
4 must be increased as determined under paragraph (c) to a level
5 such that no deficiency exists based on the most recent
6 actuarial valuation.

7 (c) The contribution rate increase or decrease must be
8 determined by the executive director of the Public Employees
9 Retirement Association, must be reported to the chair and the
10 executive director of the Legislative Commission on Pensions and
11 Retirement on or before the next February 1, and, if the
12 Legislative Commission on Pensions and Retirement does not
13 recommend against the rate change or does not recommend a
14 modification in the rate change, is effective on the next July 1
15 following the determination by the executive director that a
16 contribution deficiency or sufficiency has existed for two
17 consecutive fiscal years based on the most recent actuarial
18 valuations under section 356.215. If the actuarially required
19 contribution exceeds or is less than the total support provided
20 by the combined employee and employer contribution rates by more
21 than 0.5 percent of covered payroll, the coordinated program
22 employee and employer contribution rates must be adjusted
23 incrementally over one or more years to a level such that there
24 remains a contribution sufficiency of no more than 0.25 percent
25 of covered payroll.

26 (d) No incremental adjustment may exceed 0.25 percent for
27 either the coordinated program employee and employer
28 contribution rates per year in which any adjustment is
29 implemented. A contribution rate adjustment under this
30 subdivision must not be made until at least two years have
31 passed since fully implementing a previous adjustment under this
32 subdivision.

33 Sec. 12. Minnesota Statutes 2004, section 353.65,
34 subdivision 2, is amended to read:

35 Subd. 2. [EMPLOYEE CONTRIBUTION RATE.] (a) The employee
36 contribution is an amount equal to ~~6.2~~ the percent of the total

1 salary of the member specified in paragraph (b). This
2 contribution must be made by deduction from salary in the manner
3 provided in subdivision 4. Where any portion of a member's
4 salary is paid from other than public funds, the member's
5 employee contribution is based on the total salary received from
6 all sources.

7 (b) For calendar year 2006, the employee contribution rate
8 is 7.0 percent. For calendar year 2007, the employee
9 contribution rate is 7.8 percent. For calendar year 2008, the
10 employee contribution rate is 8.6 percent. For calendar year
11 2009 and thereafter, the employee contribution rate is 9.4
12 percent.

13 Sec. 13. Minnesota Statutes 2004, section 353.65,
14 subdivision 3, is amended to read:

15 Subd. 3. [EMPLOYER CONTRIBUTION RATE.] (a) The employer
16 contribution shall be an amount equal to ~~9.3~~ the percent of the
17 total salary of every member as specified in paragraph (b).
18 This contribution shall be made from funds available to the
19 employing subdivision by the means and in the manner provided in
20 section 353.28.

21 (b) For calendar year 2006, the employer contribution rate
22 is 10.5 percent. For calendar year 2007, the employer
23 contribution rate is 11.7 percent. For calendar year 2008, the
24 employer contribution rate is 12.9 percent. For calendar year
25 2009 and thereafter, the employer contribution rate is 14.1
26 percent.

27 Sec. 14. [EFFECTIVE DATE.]

28 (a) Sections 1, 2, and 7 are effective on July 1, 2007.

29 (b) Sections 3 to 6 are effective on July 1, 2005.

30 (c) Sections 8 to 13 are effective on January 1, 2006.

31 ARTICLE 2

32 TEACHER RETIREMENT FUND AND

33 BENEFIT RESTRUCTURING

34 Section 1. [126C.458] [LEVY FOR EARLY RETIREMENT COSTS.]

35 Each year, a school district may levy for the additional
36 employer contributions required under section 354.42,

1 subdivision 3.

2 Sec. 2. [128D.18] [FUNDING OF UNFUNDED PENSION
3 LIABILITIES.]

4 Subdivision 1. [FINANCING AUTHORITY.] Notwithstanding any
5 other law to the contrary, Special School District No. 1,
6 Minneapolis, may finance all or a portion of the current and
7 future unfunded actuarial accrued liability of the former
8 Minneapolis Teachers Retirement Fund Association through the
9 issuance of pension obligation bonds under this section.

10 Subd. 2. [USE OF PROCEEDS.] The proceeds of the bonds
11 issued, less costs, must be paid to the State Board of
12 Investment to be deposited as a payment toward the funding of
13 the unfunded actuarial accrued liability of the former
14 Minneapolis Teachers Retirement Fund Association owed by Special
15 School District No. 1, Minneapolis, and must be credited as an
16 asset of the Teachers Retirement Association.

17 Subd. 3. [APPROPRIATIONS.] Notwithstanding any law to the
18 contrary, special direct state aid, matching aid, and other
19 contributions levied for the Teachers Retirement Association
20 under section 354A.12, subdivisions 3a and 3b, and amortization
21 or supplementary amortization state aid reallocated to the
22 Teachers Retirement Association under section 423A.02 are
23 pledged and appropriated to the payment of the bonds and must be
24 transferred to Special School District No. 1, Minneapolis, and
25 additional employer contributions levied by Special School
26 District No. 1, Minneapolis, under section 354A.12, subdivision
27 3b, shall be retained by the district to the extent required to
28 pay debt service on the bonds for the succeeding 12-month period
29 or a longer period established pursuant to the resolution of the
30 district authorizing the bonds.

31 Subd. 4. [NO ELECTION.] No election of the voters of the
32 district shall be required to issue bonds authorized by this
33 section.

34 Subd. 5. [TERMS AND SALE OF BONDS.] The bonds issued
35 pursuant to this section shall bear interest at the rate or
36 rates and mature on the date or dates not more than 30 years

1 from the date of issue as the district shall determine by
2 resolution. Interest may be at a fixed or variable rate. The
3 bonds may be sold and issued on terms and in a manner that
4 Special School District No. 1, Minneapolis, determines is in its
5 best interests and in the best interests of the state.

6 Subd. 6. [THIS SECTION PREVAILS.] Notwithstanding any
7 other law to the contrary, this section shall apply to the
8 issuance and sale of the bonds and to the purposes for which the
9 bonds may be issued.

10 Subd. 7. [STATE PLEDGE AGAINST IMPAIRMENT OF
11 CONTRACTS.] The state pledges and agrees with the holders of
12 bonds issued under this section that the state will not limit or
13 alter the rights vested in Special School District No. 1,
14 Minneapolis, to fulfill the terms of any agreements made with
15 the bondholders or in any way impair the rights and remedies of
16 the holders until the bonds, together with interest on them,
17 with interest on any unpaid installments of interest, and all
18 costs and expenses in connection with any action or proceeding
19 by or on behalf of the bondholders, are fully met and
20 discharged. The district may include this pledge and agreement
21 of the state in any agreement with the holders of bonds issued
22 under this section.

23 Subd. 8. [NOT NET DEBT.] Bonds ended under this section
24 not in default shall not be deemed net debt under any law
25 limiting indebtedness.

26 Subd. 9. [AID REDUCTION FOR REPAYMENT.] If the amount
27 transferred by Special School District No. 1, Minneapolis, to
28 the paying agent for the bonds is insufficient to pay required
29 debt service, the paying agent shall notify the commissioner of
30 finance. The commissioner shall reduce any and all unrestricted
31 state aids generally available to the school district by the
32 amount of the deficiency and pay the amounts to the paying agent
33 for the bonds for the payment of debt service. If the state
34 aids are reduced pursuant to this subdivision, the district may
35 levy a tax in the amount of the reduction in state aid.
36 Notwithstanding any other law to the contrary, no election of

1 the voters of the district is required for the levy and the levy
2 is not subject to other levy limitations.

3 Sec. 3. [128D.181] [AID REDEDICATION.]

4 Notwithstanding any law to the contrary and subject to
5 section 2, special direct state aid previously paid to the
6 Minneapolis Teachers Retirement Fund Association under section
7 354A.12, subdivision 3a, must be paid to the Teachers Retirement
8 Association.

9 Sec. 4. Minnesota Statutes 2004, section 354.05,
10 subdivision 2, is amended to read:

11 Subd. 2. [TEACHER.] (a) "Teacher" means:

12 (1) a person who renders service as a teacher, supervisor,
13 principal, superintendent, librarian, nurse, counselor, social
14 worker, therapist, or psychologist in a public school of the
15 state located outside of the corporate limits of ~~a-city-of-the~~
16 ~~first-class~~ the city of Duluth or the city of St. Paul, or in
17 any charter school, irrespective of the location of the school,
18 or in any charitable, penal, or correctional institutions of a
19 governmental subdivision, or who is engaged in educational
20 administration in connection with the state public school
21 system, but excluding the University of Minnesota, whether the
22 position be a public office or an employment, and not including
23 the members or officers of any general governing or managing
24 board or body;

25 (2) an employee of the Teachers Retirement Association;

26 (3) a person who renders teaching service on a part-time
27 basis and who also renders other services for a single employing
28 unit. A person whose teaching service comprises at least 50
29 percent of the combined employment salary is a member of the
30 association for all services with the single employing unit. If
31 the person's teaching service comprises less than 50 percent of
32 the combined employment salary, the executive director must
33 determine whether all or none of the combined service is covered
34 by the association; or

35 (4) a person who is not covered by the plans established
36 under chapter 352D, 354A, or 354B and who is employed by the

1 Board of Trustees of the Minnesota State Colleges and
2 Universities system in an unclassified position as:

3 (i) a president, vice-president, or dean;
4 (ii) a manager or a professional in an academic or an
5 academic support program other than specified in item (i);
6 (iii) an administrative or a service support faculty
7 position; or
8 (iv) a teacher or a research assistant.

9 (b) "Teacher" does not mean:

10 (1) a person who works for a school or institution as an
11 independent contractor as defined by the Internal Revenue
12 Service;
13 (2) a person who renders part-time teaching service or who
14 is a customized trainer as defined by the Minnesota State
15 Colleges and Universities system if (i) the service is
16 incidental to the regular nonteaching occupation of the person;
17 and (ii) the employer stipulates annually in advance that the
18 part-time teaching service or customized training service will
19 not exceed 300 hours in a fiscal year and retains the
20 stipulation in its records; and (iii) the part-time teaching
21 service or customized training service actually does not exceed
22 300 hours in a fiscal year; or
23 (3) a person exempt from licensure under section 122A.30.

24 Sec. 5. Minnesota Statutes 2004, section 354.05,
25 subdivision 13, is amended to read:

26 Subd. 13. [ALLOWABLE SERVICE.] "Allowable service" means:

27 (1) Any service rendered by a teacher for which on or
28 before July 1, 1957, the teacher's account in the retirement
29 fund was credited by reason of employee contributions in the
30 form of salary deductions, payments in lieu of salary
31 deductions, or in any other manner authorized by Minnesota
32 Statutes 1953, sections 135.01 to 135.13, as amended by Laws
33 1955, chapters 361, 549, 550, 611, or
34 (2) Any service rendered by a teacher for which on or
35 before July 1, 1961, the teacher elected to obtain credit for
36 service by making payments to the fund pursuant to Minnesota

1 Statutes 1980, section 354.09 and section 354.51, or

2 (3) Any service rendered by a teacher after July 1, 1957,
3 for any calendar month when the member receives salary from
4 which deductions are made, deposited and credited in the fund,
5 or

6 (4) Any service rendered by a person after July 1, 1957,
7 for any calendar month where payments in lieu of salary
8 deductions are made, deposited and credited into the fund as
9 provided in Minnesota Statutes 1980, section 354.09, subdivision
10 4, and section 354.53, or

11 (5) Any service rendered by a teacher for which the teacher
12 elected to obtain credit for service by making payments to the
13 fund pursuant to Minnesota Statutes 1980, section 354.09,
14 subdivisions 1 and 4, sections 354.50, 354.51, Minnesota
15 Statutes 1957, section 135.41, subdivision 4, Minnesota Statutes
16 1971, section 354.09, subdivision 2, or Minnesota Statutes, 1973
17 Supplement, section 354.09, subdivision 3, or

18 (6) Both service during years of actual membership in the
19 course of which contributions were currently made and service in
20 years during which the teacher was not a member but for which
21 the teacher later elected to obtain credit by making payments to
22 the fund as permitted by any law then in effect, or

23 (7) Any service rendered where contributions were made and
24 no allowable service credit was established because of the
25 limitations contained in Minnesota Statutes 1957, section
26 135.09, subdivision 2, as determined by the ratio between the
27 amounts of money credited to the teacher's account in a fiscal
28 year and the maximum retirement contribution allowable for that
29 year, or

30 (8) MS 2002 (Expired)

31 (9) A period of time during which a teacher who is a state
32 employee was on strike without pay, not to exceed a period of
33 one year, if the teacher makes a payment in lieu of salary
34 deductions or makes a prior service credit purchase payment,
35 whichever applies. If the payment is made within 12 months, the
36 payment by the teacher must be an amount equal to the employee

1 and employer contribution rates set forth in section 354.42,
2 subdivisions 2 and 3, applied to the teacher's rate of salary in
3 effect on the conclusion of the strike for the period of the
4 strike without pay, plus compound interest at a monthly rate of
5 0.71 percent from the last day of the strike until the date of
6 payment. If the payment by the employee is not made within 12
7 months, the payment must be in an amount equal to the payment
8 amount determined under section 356.55 or 356.551, whichever
9 applies, or

10 (10) A period of service before July 1, 2005, that was
11 credited by the Minneapolis Teachers Retirement Fund Association
12 and that was rendered by a teacher as an employee of Special
13 School District No. 1, Minneapolis, or by an employee of the
14 Minneapolis Teachers Retirement Fund Association who was a
15 member of the Minneapolis Teachers Retirement Fund Association
16 by virtue of that employment, who has not begun receiving an
17 annuity or other retirement benefit from the former Minneapolis
18 Teachers Retirement Fund Association calculated in whole or in
19 part on that service before July 1, 2005, and who has not taken
20 a refund of member contributions related to that service unless
21 the refund is repaid under section 354.50, subdivision 4.

22 Sec. 6. Minnesota Statutes 2004, section 354.42,
23 subdivision 2, is amended to read:

24 Subd. 2. [EMPLOYEE.] (a) The employee contribution to the
25 fund is an amount equal to the following percentage of the
26 salary of a member:

27 (1) after July 1, 2005, for a teacher employed by Special
28 School District No. 1, Minneapolis, 5.5 percent if the teacher
29 is a coordinated member and 9.0 percent if the teacher is a
30 basic member;

31 (2) for every other teacher, ~~5.0~~ 5.5 percent ~~of~~ if the
32 salary-of-every teacher is a coordinated member and 9.0 percent
33 of if the salary-of-every teacher is a basic member.

34 (b) This contribution must be made by deduction from
35 salary. Where any portion of a member's salary is paid from
36 other than public funds, the member's employee contribution must

1 be based on the entire salary received.

2 Sec. 7. Minnesota Statutes 2004, section 354.42,
3 subdivision 3, is amended to read:

4 Subd. 3. [EMPLOYER.] (a) The employer contribution to the
5 fund by Special School District No. 1, Minneapolis, is an amount
6 equal to 8.64 percent of the salary of each of its teachers who
7 is a coordinated member and 12.64 percent of the salary of each
8 of its teachers who is a basic member.

9 (b) The employer contribution to the fund for every other
10 employer is an amount equal to 5.5 percent of the salary of
11 each coordinated member and 9.0 percent of the salary of each
12 basic member.

13 (c) As payment toward the cost of the unfunded actuarial
14 accrued liability transferred to the Teachers Retirement
15 Association from the former Minneapolis Teachers Retirement Fund
16 Association, a supplemental contribution of ... percent of the
17 covered Special School District No. 1 teacher payroll must be
18 made each fiscal year through June 30, 2035. One-third of the
19 dollar amount of this supplemental contribution must be paid
20 each by Special School District No. 1, Minneapolis, the city of
21 Minneapolis, and the state of Minnesota. On or before October
22 1, annually, the executive director of the Teachers Retirement
23 Association shall calculate the expected total dollar amount of
24 the supplemental contribution for the calendar year and shall
25 certify the portion payable by each governmental entity. The
26 amount is payable in full on or before the following June 1.

27 Sec. 8. Minnesota Statutes 2004, section 354.44,
28 subdivision 6, is amended to read:

29 Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT
30 ANNUITY.] (a) The formula retirement annuity must be computed in
31 accordance with the applicable provisions of the formulas stated
32 in paragraph (b) or (d) on the basis of each member's average
33 salary for the period of the member's formula service credit.

34 For all years of formula service credit, "average salary,"
35 for the purpose of determining the member's retirement annuity,
36 means the average salary upon which contributions were made and

1 upon which payments were made to increase the salary limitation
 2 provided in Minnesota Statutes 1971, section 354.511, for the
 3 highest five successive years of formula service credit
 4 provided, however, that such "average salary" shall not include
 5 any more than the equivalent of 60 monthly salary payments.
 6 Average salary must be based upon all years of formula service
 7 credit if this service credit is less than five years.

8 (b) This paragraph, in conjunction with paragraph (c),
 9 applies to a person who first became a member of the association
 10 or a member of a pension fund listed in section 356.30,
 11 subdivision 3, before July 1, 1989, unless paragraph (d), in
 12 conjunction with paragraph (e), produces a higher annuity
 13 amount, in which case paragraph (d) applies. The average salary
 14 as defined in paragraph (a), multiplied by the following
 15 percentages per year of formula service credit shall determine
 16 the amount of the annuity to which the member qualifying
 17 therefor is entitled for service rendered prior to July 1, 2005:

	Coordinated Member	Basic Member
19 Each year of service	the percent	the percent
20 during first ten	specified in	specified in
21	section 356.315,	section 356.315,
22	subdivision 1,	subdivision 3,
23	per year	per year
24 Each year of service	the percent	the percent
25 thereafter	specified in	specified in
26	section 356.315,	section 356.315,
27	subdivision 2,	subdivision 4,
28	per year	per year

29 For service rendered on or after July 1, 2005, the average
 30 salary as defined in paragraph (a), multiplied by the following
 31 percentages per year of service credit shall determine the
 32 amount of the annuity to which the member qualifying therefor is
 33 entitled:

	<u>Coordinated Member</u>	<u>Basic Member</u>
35 <u>Each year of service</u>	<u>the percent</u>	<u>the percent</u>
36 <u>during first ten</u>	<u>specified in</u>	<u>specified in</u>

1	<u>section 356.315,</u>	<u>section 356.315,</u>
2	<u>subdivision 1a,</u>	<u>subdivision 3,</u>
3	<u>per year</u>	<u>per year</u>
4	<u>Coordinated Member</u>	<u>Basic Member</u>
5	<u>Each year of service</u>	<u>the percent</u>
6	<u>after ten years of</u>	<u>specified in</u>
7	<u>service</u>	<u>section 356.315,</u>
8	<u>subdivision 2a,</u>	<u>subdivision 4,</u>
9	<u>per year</u>	<u>per year</u>

10 (c)(i) This paragraph applies only to a person who first
 11 became a member of the association or a member of a pension fund
 12 listed in section 356.30, subdivision 3, before July 1, 1989,
 13 and whose annuity is higher when calculated under paragraph (b),
 14 in conjunction with this paragraph than when calculated under
 15 paragraph (d), in conjunction with paragraph (e).

16 (ii) Where any member retires prior to normal retirement
 17 age under a formula annuity, the member shall be paid a
 18 retirement annuity in an amount equal to the normal annuity
 19 provided in paragraph (b) reduced by one-quarter of one percent
 20 for each month that the member is under normal retirement age at
 21 the time of retirement except that for any member who has 30 or
 22 more years of allowable service credit, the reduction shall be
 23 applied only for each month that the member is under age 62.

24 (iii) Any member whose attained age plus credited allowable
 25 service totals 90 years is entitled, upon application, to a
 26 retirement annuity in an amount equal to the normal annuity
 27 provided in paragraph (b), without any reduction by reason of
 28 early retirement.

29 (d) This paragraph applies to a member who has become at
 30 least 55 years old and first became a member of the association
 31 after June 30, 1989, and to any other member who has become at
 32 least 55 years old and whose annuity amount when calculated
 33 under this paragraph and in conjunction with paragraph (e), is
 34 higher than it is when calculated under paragraph (b), in
 35 conjunction with paragraph (c). For a basic member, the average
 36 salary, as defined in paragraph (a) multiplied by the percent

1 specified by section 356.315, subdivision 4, for each year of
2 service for a basic member ~~and by the percent specified in~~
3 ~~section 356.315, subdivision 2, for each year of service for a~~
4 ~~coordinated member~~ shall determine the amount of the retirement
5 annuity to which the basic member is entitled. For a
6 coordinated member, the average salary, as defined in clause (1)
7 multiplied by the percent specified in section 356.315,
8 subdivision 2, for each year of service rendered prior to July
9 1, 2005, and by the percent specified in section 356.315,
10 subdivision 2a, for each year of service rendered on or after
11 July 1, 2005, shall determine the amount of the retirement
12 annuity to which the coordinated member is entitled.

13 (e) This paragraph applies to a person who has become at
14 least 55 years old and first becomes a member of the association
15 after June 30, 1989, and to any other member who has become at
16 least 55 years old and whose annuity is higher when calculated
17 under paragraph (d) in conjunction with this paragraph than when
18 calculated under paragraph (b), in conjunction with paragraph
19 (c). An employee who retires under the formula annuity before
20 the normal retirement age shall be paid the normal annuity
21 provided in paragraph (d) reduced so that the reduced annuity is
22 the actuarial equivalent of the annuity that would be payable to
23 the employee if the employee deferred receipt of the annuity and
24 the annuity amount were augmented at an annual rate of three
25 percent compounded annually from the day the annuity begins to
26 accrue until the normal retirement age.

27 (f) No retirement annuity is payable to a former employee
28 with a salary that exceeds 95 percent of the governor's salary
29 unless and until the salary figures used in computing the
30 highest five successive years average salary under paragraph (a)
31 have been audited by the Teachers Retirement Association and
32 determined by the executive director to comply with the
33 requirements and limitations of section 354.05, subdivisions 35
34 and 35a.

35 Sec. 9. [354.70] [CONSOLIDATION OF THE MINNEAPOLIS
36 TEACHERS RETIREMENT FUND ASSOCIATION.]

1 Subdivision 1. [MEMBERSHIP TRANSFER.] All active,
2 inactive, and retired members of the Minneapolis Teachers
3 Retirement Fund Association are transferred to the Teachers
4 Retirement Association and are no longer members of the
5 Minneapolis Teachers Retirement Fund Association as of the
6 effective date of this section.

7 Subd. 2. [TRA MEMBERSHIP.] A person first hired as a
8 teacher by Special School District No. 1, Minneapolis, after the
9 effective date of this section and who is a teacher as defined
10 in section 354.05, subdivision 2, is a member of the Teachers
11 Retirement Association for the person's teaching service.

12 Subd. 3. [SERVICE CREDIT AND LIABILITY TRANSFER.] All
13 allowable service and salary credit of the members and other
14 individuals transferred under subdivision 1 as specified in the
15 records of the Minneapolis Teachers Retirement Fund Association
16 on the transfer date is allowable service credit under section
17 354.05, subdivision 13, formula service credit under section
18 354.05, subdivision 25, and salary credit under section 354.05,
19 subdivision 35, for the Teachers Retirement Association.

20 Subd. 4. [TRANSFER OF RECORDS.] On the effective date of
21 this section, the chief administrative officer of the
22 Minneapolis Teachers Retirement Fund Association shall effect a
23 transfer of all records and documents relating to the funds and
24 the benefit plans of the association to the executive director
25 of the Teachers Retirement Association. To the extent possible,
26 original copies of all records and documents must be
27 transferred. The chief administrative officer of the
28 Minneapolis Teachers Retirement Fund Association shall certify
29 the accuracy of all records and documents for which the transfer
30 of original copies was not possible.

31 Subd. 5. [TRANSFER OF ASSETS.] (a) On the effective date
32 of this section, the chief administrative officer of the
33 Minneapolis Teachers Retirement Fund Association shall transfer
34 to the Teachers Retirement Association the entire assets of the
35 Minneapolis Teachers Retirement Fund Association. The transfer
36 of the assets of the Minneapolis Teachers Retirement Fund

1 Association must include any accounts receivable that are
2 determined by the executive director of the State Board of
3 Investment as reasonably capable of being collected. Legal
4 title to account receivables that are determined by the
5 executive director of the State Board of Investment as not
6 reasonably capable of being collected transfers to Special
7 School District No. 1, Minneapolis, as of the date of the
8 determination of the executive director of the State Board of
9 Investment. If the account receivables transferred to Special
10 School District No. 1, Minneapolis, are subsequently recovered
11 by the school district, the superintendent of Special School
12 District No. 1, Minneapolis, shall transfer the recovered amount
13 to the executive director of the Teachers Retirement
14 Association, in cash, for deposit in the teachers retirement
15 fund, less the reasonable expenses of the school district
16 related to the recovery.

17 (b) As of the effective date of this section, subject to
18 the authority of the State Board of Investment, the board of
19 directors of the Teachers Retirement Association has legal title
20 to and management responsibility for any transferred assets
21 under this subdivision as trustees for any person having a
22 beneficial interest in the Minneapolis Teachers Retirement Fund
23 Association. The Teachers Retirement Association is the
24 successor in interest for all claims for and against the former
25 coordinated program of the Minneapolis Teachers Retirement Fund
26 Association with respect to the retirement fund association,
27 except a claim against the Minneapolis Teachers Retirement Fund
28 Association or any person connected with the fund association in
29 a fiduciary capacity, based on any act or acts by that person
30 which were not done in good faith and which constituted a breach
31 of the obligation of the person as a fiduciary. As the
32 successor in interest, the Teachers Retirement Association may
33 assert any applicable defense in any judicial proceeding which
34 the board of the Minneapolis Teachers Retirement Fund
35 Association would have otherwise been entitled to assert
36 relating to the coordinated program.

1 (c) From the assets of the Minneapolis Teachers Retirement
2 Fund Association transferred to the Teachers Retirement
3 Association, an amount equal to the percentage figure that
4 represents the ratio between the market value of the Minnesota
5 postretirement investment fund as of June 30, 2005, and the
6 required reserves of the Minnesota postretirement investment
7 fund as of June 30, 2005, applied to the present value of future
8 benefits payable to annuitants of the former Minneapolis
9 Teachers Retirement Fund Association as of June 30, 2005,
10 including any postretirement adjustment from the Minnesota
11 postretirement investment fund expected to be payable on January
12 1, 2006, must be transferred to the Minnesota postretirement
13 investment fund. The executive director of the State Board of
14 Investment shall estimate this ratio at the time of the
15 transfer. By January 1, 2006, after all necessary financial
16 information becomes available to determine the actual funded
17 ratio of the Minnesota postretirement investment fund, the
18 postretirement fund must refund to the Teachers Retirement
19 Association any excess assets or the Teachers Retirement
20 Association must contribute any deficiency to the Minnesota
21 postretirement investment fund with interest under section
22 11A.18, subdivision 6. The balance of the assets of the former
23 Minneapolis Teachers Retirement Fund Association after the
24 transfer to the Minnesota postretirement investment fund must be
25 credited to the Teachers Retirement Association.

26 If the assets transferred by the Minneapolis Teachers
27 Retirement Fund Association to the Teachers Retirement
28 Association are insufficient to meet its obligation to the
29 Minnesota postretirement investment fund, additional assets must
30 be transferred by the executive director of the Teachers
31 Retirement Association to meet the amount required.

32 Subd. 6. [BENEFIT CALCULATION.] (a) For every deferred,
33 inactive, disabled, and retired member of the Minneapolis
34 Teachers Retirement Fund Association transferred under
35 subdivision 1, and the survivors of these members, annuities or
36 benefits earned before the date of the transfer, other than

1 future postretirement adjustments, must be calculated and paid
2 by the Teachers Retirement Association under the laws, articles
3 of incorporation, and bylaws of the former Minneapolis Teachers
4 Retirement Fund Association that were in effect relative to the
5 person on the date of the person's termination of active service
6 covered by the former Minneapolis Teachers Retirement Fund
7 Association.

8 (b) Former Minneapolis Teachers Retirement Fund Association
9 members who retired before July 1, 2005, must receive
10 postretirement adjustments after January 1, 2006, only as
11 provided in section 11A.18. All other benefit recipients of the
12 former Minneapolis Teachers Retirement Fund Association must
13 receive postretirement adjustments after January 1, 2006, only
14 as provided in section 356.41.

15 Subd. 7. [TERMINATION OF THE MINNEAPOLIS TEACHERS
16 RETIREMENT FUND ASSOCIATION.] As of the effective date of this
17 section and upon the transfer of administration, records,
18 assets, and liabilities from the Minneapolis Teachers Retirement
19 Fund Association to the Teachers Retirement Association, the
20 Minneapolis Teachers Retirement Fund Association ceases to exist
21 as a Minnesota public pension plan.

22 Sec. 10. [354.75] [MINNEAPOLIS EMPLOYEES RETIREMENT FUND
23 STATE AID REDEDICATED.]

24 Subdivision 1. [APPROPRIATION.] The positive difference,
25 if any, between the actual state aid paid to the Minneapolis
26 Employees Retirement Fund under section 422A.101, subdivision 3,
27 and \$8,065,000 annually is appropriated from the general fund to
28 the commissioner of finance for deposit in the Teachers
29 Retirement Association to offset all or a portion of the current
30 and future unfunded actuarial accrued liability of the
31 Minneapolis Teachers Retirement Fund Association.

32 Subd. 2. [FINANCIAL REQUIREMENTS.] The appropriation in
33 subdivision 1 is available to the extent that financial
34 requirements of the Minneapolis Employees Retirement Fund under
35 section 422A.101, subdivision 3, have been satisfied.

36 Sec. 11. Minnesota Statutes 2004, section 354A.011,

1 subdivision 15a, is amended to read:

2 Subd. 15a. [NORMAL RETIREMENT AGE.] "Normal retirement
3 age" means age 65 for a person who first became a member of the
4 coordinated program of the ~~Minneapolis-er~~ St. Paul Teachers
5 Retirement Fund Association or the new law coordinated program
6 of the Duluth Teachers Retirement Fund Association or a member
7 of a pension fund listed in section 356.30, subdivision 3,
8 before July 1, 1989. For a person who first became a member of
9 the coordinated program of the ~~Minneapolis-er~~ St. Paul Teachers
10 Retirement Fund Association or the new law coordinated program
11 of the Duluth Teachers Retirement Fund Association after June
12 30, 1989, normal retirement age means the higher of age 65 or
13 retirement age, as defined in United States Code, title 42,
14 section 416(1), as amended, but not to exceed age 66. For a
15 person who is a member of the basic program of the ~~Minneapolis~~
16 ~~er~~ St. Paul Teachers Retirement Fund Association or the old law
17 coordinated program of the Duluth Teachers Retirement Fund
18 Association, normal retirement age means the age at which a
19 teacher becomes eligible for a normal retirement annuity
20 computed upon meeting the age and service requirements specified
21 in the applicable provisions of the articles of incorporation or
22 bylaws of the respective teachers retirement fund association.

23 Sec. 12. Minnesota Statutes 2004, section 354A.011,
24 subdivision 27, is amended to read:

25 Subd. 27. [TEACHER.] (a) "Teacher" means any person who
26 renders service for a public school district, other than a
27 charter school, located in the corporate limits of ~~one-of~~ the
28 cities of ~~the-first-class-which-was-so-classified-on-January-17~~
29 ~~1979~~ Duluth and St. Paul, as any of the following:

30 (1) a full-time employee in a position for which a valid
31 license from the state Department of Education is required;

32 (2) an employee of the teachers retirement fund association
33 located in the city of the first class unless the employee has
34 exercised the option pursuant to Laws 1955, chapter 10, section
35 1, to retain membership in the Minneapolis Employees Retirement
36 Fund established pursuant to chapter 422A;

1 (3) a part-time employee in a position for which a valid
2 license from the state Department of Education is required; or

3 (4) a part-time employee in a position for which a valid
4 license from the state Department of Education is required who
5 also renders other nonteaching services for the school district,
6 unless the board of trustees of the teachers retirement fund
7 association determines that the combined employment is on the
8 whole so substantially dissimilar to teaching service that the
9 service may not be covered by the association.

10 (b) The term does not mean any person who renders service
11 in the school district as any of the following:

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

14 (2) an employee who is a full-time teacher covered by the
15 Teachers Retirement Association or by another teachers
16 retirement fund association established pursuant to this chapter
17 or chapter 354;

18 (3) an employee exempt from licensure pursuant to section
19 122A.30;

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

24 (5) a teacher employed by a charter school, irrespective of
25 the location of the school; or

26 (6) an employee who is a part-time teacher in a technical
27 college in a city of the first class and who has elected
28 coverage by the applicable first class city teacher retirement
29 fund association under section 354B.21, subdivision 2, but (i)
30 the teaching service is incidental to the regular nonteaching
31 occupation of the person; (ii) the applicable technical college
32 stipulates annually in advance that the part-time teaching
33 service will not exceed 300 hours in a fiscal year; and (iii)
34 the part-time teaching actually does not exceed 300 hours in the
35 fiscal year to which the certification applies.

36 Sec. 13. Minnesota Statutes 2004, section 354A.021,

1 subdivision 1, is amended to read:

2 Subdivision 1. [ESTABLISHMENT.] There is established a
3 teachers retirement fund association in each of the cities of
4 ~~the first class which were so classified on January 17~~
5 ~~1979~~ Duluth and St. Paul. The associations shall be known
6 respectively as the "Duluth Teachers Retirement Fund
7 Association," ~~the "Minneapolis Teachers Retirement Fund~~
8 ~~Association"~~ and the "St. Paul Teachers Retirement Fund
9 Association." Each association shall be a continuation of the
10 teachers retirement fund association with the same corporate
11 name established pursuant to the authorization contained in Laws
12 1909, chapter 343, section 1.

13 Sec. 14. Minnesota Statutes 2004, section 354A.092, is
14 amended to read:

15 354A.092 [SABBATICAL LEAVE.]

16 Any teacher in the coordinated program of ~~either the~~
17 ~~Minneapolis Teachers Retirement Fund Association or~~ the St.
18 Paul Teachers Retirement Fund Association or any teacher in the
19 new law coordinated program of the Duluth Teachers Retirement
20 Fund Association who is granted a sabbatical leave shall be
21 entitled to receive allowable service credit in the applicable
22 association for periods of sabbatical leave. To obtain the
23 service credit, the teacher on sabbatical leave shall make an
24 employee contribution to the applicable association. No teacher
25 shall be entitled to receive more than three years of allowable
26 service credit pursuant to this section for a period or periods
27 of sabbatical leave during any ten consecutive fiscal or
28 calendar years, whichever is the applicable plan year for the
29 teachers retirement fund association. If the teacher granted a
30 sabbatical leave makes the employee contribution for a period of
31 sabbatical leave pursuant to this section, the employing unit
32 shall make an employer contribution on behalf of the teacher to
33 the applicable association for that period of sabbatical leave
34 in the manner described in section 354A.12, subdivision 2a. The
35 employee and employer contributions shall be in an amount equal
36 to the employee and employer contribution rates in effect for

1 other active members of the association covered by the same
2 program applied to a salary figure equal to the teacher's actual
3 covered salary for the plan year immediately preceding the
4 sabbatical leave period. Payment of the employee contribution
5 authorized pursuant to this section shall be made by the teacher
6 on or before June 30 of year next following the year in which
7 the sabbatical leave terminated and shall be made without
8 interest. For sabbatical leaves taken after June 30, 1986, the
9 required employer contributions shall be paid by the employing
10 unit within 30 days after notification by the association of the
11 amount due. If the employee contributions for the sabbatical
12 leave period are less than an amount equal to the applicable
13 contribution rate applied to a salary figure equal to the
14 teacher's actual covered salary for the plan year immediately
15 preceding the sabbatical leave period, service credit shall be
16 prorated. The prorated service credit shall be determined by
17 the ratio between the amount of the actual payment which was
18 made and the full contribution amount payable pursuant to this
19 section.

20 Sec. 15. Minnesota Statutes 2004, section 354A.093,
21 subdivision 1, is amended to read:

22 Subdivision 1. [ELIGIBILITY.] Any teacher in the
23 coordinated program of ~~either-the-Minneapolis-Teachers~~
24 ~~Retirement-Fund-Association-or~~ the St. Paul Teachers Retirement
25 Fund Association or any teacher in the new law coordinated
26 program of the Duluth Teachers Retirement Fund Association who
27 is absent from employment by reason of service in the uniformed
28 services as defined in United States Code, title 38, section
29 4303(13) and who returns to the employer providing active
30 teaching service upon discharge from uniformed service within
31 the time frames required under United States Code, title 38,
32 section 4312(e), may receive allowable service credit in the
33 applicable association for all or a portion of the period of
34 uniformed service, provided that the teacher did not separate
35 from uniformed service with a dishonorable or bad conduct
36 discharge or under other than honorable conditions.

1 Sec. 16. Minnesota Statutes 2004, section 354A.095, is
2 amended to read:

3 354A.095 [PARENTAL AND MATERNITY LEAVE.]

4 Basic or coordinated members of the St. Paul Teachers
5 Retirement Fund Association, ~~the Minneapolis Teachers Retirement~~
6 ~~Fund Association,~~ and new coordinated members of the Duluth
7 Teachers Retirement Fund Association, who are granted parental
8 or maternity leave of absence by the employing authority, are
9 entitled to obtain service credit not to exceed one year for the
10 period of leave upon payment to the applicable fund by the end
11 of the fiscal year following the fiscal year in which the leave
12 of absence terminated. The amount of the payment must include
13 the total required employee and employer contributions for the
14 period of leave prescribed in section 354A.12. Payment must be
15 based on the member's average monthly salary rate upon return to
16 teaching service, and is payable without interest. Payment must
17 be accompanied by a certified or otherwise adequate copy of the
18 resolution or action of the employing authority granting or
19 approving the leave.

20 Sec. 17. Minnesota Statutes 2004, section 354A.096, is
21 amended to read:

22 354A.096 [MEDICAL LEAVE.]

23 Any teacher in the coordinated program of ~~either the~~
24 ~~Minneapolis Teachers Retirement Fund Association or~~ the St. Paul
25 Teachers Retirement Fund Association or the new law coordinated
26 program of the Duluth Teachers Retirement Fund Association who
27 is on an authorized medical leave of absence and subsequently
28 returns to teaching service is entitled to receive allowable
29 service credit, not to exceed one year, for the period of leave,
30 upon making the prescribed payment to the fund. This payment
31 must include the required employee and employer contributions at
32 the rates specified in section 354A.12, subdivisions 1 and 2, as
33 applied to the member's average full-time monthly salary rate on
34 the date the leave of absence commenced plus annual interest at
35 the rate of 8.5 percent per year from the end of the fiscal year
36 during which the leave terminates to the end of the month during

1 which payment is made. The member must pay the total amount
 2 required unless the employing unit, at its option, pays the
 3 employer contributions. The total amount required must be paid
 4 by the end of the fiscal year following the fiscal year in which
 5 the leave of absence terminated or before the member retires,
 6 whichever is earlier. Payment must be accompanied by a copy of
 7 the resolution or action of the employing authority granting the
 8 leave and the employing authority, upon granting the leave, must
 9 certify the leave to the association in a manner specified by
 10 the executive director. A member may not receive more than one
 11 year of allowable service credit during any fiscal year by
 12 making payment under this section. A member may not receive
 13 disability benefits under section 354A.36 and receive allowable
 14 service credit under this section for the same period of time.

15 Sec. 18. Minnesota Statutes 2004, section 354A.12,
 16 subdivision 1, is amended to read:

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

22 Association and Program	23 Percentage of 24 Total Salary
25 Duluth Teachers Retirement	
26 Association	
27 old law and new law	
28 coordinated programs	5.5 percent
29 Minneapolis-Teachers-Retirement	
30 Association	
31 basic-program	8.5-percent
32 coordinated-program	5.5-percent
33 St. Paul Teachers Retirement	
34 Association	
35 basic program	8 percent
36 coordinated program	5.5 percent

Contributions shall be made by deduction from salary and

1 must be remitted directly to the respective teachers retirement
2 fund association at least once each month.

3 Sec. 19. Minnesota Statutes 2004, section 354A.12,
4 subdivision 2, is amended to read:

5 Subd. 2. [~~RETIREMENT CONTRIBUTION LEVY DISALLOWED.~~] Except
6 as provided in ~~subdivision-3b-and-in-section-423A.02,~~
7 ~~subdivision-3,-with-respect-to-the-city-of-Minneapolis-and~~
8 ~~special-school-district-No.-1-and-in~~ section 423A.02,
9 subdivision 3, with respect to independent school district No.
10 625, notwithstanding any law to the contrary, levies for
11 teachers retirement fund associations in the cities of ~~the-first~~
12 ~~class~~ Duluth and St. Paul, including levies for any employer
13 Social Security taxes for teachers covered by the Duluth
14 Teachers Retirement Fund Association or the ~~Minneapolis-Teachers~~
15 ~~Retirement-Fund-Association-or-the~~ St. Paul Teachers Retirement
16 Fund Association, are disallowed.

17 Sec. 20. Minnesota Statutes 2004, section 354A.12,
18 subdivision 2a, is amended to read:

19 Subd. 2a. [~~EMPLOYER REGULAR AND ADDITIONAL CONTRIBUTION~~
20 ~~RATES.~~] (a) The employing units shall make the following
21 employer contributions to teachers retirement fund associations:

22 (1) for any coordinated member of a teachers retirement
23 fund association in a city of the first class, the employing
24 unit shall pay the employer Social Security taxes in accordance
25 with section 355.46, subdivision 3, clause (b);

26 (2) for any coordinated member of one of the following
27 teachers retirement fund associations in a city of the first
28 class, the employing unit shall make a regular employer
29 contribution to the respective retirement fund association in an
30 amount equal to the designated percentage of the salary of the
31 coordinated member as provided below:

32	Duluth Teachers Retirement	
33	Fund Association	4.50 percent
34	Minneapolis-Teachers-Retirement	
35	Fund-Association	4.50-percent
36	St. Paul Teachers Retirement	

1 Fund Association 4.50 percent;

2 (3) for any basic member of one-of the following St. Paul
3 ~~Teachers Retirement Fund associations-in-a-city-of-the-first~~
4 ~~class Association~~, the employing unit shall make a regular
5 employer contribution to the respective retirement fund in an
6 amount equal to ~~the-designated-percentage~~ 8.00 percent of the
7 salary of the basic member ~~as-provided-below:~~

8 ~~Minneapolis-Teachers-Retirement~~
9 ~~Fund-Association~~ 8.50-percent

10 ~~St.-Paul-Teachers-Retirement~~
11 ~~Fund-Association~~ 8.00-percent;

12 (4) for a basic member of a the St. Paul Teachers
13 Retirement Fund Association ~~in-a-city-of-the-first-class~~, the
14 employing unit shall make an additional employer contribution to
15 the respective fund in an amount equal to ~~the-designated~~
16 percentage 3.64 percent of the salary of the basic member, ~~as~~
17 ~~provided-below:~~

18 ~~Minneapolis-Teachers-Retirement~~
19 ~~Fund-Association~~

20 ~~July-17-1993---June-307-1994~~ 4.85-percent

21 ~~July-17-19947-and-thereafter~~ 3.64-percent

22 ~~St.-Paul-Teachers-Retirement~~

23 ~~Fund-Association~~

24 ~~July-17-1993---June-307-1995~~ 4.63-percent

25 ~~July-17-19957-and-thereafter~~ 3.64-percent;

26 (5) for a coordinated member of a teachers retirement fund
27 association in a city of the first class, the employing unit
28 shall make an additional employer contribution to the respective
29 fund in an amount equal to the applicable percentage of the
30 coordinated member's salary, as provided below:

31 Duluth Teachers Retirement

32 Fund Association 1.29 percent

33 ~~Minneapolis-Teachers-Retirement~~

34 ~~Fund-Association~~

35 ~~July-17-1993---June-307-1994~~ 0.50-percent

36 ~~July-17-19947-and-thereafter~~ 3.64-percent

1 St. Paul Teachers Retirement
2 Fund Association
3 July 1, 1993 - June 30, 1994 0.50 percent
4 July 1, 1994 - June 30, 1995 1.50 percent
5 July 1, 1997, and thereafter 3.84 percent.

6 (b) The regular and additional employer contributions must
7 be remitted directly to the respective teachers retirement fund
8 association at least once each month. Delinquent amounts are
9 payable with interest under the procedure in subdivision 1a.

10 (c) Payments of regular and additional employer
11 contributions for school district or technical college employees
12 who are paid from normal operating funds must be made from the
13 appropriate fund of the district or technical college.

14 Sec. 21. Minnesota Statutes 2004, section 354A.12,
15 subdivision 3a, is amended to read:

16 Subd. 3a. [SPECIAL DIRECT STATE AID TO FIRST CLASS CITY
17 TEACHERS RETIREMENT FUND ASSOCIATIONS.] (a) In fiscal year 1998,
18 the state shall pay \$4,827,000 to the St. Paul Teachers
19 Retirement Fund Association, \$17,954,000 to the Minneapolis
20 Teachers Retirement Fund Association, and \$486,000 to the Duluth
21 Teachers Retirement Fund Association. In each subsequent fiscal
22 year after fiscal year 2005, these payments to the first class
23 city teachers retirement fund associations must be \$2,827,000
24 for St. Paul, \$12,954,000 to the Teachers Retirement Association
25 for the former Minneapolis Teachers Retirement Fund Association,
26 and \$486,000 for Duluth.

27 (b) The direct state aids under this subdivision are
28 payable October 1 annually. The commissioner of finance shall
29 pay the direct state aid. The amount required under this
30 subdivision is appropriated annually from the general fund to
31 the commissioner of finance.

32 Sec. 22. Minnesota Statutes 2004, section 354A.12,
33 subdivision 3b, is amended to read:

34 Subd. 3b. [SPECIAL DIRECT STATE MATCHING AID TO THE
35 MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.] (a) Special
36 School District No. 1 may must make an additional employer

1 contribution to the Minneapolis Teachers Retirement Fund
2 Association. The city of Minneapolis ~~may~~ must make a
3 contribution to the Minneapolis Teachers Retirement Fund
4 Association. This contribution ~~may~~ must be made by a levy of
5 the board of estimate and taxation of the city of Minneapolis
6 and the levy, if made, is classified as that of a special taxing
7 district for purposes of sections 275.065 and 276.04, and for
8 all other property tax purposes.

9 (b) ~~For every \$1,000~~ \$1,125,000 must be contributed in
10 ~~equal proportion~~ by Special School District No. 1 and \$1,125,000
11 must be contributed by the city of Minneapolis to
12 the Minneapolis Teachers Retirement Fund Association under
13 paragraph (a), and the state shall pay to the Minneapolis
14 Teachers Retirement Fund Association ~~\$1,000,000~~ ~~but not to~~
15 ~~exceed \$2,500,000 in total in~~ each fiscal year ~~1994~~. The
16 superintendent of Special School District No. 1, the mayor of
17 the city of Minneapolis, and the executive director of
18 the Minneapolis Teachers Retirement Fund Association shall
19 jointly certify to the commissioner of finance the total amount
20 that has been contributed by Special School District No. 1 and
21 by the city of Minneapolis to the Minneapolis Teachers
22 Retirement Fund Association. Any certification to the
23 commissioner of education must be made quarterly. If the total
24 certifications for a fiscal year exceed the maximum annual
25 direct state matching aid amount in any quarter, the amount of
26 direct state matching aid payable to the Minneapolis Teachers
27 Retirement Fund Association must be limited to the balance of
28 the maximum annual direct state matching aid amount available.
29 The amount required under this paragraph, subject to the maximum
30 direct state matching aid amount, is appropriated annually to
31 the commissioner of finance.

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

34 Sec. 23. Minnesota Statutes 2004, section 354A.12,
35 subdivision 3c, is amended to read:

36 Subd. 3c. [TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND

1 DIRECT MATCHING AND STATE AID.] (a) The supplemental
2 contributions payable to the ~~Minneapolis-Teachers-Retirement~~
3 ~~Fund-Association-by-special-school-district-No.-1-and-the-city~~
4 ~~of-Minneapolis-under-section-423A.02, subdivision-3, or to the~~
5 St. Paul Teachers Retirement Fund Association by Independent
6 School District No. 625 under section 423A.02, subdivision 3, or
7 the direct state aids under subdivision 3a to the ~~first-class~~
8 ~~city St. Paul Teachers Retirement associations, and the direct~~
9 ~~matching-and-state-aid-under-subdivision-3b-to-the-Minneapolis~~
10 ~~Teachers-Retirement Fund Association terminate for the~~
11 ~~respective-fund~~ at the end of the fiscal year in which the
12 accrued liability funding ratio for that fund, as determined in
13 the most recent actuarial report for that fund by the actuary
14 retained by the Legislative Commission on Pensions and
15 Retirement, equals or exceeds the accrued liability funding
16 ratio for the teachers retirement association, as determined in
17 the most recent actuarial report for the Teachers Retirement
18 Association by the actuary retained by the Legislative
19 Commission on Pensions and Retirement.

20 (b) If the state direct matching, state supplemental, or
21 state aid is terminated for a first class city teachers
22 retirement fund association under paragraph (a), it may not
23 again be received by that fund.

24 (c) If ~~either-the-Minneapolis-Teachers-Retirement-Fund~~
25 ~~Association, the St. Paul Teachers Retirement Fund Association,~~
26 ~~or-the-Duluth-Teachers-Retirement-Fund-Association-remain is~~
27 funded at ~~less-than~~ the funding ratio applicable to the teachers
28 retirement association when the provisions of paragraph (b)
29 become effective, then any state aid not previously distributed
30 to that association must be immediately transferred to the ~~other~~
31 ~~associations-in-proportion-to-the-relative-sizes-of-their~~
32 ~~unfunded-actuarial-accrued-liabilities~~ Teachers Retirement
33 Association.

34 Sec. 24. Minnesota Statutes 2004, section 354A.12,
35 subdivision 3d, is amended to read:

36 Subd. 3d. [SUPPLEMENTAL ADMINISTRATIVE EXPENSE

1 ASSESSMENT.] (a) The active and retired membership of the
2 ~~Minneapolis-Teachers-Retirement-Fund-Association-and-of-the~~ St.
3 Paul Teachers Retirement Fund Association is responsible for
4 defraying supplemental administrative expenses other than
5 investment expenses of the respective teacher retirement fund
6 association.

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

20 (c) Supplemental administrative expenses other than
21 investment expenses of ~~a-first-class-city-teacher~~ the St. Paul
22 Teachers Retirement Fund Association are those expenses for the
23 fiscal year that:

24 (1) exceed, for the St. Paul Teachers Retirement Fund
25 Association, ~~\$443,7457-or-for-the-Minneapolis-Teacher-Retirement~~
26 ~~Fund-Association-\$67175137~~ plus ~~7-in-each-case7~~ an additional
27 amount derived by applying the percentage increase in the
28 Consumer Price Index for Urban Wage Earners and Clerical Workers
29 All Items Index published by the Bureau of Labor Statistics of
30 the United States Department of Labor since July 1, 2001, to the
31 applicable dollar amount; and

32 (2) exceed the amount computed by applying the most recent
33 percentage of pay administrative expense amount, other than
34 investment expenses, for the teachers retirement association
35 governed by chapter 354 to the covered payroll of the respective
36 teachers retirement fund association for the fiscal year.

1 (d) The board of trustees of ~~each-first-class-city~~ the St.
2 Paul Teachers Retirement Fund Association shall allocate the
3 total dollar amount of supplemental administrative expenses
4 other than investment expenses determined under paragraph (c),
5 clause (2), among the various active and retired membership
6 groups of the teachers retirement fund association and shall
7 assess the various membership groups their respective share of
8 the supplemental administrative expenses other than investment
9 expenses, in amounts determined by the board of trustees. The
10 supplemental administrative expense assessments must be paid by
11 the membership group in a manner determined by the board of
12 trustees of the respective teachers retirement association.
13 Supplemental administrative expenses payable by the active
14 members of the pension plan must be picked up by the employer in
15 accordance with section 356.62.

16 (e) With respect to the St. Paul Teachers Retirement Fund
17 Association, the supplemental administrative expense assessment
18 must be fully disclosed to the various active and retired
19 membership groups of the teachers retirement fund association.
20 The chief administrative officer of the St. Paul Teachers
21 Retirement Fund Association shall prepare a supplemental
22 administrative expense assessment disclosure notice, which must
23 include the following:

24 (1) the total amount of administrative expenses of the St.
25 Paul Teachers Retirement Fund Association, the amount of the
26 investment expenses of the St. Paul Teachers Retirement Fund
27 Association, and the net remaining amount of administrative
28 expenses of the St. Paul Teachers Retirement Fund Association;

29 (2) the amount of administrative expenses for the St. Paul
30 Teachers Retirement Fund Association that would be equivalent to
31 the teachers retirement association noninvestment administrative
32 expense level described in paragraph (c);

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

35 (4) the portion of the total amount of the supplemental
36 administrative expense assessment allocated to each membership

1 group and the rationale for that allocation;

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

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

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

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

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

24 Sec. 25. Minnesota Statutes 2004, section 354A.30, is
25 amended to read:

26 354A.30 [MINNEAPOLIS-AND ST. PAUL TEACHERS RETIREMENT
27 FUND ASSOCIATIONS ASSOCIATION; COORDINATED PROGRAM.]

28 There is established a coordinated program within the
29 ~~Minneapolis-Teachers-Retirement-Fund-Association-and-a~~
30 ~~coordinated-program-within-the~~ St. Paul Teachers Retirement Fund
31 Association to provide retirement coverage for teachers who are
32 covered by an agreement or modification made between the state
33 and the secretary of health, education and welfare making the
34 provisions of the federal Old Age, Survivors and Disability
35 Insurance Act applicable to certain teachers covered by the
36 teachers retirement fund association. The provisions governing

1 the coordinated program shall be sections 354A.31 to 354A.41 and
2 any other applicable provisions of this chapter.

3 Sec. 26. Minnesota Statutes 2004, section 354A.31,
4 subdivision 4, is amended to read:

5 Subd. 4. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT
6 ANNUITY; ~~MINNEAPOLIS-AND ST. PAUL FUNDS.~~] (a) This subdivision
7 applies to the coordinated ~~programs~~ program of the ~~Minneapolis~~
8 ~~Teachers-Retirement-Fund-Association-and-the~~ St. Paul Teachers
9 Retirement Fund Association.

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

20 (c) This paragraph, in conjunction with subdivision 6,
21 applies to a person who first became a member or a member in a
22 pension fund listed in section 356.30, subdivision 3, before
23 July 1, 1989, unless paragraph (d), in conjunction with
24 subdivision 7, produces a higher annuity amount, in which case
25 paragraph (d) will apply. The retirement annuity formula
26 percentage for purposes of this paragraph is the percent
27 specified in section 356.315, subdivision 1, per year for each
28 year of coordinated service for the first ten years and the
29 percent specified in section 356.315, subdivision 2, for each
30 year of coordinated service thereafter.

31 (d) This paragraph applies to a person who has become at
32 least 55 years old and who first becomes a member after June 30,
33 1989, and to any other member who has become at least 55 years
34 old and whose annuity amount, when calculated under this
35 paragraph and in conjunction with subdivision 7 is higher than
36 it is when calculated under paragraph (c), in conjunction with

1 the provisions of subdivision 6. The retirement annuity formula
2 percentage for purposes of this paragraph is the percent
3 specified in section 356.315, subdivision 2, for each year of
4 coordinated service.

5 Sec. 27. Minnesota Statutes 2004, section 354A.32,
6 subdivision 1, is amended to read:

7 Subdivision 1. [OPTIONAL FORMS GENERALLY.] The boards
8 board of the ~~Minneapolis-and-the~~ St. Paul Teachers Retirement
9 ~~Fund Associations Association~~ shall each establish for the
10 coordinated program and the board of the Duluth Teachers
11 Retirement Fund Association shall establish for the new law
12 coordinated program an optional retirement annuity which shall
13 take the form of a joint and survivor annuity. Each board may
14 also in its discretion establish an optional annuity which shall
15 take the form of an annuity payable for a period certain and for
16 life thereafter. Each board shall also establish an optional
17 retirement annuity that guarantees payment of the balance of the
18 annuity recipient's accumulated deductions to a designated
19 beneficiary upon the death of the annuity recipient. Except as
20 provided in subdivision 1a, optional annuity forms shall be the
21 actuarial equivalent of the normal forms provided in section
22 354A.31. In establishing these optional annuity forms, the
23 board shall obtain the written recommendation of the
24 commission-retained actuary. The recommendation shall be a part
25 of the permanent records of the board.

26 Sec. 28. Minnesota Statutes 2004, section 354A.39, is
27 amended to read:

28 354A.39 [SERVICE IN OTHER PUBLIC RETIREMENT FUNDS;
29 ANNUITY.]

30 Any person who has been a member of the Minnesota State
31 Retirement System, the Public Employees Retirement Association
32 including the Public Employees Retirement Association Police and
33 Fire Fund, the Teachers Retirement Association, the Minnesota
34 State Patrol Retirement Association, the legislators retirement
35 plan, the constitutional officers retirement plan, the
36 Minneapolis Employees Retirement Fund, the Duluth Teachers

1 Retirement Fund Association new law coordinated program, the
2 ~~Minneapolis-Teachers-Retirement-Fund-Association-coordinated~~
3 ~~program~~, the St. Paul Teachers Retirement Fund Association
4 coordinated program, or any other public employee retirement
5 system in the state of Minnesota having a like provision but
6 excluding all other funds providing retirement benefits for
7 police officers or firefighters shall be entitled when qualified
8 to an annuity from each fund if the person's total allowable
9 service in all of the funds or in any two or more of the funds
10 totals three or more years, provided that no portion of the
11 allowable service upon which the retirement annuity from one
12 fund is based is used again in the computation for a retirement
13 annuity from another fund and provided further that the person
14 has not taken a refund from any of funds or associations since
15 the person's membership in the fund or association has
16 terminated. The annuity from each fund or association shall be
17 determined by the appropriate provisions of the law governing
18 each fund or association, except that the requirement that a
19 person must have at least three years of allowable service in
20 the respective fund or association shall not apply for the
21 purposes of this section, provided that the aggregate service in
22 two or more of these funds equals three or more years.

23 Sec. 29. Minnesota Statutes 2004, section 354A.40,
24 subdivision 1, is amended to read:

25 Subdivision 1. [RETIREMENT ANNUITY.] Any coordinated
26 member of ~~either-the-Minneapolis-Teachers-Retirement-Fund~~
27 ~~Association-or-of~~ the St. Paul Teachers Retirement Fund
28 Association who has credited service prior to July 1, 1978 shall
29 be entitled to receive a retirement annuity when otherwise
30 qualified, the calculation of which shall utilize the applicable
31 retirement annuity formula specified in articles of
32 incorporation and bylaws of the teachers retirement fund
33 association governing the basic program for that portion of
34 credited service which was served prior to July 1, 1978, and the
35 retirement annuity formula specified in section 354A.31 for the
36 remainder of the member's credited service, both applied to the

1 member's average salary as specified in section 354A.31,
2 subdivision 4. The formula percentages to be used in
3 calculating the coordinated portion of the retirement annuity or
4 coordinated service under this section shall recognize the
5 coordinated service as a continuation of any service prior to
6 July 1, 1978.

7 Sec. 30. Minnesota Statutes 2004, section 354A.41, is
8 amended to read:

9 354A.41 [ADMINISTRATION OF COORDINATED PROGRAM.]

10 Subdivision 1. [ADMINISTRATIVE PROVISIONS.] The provisions
11 of the articles of incorporation and bylaws of the ~~Minneapolis~~
12 ~~or the~~ St. Paul Teachers Retirement Fund Association, ~~whichever~~
13 ~~is applicable,~~ relating to the administration of the fund shall
14 govern the administration of the coordinated program and the
15 provisions of the articles of incorporation and bylaws of the
16 Duluth Teachers Retirement Fund Association relating to the
17 administration of the fund shall govern the administration of
18 the new law coordinated program in instances where the
19 administrative provisions are not inconsistent with the
20 provisions of sections 354A.31 to 354A.41, including but not
21 limited to provisions relating to the composition and function
22 of the board of trustees, the investment of assets of the
23 teachers retirement fund association, and the definition of the
24 plan year.

25 Subd. 2. [ACTUARIAL VALUATIONS.] In any actuarial
26 valuation of the ~~Minneapolis-Teachers-Retirement-Fund~~
27 ~~Association,~~ the St. Paul Teachers Retirement Fund Association,
28 or the Duluth Teachers Retirement Fund Association under section
29 356.215 prepared by the ~~commission-retained~~ actuary or
30 supplemental actuarial valuation prepared by an approved actuary
31 retained by the teachers retirement fund association, there
32 shall be included a finding of the condition of the fund showing
33 separately the basic and coordinated programs or the old law
34 coordinated and new law coordinated programs, as appropriate.
35 The finding shall include the level normal cost and the
36 applicable employee and employer contribution rates for each

1 program.

2 Sec. 31. Minnesota Statutes 2004, section 356.20,
3 subdivision 2, is amended to read:

4 Subd. 2. [COVERED PUBLIC PENSION PLANS AND FUNDS.] This
5 section applies to the following public pension plans:

6 (1) the general state employees retirement plan of the
7 Minnesota State Retirement System;

8 (2) the general employees retirement plan of the Public
9 Employees Retirement Association;

10 (3) the Teachers Retirement Association;

11 (4) the State Patrol retirement plan;

12 (5) the ~~Minneapolis-Teachers-Retirement-Fund-Association;~~

13 ~~+6+ the St. Paul Teachers Retirement Fund Association;~~

14 ~~+7+ (6) the Duluth Teachers Retirement Fund Association;~~

15 ~~+8+ (7) the Minneapolis Employees Retirement Fund;~~

16 ~~+9+ (8) the University of Minnesota faculty retirement
17 plan;~~

18 ~~+10+ (9) the University of Minnesota faculty supplemental
19 retirement plan;~~

20 ~~+11+ (10) the judges retirement fund;~~

21 ~~+12+ (11) a police or firefighter's relief association
22 specified or described in section 69.77, subdivision 1a, or
23 69.771, subdivision 1;~~

24 ~~+13+ (12) the public employees police and fire plan of the
25 Public Employees Retirement Association;~~

26 ~~+14+ (13) the correctional state employees retirement plan
27 of the Minnesota State Retirement System; and~~

28 ~~+15+ (14) the local government correctional service
29 retirement plan of the Public Employees Retirement Association.~~

30 Sec. 32. Minnesota Statutes 2004, section 356.214,
31 subdivision 1, is amended to read:

32 Subdivision 1. [JOINT RETENTION.] (a) The chief
33 administrative officers of the Minnesota State Retirement
34 System, the Public Employees Retirement Association, the
35 Teachers Retirement Association, the Duluth Teachers Retirement
36 Fund Association, ~~the-Minneapolis-Teachers-Retirement-Fund~~

1 Association, the Minneapolis Employees Retirement Fund, and the
2 St. Paul Teachers Retirement Fund Association, jointly, on
3 behalf of the state, its employees, its taxpayers, and its
4 various public pension plans, shall contract with an established
5 actuarial consulting firm to conduct annual actuarial valuations
6 and related services for the retirement plans named in paragraph
7 (b). The principal from the actuarial consulting firm on the
8 contract must be an approved actuary under section 356.215,
9 subdivision 1, paragraph (c). Prior to becoming effective, the
10 contract under this section is subject to a review and approval
11 by the Legislative Commission on Pensions and Retirement.

12 (b) The contract for actuarial services must include the
13 preparation of actuarial valuations and related actuarial work
14 for the following retirement plans:

15 (1) the teachers retirement plan, Teachers Retirement
16 Association;

17 (2) the general state employees retirement plan, Minnesota
18 State Retirement System;

19 (3) the correctional employees retirement plan, Minnesota
20 State Retirement System;

21 (4) the State Patrol retirement plan, Minnesota State
22 Retirement System;

23 (5) the judges retirement plan, Minnesota State Retirement
24 System;

25 (6) the Minneapolis employees retirement plan, Minneapolis
26 Employees Retirement Fund;

27 (7) the public employees retirement plan, Public Employees
28 Retirement Association;

29 (8) the public employees police and fire plan, Public
30 Employees Retirement Association;

31 (9) the Duluth teachers retirement plan, Duluth Teachers
32 Retirement Fund Association;

33 (10) the ~~Minneapolis-teachers-retirement-plan, Minneapolis~~
34 ~~Teachers-Retirement-Fund-Association,~~

35 ~~{++}~~-the St. Paul teachers retirement plan, St. Paul
36 Teachers Retirement Fund Association;

1 ~~(12)~~ (11) the legislators retirement plan, Minnesota State
2 Retirement System;

3 ~~(13)~~ (12) the elective state officers retirement plan,
4 Minnesota State Retirement System; and

5 ~~(14)~~ (13) local government correctional service retirement
6 plan, Public Employees Retirement Association.

7 (c) The contract must require completion of the annual
8 actuarial valuation calculations on a fiscal year basis, with
9 the contents of the actuarial valuation calculations as
10 specified in section 356.215, and in conformity with the
11 standards for actuarial work adopted by the Legislative
12 Commission on Pensions and Retirement.

13 The contract must require completion of annual experience
14 data collection and processing and a quadrennial published
15 experience study for the plans listed in paragraph (b), clauses
16 (1), (2), and (7), as provided for in the standards for
17 actuarial work adopted by the commission. The experience data
18 collection, processing, and analysis must evaluate the following:

19 (1) individual salary progression;

20 (2) the rate of return on investments based on the current
21 asset value;

22 (3) payroll growth;

23 (4) mortality;

24 (5) retirement age;

25 (6) withdrawal; and

26 (7) disablement.

27 The contract must include provisions for the preparation of
28 cost analyses by the jointly retained actuary for proposed
29 legislation that include changes in benefit provisions or
30 funding policies prior to their consideration by the Legislative
31 Commission on Pensions and Retirement.

32 (d) The actuary retained by the joint retirement systems
33 shall annually prepare a report to the legislature, including a
34 commentary on the actuarial valuation calculations for the plans
35 named in paragraph (b) and summarizing the results of the
36 actuarial valuation calculations. The actuary shall include

1 with the report the actuary's recommendations to the legislature
2 concerning the appropriateness of the support rates to achieve
3 proper funding of the retirement plans by the required funding
4 dates. The actuary shall, as part of the quadrennial experience
5 study, include recommendations to the legislature on the
6 appropriateness of the actuarial valuation assumptions required
7 for evaluation in the study.

8 (e) If the actuarial gain and loss analysis in the
9 actuarial valuation calculations indicates a persistent pattern
10 of sizable gains or losses, as directed by the joint retirement
11 systems or as requested by the chair of the Legislative
12 Commission on Pensions and Retirement, the actuary shall prepare
13 a special experience study for a plan listed in paragraph (b),
14 clause (3), (4), (5), (6), (8), (9), (10), (11), (12), ~~(13)~~, or
15 ~~(14)~~ (13), in the manner provided for in the standards for
16 actuarial work adopted by the commission.

17 (f) The term of the contract between the joint retirement
18 systems and the actuary retained may not exceed five years. The
19 joint retirement system administrative officers shall establish
20 procedures for the consideration and selection of contract
21 bidders and the requirements for the contents of an actuarial
22 services contract under this section. The procedures and
23 requirements must be submitted to the Legislative Commission on
24 Pensions and Retirement for review and comment prior to final
25 approval by the joint administrators. The contract is subject
26 to the procurement procedures under chapter 16C. The
27 consideration of bids and the selection of a consulting
28 actuarial firm by the chief administrative officers must occur
29 at a meeting that is open to the public and reasonable timely
30 public notice of the date and the time of the meeting and its
31 subject matter must be given.

32 (g) The actuarial services contract may not limit the
33 ability of the Minnesota legislature and its standing committees
34 and commissions to rely on the actuarial results of the work
35 prepared under the contract.

36 (h) The joint retirement systems shall designate one of the

1 retirement system executive directors as the actuarial services
2 contract manager.

3 Sec. 33. Minnesota Statutes 2004, section 356.215,
4 subdivision 8, is amended to read:

5 Subd. 8. [INTEREST AND SALARY ASSUMPTIONS.] (a) The
6 actuarial valuation must use the applicable following
7 preretirement interest assumption and the applicable following
8 postretirement interest assumption:

9		preretirement	postretirement
10		interest rate	interest rate
11	plan	assumption	assumption
12	general state employees		
13	retirement plan	8.5%	6.0%
14	correctional state employees		
15	retirement plan	8.5	6.0
16	State Patrol retirement plan	8.5	6.0
17	legislators retirement plan	8.5	6.0
18	elective state officers		
19	retirement plan	8.5	6.0
20	judges retirement plan	8.5	6.0
21	general public employees		
22	retirement plan	8.5	6.0
23	public employees police and fire		
24	retirement plan	8.5	6.0
25	local government correctional		
26	service retirement plan	8.5	6.0
27	teachers retirement plan	8.5	6.0
28	Minneapolis employees		
29	retirement plan	6.0	5.0
30	Duluth teachers retirement plan	8.5	8.5
31	Minneapolis-teachers-retirement		
32	plan	8.5	8.5
33	St. Paul teachers retirement		
34	plan	8.5	8.5
35	Minneapolis Police Relief		
36	Association	6.0	6.0
37	Fairmont Police Relief		
38	Association	5.0	5.0
39	Minneapolis Fire Department		
40	Relief Association	6.0	6.0
41	Virginia Fire Department		
42	Relief Association	5.0	5.0
43	local monthly benefit volunteer		
44	firefighters relief associations	5.0	5.0

45 (b) The actuarial valuation must use the applicable
46 following single rate future salary increase assumption, the
47 applicable following modified single rate future salary increase
48 assumption, or the applicable following graded rate future
49 salary increase assumption:

50 (1) single rate future salary increase assumption

51		future salary
52	plan	increase assumption
53	legislators retirement plan	5.0%
54	elective state officers retirement	
55	plan	5.0
56	judges retirement plan	5.0

1 Minneapolis Police Relief Association 4.0
 2 Fairmont Police Relief
 3 Association 3.5
 4 Minneapolis Fire Department Relief
 5 Association 4.0
 6 Virginia Fire Department
 7 Relief Association 3.5

8 (2) modified single rate future salary increase assumption
 9 future salary
 10 plan increase assumption
 11 Minneapolis employees the prior calendar year
 12 retirement plan amount increased first by
 13 1.0198 percent to prior
 14 fiscal year date and
 15 then increased by 4.0
 16 percent annually for
 17 each future year

18 (3) select and ultimate future salary increase assumption
 19 or graded rate future salary increase assumption

20 future salary
 21 plan increase assumption
 22 general state employees select calculation and
 23 retirement plan assumption A
 24 correctional state employees
 25 retirement plan assumption H G
 26 State Patrol retirement plan assumption H G
 27 general public employees select calculation and
 28 retirement plan assumption B
 29 public employees police and fire
 30 fund retirement plan assumption C
 31 local government correctional service
 32 retirement plan assumption H G
 33 teachers retirement plan assumption D
 34 Duluth teachers retirement plan assumption E
 35 Minneapolis-teachers-retirement-plan assumption-F
 36 St. Paul teachers retirement plan assumption G F
 37

38 The select calculation is:
 39 during the ten-year select period, a designated percent
 40 is multiplied by the result of ten minus T, where T is
 41 the number of completed years of service, and is added
 42 to the applicable future salary increase assumption. The
 43 designated percent is 0.2 percent for the correctional state
 44 employees retirement plan, the State Patrol retirement
 45 plan, the public employees police and fire plan, and the
 46 local government correctional service plan; 0.3 percent
 47 for the general state employees retirement plan, the
 48 general public employees retirement plan, the teachers
 49 retirement plan, the Duluth Teachers Retirement Fund
 50 Association, and the St. Paul Teachers Retirement Fund
 51 Association; and 0.4 percent for the Minneapolis Teachers
 52 Retirement Fund Association.
 53

54 The ultimate future salary increase assumption is:

age	A	B	C	D	E	F	G	F	H	G
57	16	6.95%	6.95%	11.50%	8.20%	8.00%	6.50%	6.90%	7.7500	7.7500
58	17	6.90	6.90	11.50	8.15	8.00	6.50	6.90	7.7500	7.7500
59	18	6.85	6.85	11.50	8.10	8.00	6.50	6.90	7.7500	7.7500
60	19	6.80	6.80	11.50	8.05	8.00	6.50	6.90	7.7500	7.7500
61	20	6.75	6.40	11.50	6.00	6.90	6.50	6.90	7.7500	7.7500
62	21	6.75	6.40	11.50	6.00	6.90	6.50	6.90	7.1454	7.1454
63	22	6.75	6.40	11.00	6.00	6.90	6.50	6.90	7.0725	7.0725
64	23	6.75	6.40	10.50	6.00	6.85	6.50	6.85	7.0544	7.0544
65	24	6.75	6.40	10.00	6.00	6.80	6.50	6.80	7.0363	7.0363
66	25	6.75	6.40	9.50	6.00	6.75	6.50	6.75	7.0000	7.0000

1	26	6.75	6.36	9.20	6.00	6.70	6.50	6.70	7.0000
2	27	6.75	6.32	8.90	6.00	6.65	6.50	6.65	7.0000
3	28	6.75	6.28	8.60	6.00	6.60	6.50	6.60	7.0000
4	29	6.75	6.24	8.30	6.00	6.55	6.50	6.55	7.0000
5	30	6.75	6.20	8.00	6.00	6.50	6.50	6.50	7.0000
6	31	6.75	6.16	7.80	6.00	6.45	6.50	6.45	7.0000
7	32	6.75	6.12	7.60	6.00	6.40	6.50	6.40	7.0000
8	33	6.75	6.08	7.40	6.00	6.35	6.50	6.35	7.0000
9	34	6.75	6.04	7.20	6.00	6.30	6.50	6.30	7.0000
10	35	6.75	6.00	7.00	6.00	6.25	6.50	6.25	7.0000
11	36	6.75	5.96	6.80	6.00	6.20	6.50	6.20	6.9019
12	37	6.75	5.92	6.60	6.00	6.15	6.50	6.15	6.8074
13	38	6.75	5.88	6.40	5.90	6.10	6.50	6.10	6.7125
14	39	6.75	5.84	6.20	5.80	6.05	6.50	6.05	6.6054
15	40	6.75	5.80	6.00	5.70	6.00	6.50	6.00	6.5000
16	41	6.75	5.76	5.90	5.60	5.90	6.50	5.95	6.3540
17	42	6.75	5.72	5.80	5.50	5.80	6.50	5.90	6.2087
18	43	6.65	5.68	5.70	5.40	5.70	6.50	5.85	6.0622
19	44	6.55	5.64	5.60	5.30	5.60	6.50	5.80	5.9048
20	45	6.45	5.60	5.50	5.20	5.50	6.50	5.75	5.7500
21	46	6.35	5.56	5.45	5.10	5.40	6.40	5.70	5.6940
22	47	6.25	5.52	5.40	5.00	5.30	6.30	5.65	5.6375
23	48	6.15	5.48	5.35	5.00	5.20	6.20	5.60	5.5822
24	49	6.05	5.44	5.30	5.00	5.10	6.10	5.55	5.5404
25	50	5.95	5.40	5.25	5.00	5.00	6.00	5.50	5.5000
26	51	5.85	5.36	5.25	5.00	5.00	5.90	5.45	5.4384
27	52	5.75	5.32	5.25	5.00	5.00	5.80	5.40	5.3776
28	53	5.65	5.28	5.25	5.00	5.00	5.70	5.35	5.3167
29	54	5.55	5.24	5.25	5.00	5.00	5.60	5.30	5.2826
30	55	5.45	5.20	5.25	5.00	5.00	5.50	5.25	5.2500
31	56	5.35	5.16	5.25	5.00	5.00	5.40	5.20	5.2500
32	57	5.25	5.12	5.25	5.00	5.00	5.30	5.15	5.2500
33	58	5.25	5.08	5.25	5.10	5.00	5.20	5.10	5.2500
34	59	5.25	5.04	5.25	5.20	5.00	5.10	5.05	5.2500
35	60	5.25	5.00	5.25	5.30	5.00	5.00	5.00	5.2500
36	61	5.25	5.00	5.25	5.40	5.00	5.00	5.00	5.2500
37	62	5.25	5.00	5.25	5.50	5.00	5.00	5.00	5.2500
38	63	5.25	5.00	5.25	5.60	5.00	5.00	5.00	5.2500
39	64	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
40	65	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
41	66	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
42	67	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
43	68	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
44	69	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
45	70	5.25	5.00	5.25	5.70	5.00	5.00	5.00	5.2500
46	71	5.25	5.00		5.70				

47 (c) The actuarial valuation must use the applicable
 48 following payroll growth assumption for calculating the
 49 amortization requirement for the unfunded actuarial accrued
 50 liability where the amortization retirement is calculated as a
 51 level percentage of an increasing payroll:

	plan	payroll growth assumption
52		
53		
54	general state employees retirement plan	5.00%
55	correctional state employees retirement plan	5.00
56	State Patrol retirement plan	5.00
57	legislators retirement plan	5.00
58	elective state officers retirement plan	5.00
59	judges retirement plan	5.00
60	general public employees retirement plan	6.00
61	public employees police and fire	
62	retirement plan	6.00
63	local government correctional service	
64	retirement plan	6.00
65	teachers retirement plan	5.00

1	Duluth teachers retirement plan	5.00
2	Minneapolis-teachers-retirement-plan	5.00
3	St. Paul teachers retirement plan	5.00

4 Sec. 34. Minnesota Statutes 2004, section 356.30,
5 subdivision 3, is amended to read:

6 Subd. 3. [COVERED PLANS.] This section applies to the
7 following retirement plans:

8 (1) the general state employees retirement plan of the
9 Minnesota State Retirement System, established under chapter
10 352;

11 (2) the correctional state employees retirement plan of the
12 Minnesota State Retirement System, established under chapter
13 352;

14 (3) the unclassified employees retirement program,
15 established under chapter 352D;

16 (4) the State Patrol retirement plan, established under
17 chapter 352B;

18 (5) the legislators retirement plan, established under
19 chapter 3A;

20 (6) the elective state officers' retirement plan,
21 established under chapter 352C;

22 (7) the general employees retirement plan of the Public
23 Employees Retirement Association, established under chapter 353;

24 (8) the public employees police and fire retirement plan of
25 the Public Employees Retirement Association, established under
26 chapter 353;

27 (9) the local government correctional service retirement
28 plan of the Public Employees Retirement Association, established
29 under chapter 353E;

30 (10) the Teachers Retirement Association, established under
31 chapter 354;

32 (11) the Minneapolis Employees Retirement Fund, established
33 under chapter 422A;

34 (12) the ~~Minneapolis-Teachers-Retirement-Fund-Association,~~
35 ~~established-under-chapter-354A;~~

36 ~~{13}~~-the St. Paul Teachers Retirement Fund Association,
37 established under chapter 354A;

1 ~~(14)~~ (13) the Duluth Teachers Retirement Fund Association,
2 established under chapter 354A; and

3 ~~(15)~~ (14) the judges' retirement fund, established by
4 sections 490.121 to 490.132.

5 Sec. 35. Minnesota Statutes 2004, section 356.302,
6 subdivision 7, is amended to read:

7 Subd. 7. [COVERED RETIREMENT PLANS.] This section applies
8 to the following retirement plans:

9 (1) the general state employees retirement plan of the
10 Minnesota State Retirement System, established by chapter 352;

11 (2) the unclassified state employees retirement program of
12 the Minnesota State Retirement System, established by chapter
13 352D;

14 (3) the general employees retirement plan of the Public
15 Employees Retirement Association, established by chapter 353;

16 (4) the Teachers Retirement Association, established by
17 chapter 354;

18 (5) the Duluth Teachers Retirement Fund Association,
19 established by chapter 354A;

20 ~~(6) the Minneapolis-Teachers-Retirement-Fund-Association,~~
21 ~~established-by-chapter-354A;~~

22 ~~(7)-the~~ St. Paul Teachers Retirement Fund Association,
23 established by chapter 354A;

24 ~~(8)~~ (7) the Minneapolis Employees Retirement Fund,
25 established by chapter 422A;

26 ~~(9)~~ (8) the state correctional employees retirement plan of
27 the Minnesota State Retirement System, established by chapter
28 352;

29 ~~(10)~~ (9) the State Patrol retirement plan, established by
30 chapter 352B;

31 ~~(11)~~ (10) the public employees police and fire plan of the
32 Public Employees Retirement Association, established by chapter
33 353;

34 ~~(12)~~ (11) the local government correctional service
35 retirement plan of the Public Employees Retirement Association,
36 established by chapter 353E; and

1 ~~{13}~~ (12) the judges' retirement plan, established by
2 sections 490.121 to 490.132.

3 Sec. 36. Minnesota Statutes 2004, section 356.303,
4 subdivision 4, is amended to read:

5 Subd. 4. [COVERED RETIREMENT PLANS.] This section applies
6 to the following retirement plans:

7 (1) the legislators retirement plan, established by chapter
8 3A;

9 (2) the general state employees retirement plan of the
10 Minnesota State Retirement System, established by chapter 352;

11 (3) the correctional state employees retirement plan of the
12 Minnesota State Retirement System, established by chapter 352;

13 (4) the State Patrol retirement plan, established by
14 chapter 352B;

15 (5) the elective state officers retirement plan,
16 established by chapter 352C;

17 (6) the unclassified state employees retirement program,
18 established by chapter 352D;

19 (7) the general employees retirement plan of the Public
20 Employees Retirement Association, established by chapter 353;

21 (8) the public employees police and fire plan of the Public
22 Employees Retirement Association, established by chapter 353;

23 (9) the local government correctional service retirement
24 plan of the Public Employees Retirement Association, established
25 by chapter 353E;

26 (10) the Teachers Retirement Association, established by
27 chapter 354;

28 (11) the Duluth Teachers Retirement Fund Association,
29 established by chapter 354A;

30 ~~(12) the Minneapolis-Teachers-Retirement-Fund-Association,~~
31 ~~established-by-chapter-354A;~~

32 ~~{13}~~-the St. Paul Teachers Retirement Fund Association,
33 established by chapter 354A;

34 ~~{14}~~ (13) the Minneapolis Employees Retirement Fund,
35 established by chapter 422A; and

36 ~~{15}~~ (14) the judges' retirement fund, established by

1 sections 490.121 to 490.132.

2 Sec. 37. Minnesota Statutes 2004, section 356.315, is
3 amended by adding a subdivision to read:

4 Subd. 1a. [COORDINATED PLAN MEMBERS.] The applicable
5 benefit accrual rate is 1.5 percent.

6 Sec. 38. Minnesota Statutes 2004, section 356.42,
7 subdivision 3, is amended to read:

8 Subd. 3. [COVERED RETIREMENT PLANS.] The postretirement
9 adjustment provided in this section applies to the following
10 retirement funds:

11 (1) the general employees retirement plans of the Public
12 Employees Retirement Association;

13 (2) the public employees police and fire plan of the Public
14 Employees Retirement Association;

15 (3) the teachers retirement association;

16 (4) the State Patrol retirement plan;

17 (5) the state employees retirement plan of the Minnesota
18 State Retirement System;

19 (6) the ~~Minneapolis-Teachers-Retirement-Fund-Association~~
20 ~~established-under-chapter-354A;~~

21 ~~(7)-the~~ St. Paul Teachers Retirement Fund Association
22 established under chapter 354A; and

23 ~~(8)~~ (7) the Duluth Teachers Retirement Fund Association
24 established under chapter 354A.

25 Sec. 39. Minnesota Statutes 2004, section 356.465,
26 subdivision 3, is amended to read:

27 Subd. 3. [COVERED RETIREMENT PLANS.] The provisions of
28 this section apply to the following retirement plans:

29 (1) the general state employees retirement plan of the
30 Minnesota State Retirement System established under chapter 352;

31 (2) the correctional state employees retirement plan of the
32 Minnesota State Retirement System established under chapter 352;

33 (3) the State Patrol retirement plan established under
34 chapter 352B;

35 (4) the legislators retirement plan established under
36 chapter 3A;

1 (5) the judges retirement plan established under chapter
2 490;

3 (6) the general employees retirement plan of the Public
4 Employees Retirement Association established under chapter 353;

5 (7) the public employees police and fire plan of the Public
6 Employees Retirement Association established under chapter 353;

7 (8) the teachers retirement plan established under chapter
8 354;

9 (9) the Duluth Teachers Retirement Fund Association
10 established under chapter 354A;

11 (10) the St. Paul Teachers Retirement Fund Association
12 established under chapter 354A;

13 ~~(11) the Minneapolis-Teachers-Retirement-Fund-Association~~
14 ~~established-under-chapter-354A;~~

15 ~~{12}~~-the Minneapolis employees retirement plan established
16 under chapter 422A;

17 ~~{13}~~ (12) the Minneapolis Firefighters Relief Association
18 established under chapter 423C;

19 ~~{14}~~ (13) the Minneapolis Police Relief Association
20 established under chapter 423B; and

21 ~~{15}~~ (14) the local government correctional service
22 retirement plan of the Public Employees Retirement Association
23 established under chapter 353E.

24 Sec. 40. Minnesota Statutes 2004, section 423A.02,
25 subdivision 1b, is amended to read:

26 Subd. 1b. [ADDITIONAL AMORTIZATION STATE AID.] (a)
27 Annually, on October 1, the commissioner of revenue shall
28 allocate the additional amortization state aid transferred under
29 section 69.021, subdivision 11, to:

30 (1) all police or salaried firefighters relief associations
31 governed by and in full compliance with the requirements of
32 section 69.77, that had an unfunded actuarial accrued liability
33 in the actuarial valuation prepared under sections 356.215 and
34 356.216 as of the preceding December 31;

35 (2) all local police or salaried firefighter consolidation
36 accounts governed by chapter 353A that are certified by the

1 executive director of the public employees retirement
2 association as having for the current fiscal year an additional
3 municipal contribution amount under section 353A.09, subdivision
4 5, paragraph (b), and that have implemented section 353A.083,
5 subdivision 1, if the effective date of the consolidation
6 preceded May 24, 1993, and that have implemented section
7 353A.083, subdivision 2, if the effective date of the
8 consolidation preceded June 1, 1995; and

9 (3) the municipalities that are required to make an
10 additional municipal contribution under section 353.665,
11 subdivision 8, for the duration of the required additional
12 contribution.

13 (b) The commissioner shall allocate the state aid on the
14 basis of the proportional share of the relief association or
15 consolidation account of the total unfunded actuarial accrued
16 liability of all recipient relief associations and consolidation
17 accounts as of December 31, 1993, for relief associations, and
18 as of June 30, 1994, for consolidation accounts.

19 (c) Beginning October 1, 2000, and annually thereafter, the
20 commissioner shall allocate the state aid, including any state
21 aid in excess of the limitation in subdivision 4, on the
22 following basis:

23 (1) 64.5 percent to the municipalities to which section
24 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision
25 5, paragraph (b), apply for distribution in accordance with
26 paragraph (b) and subject to the limitation in subdivision 4;

27 (2) 34.2 percent to the city of Minneapolis to fund any
28 unfunded actuarial accrued liability in the actuarial valuation
29 prepared under sections 356.215 and 356.216 as of the preceding
30 December 31 for the Minneapolis Police Relief Association or the
31 Minneapolis Fire Department Relief Association; and

32 (3) 1.3 percent to the city of Virginia to fund any
33 unfunded actuarial accrued liability in the actuarial valuation
34 prepared under sections 356.215 and 356.216 as of the preceding
35 December 31 for the Virginia Fire Department Relief Association.

36 If there is no unfunded actuarial accrued liability in both

1 the Minneapolis Police Relief Association and the Minneapolis
2 Fire Department Relief Association as disclosed in the most
3 recent actuarial valuations for the relief associations prepared
4 under sections 356.215 and 356.216, the commissioner shall
5 allocate that 34.2 percent of the aid as follows: 49 percent to
6 the Minneapolis Teachers Retirement Fund Association, 21 percent
7 to the St. Paul Teachers Retirement Fund Association, and 30
8 percent as additional funding to support minimum fire state aid
9 for volunteer firefighters relief associations. If there is no
10 unfunded actuarial accrued liability in the Virginia Fire
11 Department Relief Association as disclosed in the most recent
12 actuarial valuation for the relief association prepared under
13 sections 356.215 and 356.216, the commissioner shall allocate
14 that 1.3 percent of the aid as follows: 49 percent to the
15 Minneapolis Teachers Retirement Fund Association, 21 percent to
16 the St. Paul Teachers Retirement Fund Association, and 30
17 percent as additional funding to support minimum fire state aid
18 for volunteer firefighters relief associations. The allocation
19 must be made by the commissioner at the same time and under the
20 same procedures as specified in subdivision 3. With respect to
21 the ~~Minneapolis-Teachers-Retirement-Fund-Association-or-the~~ St.
22 Paul Teachers Retirement Fund Association, annually, beginning
23 on July 1, 2005, if the applicable teacher's association
24 five-year average time-weighted rate of investment return does
25 not equal or exceed the performance of a composite portfolio
26 assumed passively managed (indexed) invested ten percent in cash
27 equivalents, 60 percent in bonds and similar debt securities,
28 and 30 percent in domestic stock calculated using the formula
29 under section 11A.04, clause (11), the aid allocation to that
30 retirement fund under this section ceases until the five-year
31 annual rate of investment return equals or exceeds the
32 performance of that composite portfolio.

33 (d) The amounts required under this subdivision are
34 annually appropriated to the commissioner of revenue.

35 Sec. 41. [FULL FUNDING DATE.]

36 Notwithstanding any other law to the contrary, for the

1 Teachers Retirement Association, the established date for full
2 funding is 2035.

3 Sec. 42. [MTRFA EMPLOYEE JOB PREFERENCE.]

4 An employee of the Minneapolis Teachers Retirement Fund
5 Association on the date of enactment has an employment
6 preference for subsequent employment by the Teachers Retirement
7 Association, the Minnesota State Retirement System, or the
8 Public Employees Retirement Association equivalent to the
9 preference provided to armed forces veterans under state law and
10 Department of Employee Relations practice.

11 Sec. 43. [MTRFA ARTICLES AND BYLAWS; REPEAL;
12 APPLICABILITY.]

13 (a) The articles of incorporation and bylaws of the
14 Minneapolis Teachers Retirement Fund Association are repealed
15 and have application only as provided in section 6, subdivision
16 6, and paragraph (b).

17 (b) The articles of incorporation and bylaws of the
18 Minneapolis Teachers Retirement Fund Association only apply to
19 members of the former Minneapolis Teachers Retirement Fund
20 Association with service credit in the plan on or before June
21 30, 2005, and apply solely for purposes of determining the
22 retirement annuity for or benefit on behalf of a member of the
23 basic program of that retirement plan.

24 (c) No annuity adjustment or increase under article 30 of
25 the articles of incorporation of the Minneapolis Teachers
26 Retirement Fund Association is applicable or payable after June
27 30, 2005.

28 Sec. 44. [REPEALER.]

29 Minnesota Statutes 2004, sections 354A.051; 354A.105;
30 354A.23, subdivision 1; and 354A.28, are repealed.

31 Sec. 45. [EFFECTIVE DATE.]

32 (a) Sections 1, 2, 3, 21, and 22 are effective on the day
33 following final enactment.

34 (b) Sections 4 to 20 and 23 to 44 are effective on the day
35 following final enactment.

36 ARTICLE 3

1 PRE-1969 TEACHER SPECIAL POSTRETIREMENT

2 ADJUSTMENT

3 Section 1. [354.551] [ADDITIONAL BENEFIT FOR CERTAIN
4 TEACHERS.]

5 Subdivision 1. [ADDITIONAL BENEFIT ENTITLEMENT.] If there
6 is an appropriation for this purpose and to the extent of that
7 appropriation, eligible retired teachers as defined in
8 subdivision 2 are entitled to receive the additional benefit
9 amount determined under subdivision 3 unless the applicable
10 person files a written notification with the executive director
11 of the Teachers Retirement Association that the additional
12 benefit not be paid.

13 Subd. 2. [ELIGIBILITY.] An eligible person for purposes of
14 this section is a person who:

15 (1) was a teacher as defined in section 354.05, subdivision
16 2;

17 (2) rendered teaching service as defined in section 354.05,
18 subdivision 3, either during the 1968-1969 school year, but was
19 not covered by the improved money purchase program savings
20 clause in section 354.55, subdivision 17, or before the
21 1968-1969 school year, did not take a refund of member
22 contributions upon the termination of teacher service, and was
23 eligible to make an election under Minnesota Statutes 1971,
24 section 354.55, subdivision 8.

25 Subd. 3. [DETERMINATION OF ADDITIONAL BENEFIT AMOUNT.] (a)
26 By July 1, annually, the executive director of the Teachers
27 Retirement Association shall determine which retired teachers
28 are eligible to receive an additional benefit amount under this
29 section and the amount of each person's additional benefit
30 amount.

31 If the applicable appropriation permits, as determined by
32 the executive director of the Teachers Retirement Association,
33 the increase amount is 45 percent of the difference, if a
34 positive number, obtained by subtracting the single life annuity
35 amount initially payable upon retirement under section 354.44,
36 subdivision 6, from a comparable single life annuity amount

1 computed as of the same date under section 354.44, subdivision
2 2. If the applicable appropriation does not permit the full
3 postretirement adjustment payment amount as determined by the
4 executive director of the Teachers Retirement Association, the
5 increase amount is that portion of the full increase amount that
6 bears the same relationship to the full increase amount that the
7 appropriation bears to the full required funding for the full
8 increase amount.

9 (b) The additional retirement benefit is payable beginning
10 July 1, 2005, for persons who were receiving a retirement
11 annuity on June 1, 2005, or with the initial retirement annuity
12 payment for persons who were active, deferred, or inactive
13 members on June 1, 2005.

14 Subd. 4. [DURATION OF ADDITIONAL BENEFIT.] If the
15 appropriations permit, the additional benefit amount is payable
16 for life or for the duration of the selected optional annuity
17 form, whichever applies.

18 Subd. 5. [NO PAYMENT TO ESTATE; NO RETROACTIVITY.] (a)
19 Nothing in this section authorizes the payment of an additional
20 benefit amount under this section to an estate or to a survivor
21 or beneficiary other than under an optional annuity form.

22 (b) Nothing in this section authorizes the payment of an
23 additional benefit amount for any period before July 1, 2005.

24 (c) Nothing in this section authorizes the payment of an
25 additional benefit amount to a person who was or is entitled to
26 have their retirement annuity calculated under section 354.44,
27 subdivision 2.

28 Sec. 2. [APPROPRIATION.]

29 There is appropriated from the general fund to the
30 executive director of the Teachers Retirement Association for
31 the purposes of the special postretirement adjustment under
32 section 1 \$11,000,000 for the year ending June 30, 2006, and
33 \$11,000,000 for the year ending June 30, 2007.

34 Sec. 3. [EFFECTIVE DATE.]

35 Sections 1 and 2 are effective on July 1, 2005.

36

ARTICLE 4

1 PENSION DEFAULT INSURANCE POOL

2 Sec. 1. Minnesota Statutes 2004, section 352.04,
3 subdivision 12, is amended to read:

4 Subd. 12. [FUND DISBURSEMENT RESTRICTED.] (a) The state
5 employees retirement fund and the participation in the Minnesota
6 postretirement investment fund must be disbursed only for the
7 purposes provided by law.

8 (b) The expenses of the system, the pension default
9 insurance pool charge under section 356.95, and any benefits
10 provided by law, other than benefits payable from the Minnesota
11 postretirement investment fund, must be paid from the state
12 employees retirement fund.

13 (c) The retirement allowances, retirement annuities, and
14 disability benefits, as well as refunds of any sum remaining to
15 the credit of a deceased retired employee or a disabled employee
16 must be paid only from the state employees retirement fund after
17 the needs have been certified and the amounts withdrawn from the
18 participation in the Minnesota postretirement investment fund
19 under section 11A.18.

20 (d) The amounts necessary to make the payments from the
21 state employees retirement fund and the participation in the
22 Minnesota postretirement investment fund are annually
23 appropriated from these funds for those purposes.

24 Sec. 2. Minnesota Statutes 2004, section 352.911,
25 subdivision 5, is amended to read:

26 Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The
27 correctional employees retirement fund and its share of
28 participation in the Minnesota postretirement investment fund
29 shall be disbursed only for the purposes provided for in the
30 applicable provisions in this chapter.

31 (b) The proportional share of the expenses of the system,
32 the pension default insurance pool charge under section 356.95,
33 and any benefits provided in sections 352.90 to 352.951, other
34 than benefits payable from the Minnesota postretirement
35 investment fund, shall be paid from the correctional employees
36 retirement fund.

1 (c) The retirement allowances, retirement annuities, the
2 disability benefits, the survivorship benefits, and any refunds
3 of accumulated deductions shall be paid only from the
4 correctional employees retirement fund after those needs have
5 been certified by the executive director and the amounts
6 withdrawn from the share of participation in the Minnesota
7 postretirement fund under section 11A.18.

8 (d) The amounts necessary to make the payments from the
9 correctional employees retirement fund and the participation in
10 the Minnesota postretirement investment fund are annually
11 appropriated from those funds for those purposes.

12 Sec. 3. Minnesota Statutes 2004, section 352B.02,
13 subdivision 1d, is amended to read:

14 Subd. 1d. [FUND REVENUE AND EXPENSES.] The amounts
15 provided for in this section must be credited to the State
16 Patrol retirement fund. All money received must be deposited by
17 the commissioner of finance in the State Patrol retirement
18 fund. The fund must be used to pay the administrative expenses
19 of the retirement fund, the pension default insurance pool
20 charge under section 356.95, and the benefits and annuities
21 provided in this chapter. Appropriate amounts shall be
22 transferred to or withdrawn from the Minnesota postretirement
23 investment fund as provided in section 352B.26.

24 Sec. 4. Minnesota Statutes 2004, section 352D.09,
25 subdivision 7, is amended to read:

26 Subd. 7. [ADMINISTRATIVE FEES.] The board of directors
27 shall establish a budget and charge participants a fee to pay
28 the administrative expenses of the unclassified program and the
29 pension default insurance pool charge under section 356.95.
30 Fees cannot be charged on contributions and investment returns
31 attributable to contributions made before July 1, 1992. Annual
32 total fees charged for plan administration cannot exceed 10/100
33 of one percent of the contributions and investment returns
34 attributable to contributions made on or after July 1, 1992.

35 Sec. 5. Minnesota Statutes 2004, section 353.27,
36 subdivision 1, is amended to read:

1 Subdivision 1. [INCOME; DISBURSEMENTS.] There is a special
2 fund known as the "public employees retirement fund," the
3 "retirement fund," or the "fund," which shall include all the
4 assets of the association. This fund shall be credited with all
5 contributions, all interest and all other income authorized by
6 law. From this fund there is appropriated the payments
7 authorized by this chapter in the amounts and at such time
8 provided herein, including the expenses of administering the
9 fund, including the pension default insurance pool charge under
10 section 356.95, and including the proper share of the Minnesota
11 postretirement investment fund.

12 Sec. 6. Minnesota Statutes 2004, section 353.65,
13 subdivision 6, is amended to read:

14 Subd. 6. [FUND.] All contributions other than the excess
15 contribution established by section 69.031, subdivision 5,
16 paragraphs (2), clauses (b) and (c), and (3) shall be credited
17 to the fund and all interest and other income of the fund shall
18 be credited to said fund. The retirement fund shall be
19 disbursed only for the purposes herein provided. The expenses
20 of said fund, the pension default insurance pool charge, and the
21 annuities herein provided upon retirement shall be paid from
22 said fund.

23 Sec. 7. Minnesota Statutes 2004, section 353E.01,
24 subdivision 5, is amended to read:

25 Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The public
26 employees local government correctional service retirement fund
27 and its share of participation in the Minnesota postretirement
28 investment fund may be disbursed only for the purposes provided
29 for in this chapter.

30 (b) The proportional share of the necessary and reasonable
31 administrative expenses of the association, the pension default
32 insurance pool charge under section 356.95, and any benefits
33 provided in this chapter, other than benefits payable from the
34 Minnesota postretirement investment fund, must be paid from the
35 public employees local government correctional service
36 retirement fund. Retirement annuities, disability benefits,

1 survivorship benefits, and any refunds of accumulated deductions
2 may be paid only from the correctional service retirement fund
3 after those needs have been certified by the executive director
4 and any applicable amounts withdrawn from the share of
5 participation in the Minnesota postretirement fund under section
6 11A.18.

7 (c) The amounts necessary to make the payments from the
8 public employees local government correctional service
9 retirement fund and its participation in the Minnesota
10 postretirement investment fund are annually appropriated from
11 those funds for those purposes.

12 Sec. 8. Minnesota Statutes 2004, section 354.42, is
13 amended by adding a subdivision to read:

14 Subd. 8. [PENSION DEFAULT CHARGE.] The pension default
15 insurance pool charge under section 356.95 must be paid from the
16 Teachers Retirement Association.

17 Sec. 9. Minnesota Statutes 2004, section 354A.021,
18 subdivision 4, is amended to read:

19 Subd. 4. [FUND DISBURSEMENT RESTRICTED.] The assets of the
20 special retirement fund shall be disbursed only for the purposes
21 provided for in this chapter, the articles of incorporation or
22 bylaws in effect as of March 31, 1975, and the articles of
23 incorporation or bylaws adopted subsequent to March 31, 1975 in
24 accordance with the provisions of section 354A.12. The pension
25 default insurance pool charge under section 356.95 and all
26 appropriate expenses of and any authorized benefits provided by
27 the teachers retirement fund association shall be paid from the
28 special retirement fund. Amounts necessary to make payments
29 from the special retirement fund of a teachers retirement fund
30 association are hereby appropriated.

31 Sec 10. [356.95] [PENSION DEFAULT INSURANCE POOL.]

32 Subdivision 1. [DEFAULT INSURANCE; LEGISLATIVE
33 FINDINGS.] The legislature finds that some Minnesota public
34 pension plans have periodic funding difficulties and could
35 default on the payment of retirement benefits in the future.
36 The legislature further finds that a potential default may occur

1 at a time when timely corrective legislative responses may not
2 be possible, causing significant potential economic harm to
3 affected benefit recipients. To provide emergency funding
4 resources for a Minnesota public pension plan facing a default
5 in the payment of retirement benefits, the legislature is
6 establishing an insurance pool to have resources for a temporary
7 remedy for a defaulting pension plan.

8 Subd. 2. [DEFAULT INSURANCE CHARGE.] (a) In fiscal year
9 2006, the pension default insurance charge is \$0.10 per month
10 per active member and benefit recipient of a covered retirement
11 plan.

12 (b) The pension default insurance charge must be reassessed
13 by the commissioner of finance, who shall revise the charge
14 upward or downward based on an assessment of the potential risk
15 of a future retirement plan default. The consulting actuary
16 retained under section 356.214 shall provide an assessment of
17 the relative probability of future retirement plan defaults as
18 part of the actuarial valuation reports performed annually.

19 Subd. 3. [RECEIPT OF CHARGES; INVESTMENT.] The pension
20 default insurance charge is payable to the commissioner of
21 finance for deposit in a special pension default insurance pool
22 fund in the state treasury. The special default insurance pool
23 fund must be invested by the State Board of Investment in
24 investments authorized under section 11A.24.

25 Subd. 4. [DISBURSEMENTS.] (a) The chief administrative
26 officer of a covered retirement plan facing imminent default in
27 the payment of retirement annuities and benefits is authorized
28 to apply to the commissioner of finance for the transfer of
29 assets to forestall the default.

30 (b) If the commissioner of finance finds that a covered
31 retirement plan is facing an imminent default, the commissioner
32 may transfer the necessary amount of assets to avert the
33 expected default from the pension default insurance pool.

34 Subd. 5. [COVERED RETIREMENT PLANS.] The retirement plans
35 covered by the pension default insurance pool are:

36 (1) the general state employees retirement plan of the

1 Minnesota State Retirement System, established under chapter
2 352;

3 (2) the correctional state employees retirement plan of the
4 Minnesota State Retirement System, established under chapter
5 352;

6 (3) the unclassified employees retirement program,
7 established under chapter 352D;

8 (4) the State Patrol retirement plan, established under
9 chapter 352B;

10 (5) the legislators retirement plan, established under
11 chapter 3A;

12 (6) the elective state officers' retirement plan,
13 established under chapter 352C;

14 (7) the general employees retirement plan of the Public
15 Employees Retirement Association, established under chapter 353;

16 (8) the public employees police and fire retirement plan of
17 the Public Employees Retirement Association, established under
18 chapter 353;

19 (9) the local government correctional service retirement
20 plan of the Public Employees Retirement Association, established
21 under chapter 353E;

22 (10) the Teachers Retirement Association, established under
23 chapter 354;

24 (11) the Minneapolis Employees Retirement Fund, established
25 under chapter 422A;

26 (12) the Minneapolis Teachers Retirement Fund Association,
27 established under chapter 354A;

28 (13) the St. Paul Teachers Retirement Fund Association,
29 established under chapter 354A;

30 (14) the Duluth Teachers Retirement Fund Association,
31 established under chapter 354A; and

32 (15) the judges' retirement fund, established by sections
33 490.121 to 490.132.

34 Sec. 11. [EFFECTIVE DATE.]

35 Sections 1 to 10 are effective on the day following final
36 enactment.

ARTICLE 5

DEFERRED ANNUITIES AUGMENTATION

Section 1. Minnesota Statutes 2004, section 352.116, subdivision 1a, is amended to read:

Subd. 1a. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This subdivision applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity is higher when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with subdivision 1. A covered employee who retires before the normal retirement age shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (b), reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age, if the employee became an employee before July 1, 2005, and is the actuarial equivalent of this annuity that would be payable to the employee if the employee deferred receipt of the annuity if the employee initially became an employee after June 30, 2005.

Sec. 2. Minnesota Statutes 2004, section 352.72, subdivision 2, is amended to read:

Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) The deferred annuity, if any, accruing under subdivision 1, or section 352.22, subdivision 3, must be computed as provided in section 352.22, subdivision 3, on the basis of allowable service before termination of state service and augmented as provided herein.

(b) If the employee became an employee before July 1, 2005, the required reserves applicable to a deferred annuity or to an annuity for which a former employee was eligible but had not applied or to any deferred segment of an annuity must be

1 determined as of the date the benefit begins to accrue and
2 augmented by interest compounded annually from the first day of
3 the month following the month in which the employee ceased to be
4 a state employee, or July 1, 1971, whichever is later, to the
5 first day of the month in which the annuity begins to accrue.
6 The rates of interest used for this purpose must be five percent
7 compounded annually until January 1, 1981, and three percent
8 compounded annually thereafter until January 1 of the year
9 following the year in which the former employee attains age 55.
10 From that date to the effective date of retirement, the rate is
11 five percent compounded annually. If a person has more than one
12 period of uninterrupted service, the required reserves related
13 to each period must be augmented by interest under this
14 subdivision. The sum of the augmented required reserves so
15 determined is the present value of the annuity. "Uninterrupted
16 service" for the purpose of this subdivision means periods of
17 covered employment during which the employee has not been
18 separated from state service for more than two years. If a
19 person repays a refund, the service restored by the repayment
20 must be considered continuous with the next period of service
21 for which the employee has credit with this system. The formula
22 percentages used for each period of uninterrupted service must
23 be those applicable to a new employee. The mortality table and
24 interest assumption used to compute the annuity must be those in
25 effect when the employee files application for annuity. This
26 section does not reduce the annuity otherwise payable under this
27 chapter.

28 (c) If the employee initially became an employee after June
29 30, 2005, no augmentation is payable on a deferred annuity.

30 ~~{b}~~ (d) The retirement annuity or disability benefit of, or
31 the survivor benefit payable on behalf of, a former state
32 employee who terminated service before July 1, 1997, which is
33 not first payable until after June 30, 1997, must be increased
34 on an actuarial equivalent basis to reflect the change in the
35 postretirement interest rate actuarial assumption under section
36 356.215, subdivision 8, from five percent to six percent under a

1 calculation procedure and the tables adopted by the board and
2 approved by the actuary retained by the Legislative Commission
3 on Pensions and Retirement.

4 Sec. 3. Minnesota Statutes 2004, section 352B.30,
5 subdivision 2, is amended to read:

6 Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) Deferred
7 annuities must be computed according to this chapter on the
8 basis of allowable service before termination of service and
9 augmented as provided in this chapter.

10 (b) If the member became a member before July 1, 2005, the
11 required reserves applicable to a deferred annuity must be
12 augmented by interest compounded annually from the first day of
13 the month following the month in which the member terminated
14 service, or July 1, 1971, whichever is later, to the first day
15 of the month in which the annuity begins to accrue. The rates
16 of interest used for this purpose shall be five percent per year
17 compounded annually until January 1, 1981, and after that date
18 three percent per year compounded annually. The mortality table
19 and interest assumption used to compute the annuity shall be
20 those in effect when the member files application for annuity.

21 (c) If the member initially became a member after June 30,
22 2005, no augmentation is payable on a deferred annuity.

23 Sec. 4. Minnesota Statutes 2004, section 353.30,
24 subdivision 5, is amended to read:

25 Subd. 5. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This
26 subdivision applies to a member who has become at least 55 years
27 old and first became a public employee after June 30, 1989, and
28 to any other member who has become at least 55 years old and
29 whose annuity is higher when calculated under section 353.29,
30 subdivision 3, paragraph (b), in conjunction with this
31 subdivision than when calculated under section 353.29,
32 subdivision 3, paragraph (a), in conjunction with subdivision 1,
33 1a, 1b, or 1c. An employee who retires before normal retirement
34 age shall be paid the retirement annuity provided in section
35 353.29, subdivision 3, paragraph (b), reduced so that the
36 reduced annuity is the actuarial equivalent of the annuity that

1 would be payable to the employee if the employee deferred
2 receipt of the annuity and the annuity amount were augmented at
3 an annual rate of three percent compounded annually from the day
4 the annuity begins to accrue until the normal retirement age if
5 the member became a member before July 1, 2005, and is the
6 actuarial equivalent of the annuity that would be payable to the
7 member if the member deferred receipt of the annuity if the
8 member initially became a member after June 30, 2005.

9 Sec. 5. Minnesota Statutes 2004, section 353.71,
10 subdivision 2, is amended to read:

11 Subd. 2. [DEFERRED ANNUITY COMPUTATION; AUGMENTATION.] (a)
12 The deferred annuity accruing under subdivision 1, or under
13 sections 353.34, subdivision 3, and 353.68, subdivision 4, must
14 be computed on the basis of allowable service prior to the
15 termination of public service and augmented as provided in this
16 paragraph.

17 (b) The required reserves applicable to a deferred annuity,
18 or to any deferred segment of an annuity must be determined as
19 of the first day of the month following the month in which the
20 former member ceased to be a public employee, or July 1, 1971,
21 whichever is later. If the member became a member before July
22 1, 2005, these required reserves must be augmented at the rate
23 of five percent annually compounded annually until January 1,
24 1981, and at the rate of three percent thereafter until January
25 1 of the year following the year in which the former member
26 attains age 55. From that date to the effective date of
27 retirement, the rate is five percent compounded annually. If a
28 person has more than one period of uninterrupted service, the
29 required reserves related to each period must be augmented as
30 specified in this paragraph. The sum of the augmented required
31 reserves is the present value of the annuity. Uninterrupted
32 service for the purpose of this subdivision means periods of
33 covered employment during which the employee has not been
34 separated from public service for more than two years. If a
35 person repays a refund, the restored service must be considered
36 as continuous with the next period of service for which the

1 employee has credit with this association. This section must not
2 reduce the annuity otherwise payable under this chapter. This
3 paragraph applies to individuals who become deferred annuitants
4 on or after July 1, 1971. For a member who became a deferred
5 annuitant before July 1, 1971, the paragraph applies from July
6 1, 1971, if the former active member applies for an annuity
7 after July 1, 1973.

8 (c) If the member initially became a member after June 30,
9 2005, no augmentation is payable on a deferred annuity.

10 (b) (d) The retirement annuity or disability benefit of, or
11 the survivor benefit payable on behalf of, a former member who
12 terminated service before July 1, 1997, or the survivor benefit
13 payable on behalf of a basic or police and fire member who was
14 receiving disability benefits before July 1, 1997, which is
15 first payable after June 30, 1997, must be increased on an
16 actuarial equivalent basis to reflect the change in the
17 postretirement interest rate actuarial assumption under section
18 356.215, subdivision 8, from five percent to six percent under a
19 calculation procedure and tables adopted by the board and
20 approved by the actuary retained by the Legislative Commission
21 on Pensions and Retirement.

22 Sec. 6. Minnesota Statutes 2004, section 353E.05, is
23 amended to read:

24 353E.05 [AUGMENTATION IN CERTAIN CASES.]

25 Unless prior service has been transferred or unless a
26 combined service annuity under section 356.30 has been elected,
27 an employee who becomes a local government correctional employee
28 after being a member of the Public Employees Retirement
29 Association or the public employees police and fire fund is
30 covered under section 353.71, subdivision 2, with respect to
31 that prior service. An employee who became an employee before
32 July 1, 2005, and who becomes a member of the Public Employees
33 Retirement Association or the public employees police and fire
34 plan after being a local government correctional employee is
35 also covered under section 353.71, subdivision 2, with respect
36 to that prior service, unless calculated under section 356.30.

1 Sec. 7. Minnesota Statutes 2004, section 354.44,
2 subdivision 6, is amended to read:

3 Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT
4 ANNUITY.] (a) The formula retirement annuity must be computed in
5 accordance with the applicable provisions of the formulas stated
6 in paragraph (b) or (d) on the basis of each member's average
7 salary for the period of the member's formula service credit.

8 For all years of formula service credit, "average salary,"
9 for the purpose of determining the member's retirement annuity,
10 means the average salary upon which contributions were made and
11 upon which payments were made to increase the salary limitation
12 provided in Minnesota Statutes 1971, section 354.511, for the
13 highest five successive years of formula service credit
14 provided, however, that such "average salary" shall not include
15 any more than the equivalent of 60 monthly salary payments.
16 Average salary must be based upon all years of formula service
17 credit if this service credit is less than five years.

18 (b) This paragraph, in conjunction with paragraph (c),
19 applies to a person who first became a member of the association
20 or a member of a pension fund listed in section 356.30,
21 subdivision 3, before July 1, 1989, unless paragraph (d), in
22 conjunction with paragraph (e), produces a higher annuity
23 amount, in which case paragraph (d) applies. The average salary
24 as defined in paragraph (a), multiplied by the following
25 percentages per year of formula service credit shall determine
26 the amount of the annuity to which the member qualifying
27 therefor is entitled:

	Coordinated Member	Basic Member
28		
29 Each year of service	the percent	the percent
30 during first ten	specified in	specified in
31	section 356.315,	section 356.315,
32	subdivision 1,	subdivision 3,
33	per year	per year
34 Each year of service	the percent	the percent
35 thereafter	specified in	specified in
36	section 356.315,	section 356.315,

1 subdivision 2, subdivision 4,
2 per year per year

3 (c)(i) This paragraph applies only to a person who first
4 became a member of the association or a member of a pension fund
5 listed in section 356.30, subdivision 3, before July 1, 1989,
6 and whose annuity is higher when calculated under paragraph (b),
7 in conjunction with this paragraph than when calculated under
8 paragraph (d), in conjunction with paragraph (e).

9 (ii) Where any member retires prior to normal retirement
10 age under a formula annuity, the member shall be paid a
11 retirement annuity in an amount equal to the normal annuity
12 provided in paragraph (b) reduced by one-quarter of one percent
13 for each month that the member is under normal retirement age at
14 the time of retirement except that for any member who has 30 or
15 more years of allowable service credit, the reduction shall be
16 applied only for each month that the member is under age 62.

17 (iii) Any member whose attained age plus credited allowable
18 service totals 90 years is entitled, upon application, to a
19 retirement annuity in an amount equal to the normal annuity
20 provided in paragraph (b), without any reduction by reason of
21 early retirement.

22 (d) This paragraph applies to a member who has become at
23 least 55 years old and first became a member of the association
24 after June 30, 1989, and to any other member who has become at
25 least 55 years old and whose annuity amount when calculated
26 under this paragraph and in conjunction with paragraph (e), is
27 higher than it is when calculated under paragraph (b), in
28 conjunction with paragraph (c). The average salary, as defined
29 in paragraph (a) multiplied by the percent specified by section
30 356.315, subdivision 4, for each year of service for a basic
31 member and by the percent specified in section 356.315,
32 subdivision 2, for each year of service for a coordinated member
33 shall determine the amount of the retirement annuity to which
34 the member is entitled.

35 (e) This paragraph applies to a person who has become at
36 least 55 years old and first becomes a member of the association

1 after June 30, 1989, and to any other member who has become at
2 least 55 years old and whose annuity is higher when calculated
3 under paragraph (d) in conjunction with this paragraph than when
4 calculated under paragraph (b), in conjunction with paragraph
5 (c). An employee who retires under the formula annuity before
6 the normal retirement age shall be paid the normal annuity
7 provided in paragraph (d) reduced so that the reduced annuity is
8 the actuarial equivalent of the annuity that would be payable to
9 the employee if the employee deferred receipt of the annuity and
10 the annuity amount were augmented at an annual rate of three
11 percent compounded annually from the day the annuity begins to
12 accrue until the normal retirement age if the employee became an
13 employee before July 1, 2005, and is the actuarial equivalent of
14 the annuity that would be payable to the employee if the
15 employee initially became a member after June 30, 2005.

16 (f) No retirement annuity is payable to a former employee
17 with a salary that exceeds 95 percent of the governor's salary
18 unless and until the salary figures used in computing the
19 highest five successive years average salary under paragraph (a)
20 have been audited by the Teachers Retirement Association and
21 determined by the executive director to comply with the
22 requirements and limitations of section 354.05, subdivisions 35
23 and 35a.

24 Sec. 8. Minnesota Statutes 2004, section 354.55,
25 subdivision 11, is amended to read:

26 Subd. 11. [DEFERRED ANNUITY; AUGMENTATION.] (a) Any person
27 covered under section 354.44, subdivision 6, who ceases to
28 render teaching service, may leave the person's accumulated
29 deductions in the fund for the purpose of receiving a deferred
30 annuity at retirement. Eligibility for an annuity under this
31 subdivision is governed pursuant to section 354.44, subdivision
32 1, or 354.60.

33 (b) The amount of the deferred retirement annuity is
34 determined by section 354.44, subdivision 6, and augmented as
35 provided in this subdivision. The required reserves related to
36 that portion of the annuity which had accrued when the member

1 ceased to render teaching service must be augmented by interest
2 compounded annually from the first day of the month following
3 the month during which the member ceased to render teaching
4 service to the effective date of retirement. There shall be no
5 augmentation if this period is less than three months or if this
6 period commences prior to July 1, 1971. If the member became a
7 member before July 1, 2005, the rates of interest used for this
8 purpose must be five percent compounded annually commencing July
9 1, 1971, until January 1, 1981, and three percent compounded
10 annually thereafter until January 1 of the year following the
11 year in which the former member attains age 55. From that date
12 to the effective date of retirement, the rate is five percent
13 compounded annually. If a person has more than one period of
14 uninterrupted service, a separate average salary determined
15 under section 354.44, subdivision 6, must be used for each
16 period and the required reserves related to each period must be
17 augmented by interest pursuant to this subdivision. The sum of
18 the augmented required reserves so determined shall be the basis
19 for purchasing the deferred annuity. If a person repays a
20 refund, the service restored by the repayment must be considered
21 as continuous with the next period of service for which the
22 person has credit with this fund. If a person does not render
23 teaching service in any one fiscal year or more consecutive
24 fiscal years and then resumes teaching service, the formula
25 percentages used from the date of the resumption of teaching
26 service must be those applicable to new members. The mortality
27 table and interest assumption used to compute the annuity must
28 be the applicable mortality table established by the board under
29 section 354.07, subdivision 1, and the interest rate assumption
30 under section 356.215 in effect when the member retires. A
31 period of uninterrupted service for the purposes of this
32 subdivision means a period of covered teaching service during
33 which the member has not been separated from active service for
34 more than one fiscal year.

35 (c) In no case shall the annuity payable under this
36 subdivision be less than the amount of annuity payable pursuant

1 to section 354.44, subdivision 6. If the member initially
2 became a member after June 30, 2005, no augmentation is payable
3 on a deferred annuity.

4 (d) The requirements and provisions for retirement before
5 normal retirement age contained in section 354.44, subdivision
6 6, clause (3) or (5), shall also apply to an employee fulfilling
7 the requirements with a combination of service as provided in
8 section 354.60.

9 (e) The augmentation provided by this subdivision applies
10 to the benefit provided in section 354.46, subdivision 2.

11 (f) The augmentation provided by this subdivision shall not
12 apply to any period in which a person is on an approved leave of
13 absence from an employer unit covered by the provisions of this
14 chapter.

15 (g) The retirement annuity or disability benefit of, or the
16 survivor benefit payable on behalf of, a former teacher who
17 terminated service before July 1, 1997, which is not first
18 payable until after June 30, 1997, must be increased on an
19 actuarial equivalent basis to reflect the change in the
20 postretirement interest rate actuarial assumption under section
21 356.215, subdivision 8, from five percent to six percent under a
22 calculation procedure and tables adopted by the board as
23 recommended by an approved actuary and approved by the actuary
24 retained by the Legislative Commission on Pensions and
25 Retirement.

26 Sec. 9. Minnesota Statutes 2004, section 354A.31,
27 subdivision 7, is amended to read:

28 Subd. 7. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This
29 subdivision applies to a person who has become at least 55 years
30 old and first becomes a coordinated member after June 30, 1989,
31 and to any other coordinated member who has become at least 55
32 years old and whose annuity is higher when calculated using the
33 retirement annuity formula percentage in subdivision 4,
34 paragraph (d), and subdivision 4a, paragraph (d), in conjunction
35 with this subdivision than when calculated under subdivision 4,
36 paragraph (c), or subdivision 4a, paragraph (c), in conjunction

1 with subdivision 6. A coordinated member who retires before the
2 full benefit age shall be paid the retirement annuity calculated
3 using the retirement annuity formula percentage in subdivision
4 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so
5 that the reduced annuity is the actuarial equivalent of the
6 annuity that would be payable to the member if the member
7 deferred receipt of the annuity and the annuity amount were
8 augmented at an annual rate of three percent compounded annually
9 from the day the annuity begins to accrue until the normal
10 retirement age if the member became a member before July 1,
11 2005, and is the actuarial equivalent of the annuity that would
12 be payable to the member if the member initially became a member
13 after June 30, 2005.

14 Sec. 10. Minnesota Statutes 2004, section 354A.37,
15 subdivision 2, is amended to read:

16 Subd. 2. [ELIGIBILITY FOR DEFERRED RETIREMENT ANNUITY.]

17 (a) Any coordinated member who ceases to render teaching
18 services for the school district in which the teachers
19 retirement fund association is located, with sufficient
20 allowable service credit to meet the minimum service
21 requirements specified in section 354A.31, subdivision 1, shall
22 be entitled to a deferred retirement annuity in lieu of a refund
23 pursuant to subdivision 1. The deferred retirement annuity
24 shall be computed pursuant to section 354A.31 and shall be
25 augmented as provided in this subdivision. The deferred annuity
26 shall commence upon application after the person on deferred
27 status attains at least the minimum age specified in section
28 354A.31, subdivision 1.

29 (b) If the coordinated member became a member before July
30 1, 2005, the monthly annuity amount that had accrued when the
31 member ceased to render teaching service must be augmented from
32 the first day of the month following the month during which the
33 member ceased to render teaching service to the effective date
34 of retirement. There is no augmentation if this period is less
35 than three months. The rate of augmentation is three percent
36 compounded annually until January 1 of the year following the

1 year in which the former member attains age 55, and five percent
2 compounded annually after that date to the effective date of
3 retirement. If a person has more than one period of
4 uninterrupted service, a separate average salary determined
5 under section 354A.31 must be used for each period, and the
6 monthly annuity amount related to each period must be augmented
7 as provided in this subdivision. The sum of the augmented
8 monthly annuity amounts determines the total deferred annuity
9 payable. If a person repays a refund, the service restored by
10 the repayment must be considered as continuous with the next
11 period of service for which the person has credit with the
12 fund. If a person does not render teaching services in any one
13 fiscal year or more consecutive fiscal years and then resumes
14 teaching service, the formula percentages used from the date of
15 resumption of teaching service are those applicable to new
16 members. The mortality table and interest assumption used to
17 compute the annuity are the table established by the fund to
18 compute other annuities, and the interest assumption under
19 section 356.215 in effect when the member retires. A period of
20 uninterrupted service for the purpose of this subdivision means
21 a period of covered teaching service during which the member has
22 not been separated from active service for more than one fiscal
23 year. The augmentation provided by this subdivision applies to
24 the benefit provided in section 354A.35, subdivision 2. The
25 augmentation provided by this subdivision does not apply to any
26 period in which a person is on an approved leave of absence from
27 an employer unit.

28 (c) If the coordinated member initially became a member
29 after June 30, 2005, no augmentation is payable on a deferred
30 annuity.

31 Sec. 11. Minnesota Statutes 2004, section 356.30,
32 subdivision 1, is amended to read:

33 Subdivision 1. [ELIGIBILITY; COMPUTATION OF ANNUITY.] (a)
34 Notwithstanding any provisions of the laws governing the
35 retirement plans enumerated in subdivision 3, a person who has
36 met the qualifications of paragraph (b) may elect to receive a

1 year, with each of the plans, each plan must apply its formula
2 to a prorated service credit for the period of duplicated
3 service based on a fraction of the salary on which deductions
4 were paid to that fund for the period divided by the total
5 salary on which deductions were paid to all plans for the period.

6 (h) If the period of duplicated service credit is less than
7 one-half year, or when added to other service credit with that
8 plan is less than one-half year, the service credit must be
9 ignored and a refund of contributions made to the person in
10 accord with that plan's refund provisions.

11 Sec. 12. [EFFECTIVE DATE.]

12 Sections 1 to 11 are effective on July 1, 2005.

13 ARTICLE 6

14 MAXIMUM RETIREMENT PLAN

15 COVERED SALARY

16 Section 1. Minnesota Statutes 2004, section 356.611,
17 subdivision 1, is amended to read:

18 Subdivision 1. [STATE SALARY LIMITATIONS.] (a)
19 Notwithstanding any provision of law, bylaws, articles of
20 incorporation, retirement and disability allowance plan
21 agreements, or retirement plan contracts to the contrary, the
22 covered salary for pension purposes for a plan participant of a
23 covered retirement fund enumerated in section 356.30,
24 subdivision 3, may not exceed 95 110 percent of the salary
25 established for the governor under section 15A.082 at the time
26 the person received the salary.

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

28 (1) to the governor or to a judge;

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

32 (3) to a state employee as defined under section 43A.02,
33 subdivision 21;

34 (4) to an employee of Gillette Hospital who is covered by
35 the general state employees retirement plan of the Minnesota
36 State Retirement System;

1 (5) to an employee of the Minnesota Crop Improvement
2 Council; or

3 (6) to an employee of the Minnesota Historical Society; or

4 (7) to an employee of the Southern Minnesota Municipal
5 Power Association.

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

11 Sec. 2. [EFFECTIVE DATE.]

12 Section 1 is effective on July 1, 2005.

13 ARTICLE 7

14 EARLY RETIREMENT INCENTIVES

15 Section 1. [EARLY RETIREMENT INCENTIVE.]

16 Subdivision 1. [ELIGIBILITY.] An appointing authority in
17 the executive or legislative branch of state government or the
18 Board of Public Defense or any school district may offer the
19 early retirement incentive in this section to an employee who:

20 (1) has at least five years of allowable service in one or
21 more of the funds listed in Minnesota Statutes, section 356.30,
22 subdivision 3, or has at least five years of coverage by the
23 individual retirement account plan governed by Minnesota
24 Statutes, chapter 354b, and upon retirement is immediately
25 eligible for a retirement annuity or benefit from one or more of
26 these funds; and

27 (2) terminates state or teaching service after the
28 effective date of this section and before September 1, 2005.

29 Subd. 2. [INCENTIVE.] (a) For an employee eligible under
30 subdivision 1, the employer may provide an amount up to \$17,000,
31 to be used:

32 (1) for an employee who terminates state service after the
33 effective date of this section and on or before July 15, 2005,
34 for deposit in the employee's account in the health care savings
35 plan established by Minnesota Statutes, section 352.98; or

36 (2) for an employee who terminates state service after July

1 15, 2005, and before September 1, 2005:

2 (i) notwithstanding Minnesota Statutes, section 352.01,
3 subdivision 11, or 354.05, subdivision 13, whichever applies,
4 for purchase of service credit for unperformed service
5 sufficient to enable the employee to retire under Minnesota
6 Statutes, section 352.116, subdivision 1, paragraph (b); 353.30;
7 or 354.44, subdivision 6, paragraph (b), whichever applies; or

8 (ii) for purchase of a lifetime annuity or annuity for a
9 specific number of years from the state unclassified retirement
10 program to provide additional benefits under Minnesota Statutes,
11 section 352D.06, subdivision 1.

12 (b) An employee is eligible for the payment under paragraph
13 (a), clause (2), item (i), if the employee uses money from a
14 deferred compensation account that, combined with the payment
15 under paragraph (a), clause (2), item (i), would be sufficient
16 to purchase enough service credit to qualify for retirement
17 under Minnesota Statutes, section 352.116, subdivision 1,
18 paragraph (b); 353.30, subdivision 1a; or 354.44, subdivision 6,
19 paragraph (b), whichever applies.

20 Subd. 3. [DESIGNATION OF POSITIONS; EMPLOYER
21 DISCRETION.] Before offering an incentive under this section, an
22 appointing authority must designate the job classifications or
23 positions within job classifications that qualify for the
24 incentive. The appointing authority may modify this designation
25 at any time. Designation of positions eligible for the
26 incentive under this section, participation of individual
27 employees, and the amount of the payment under this section are
28 at the sole discretion of the appointing authority. Unilateral
29 implementation of this section by the employer is not an unfair
30 labor practice under Minnesota Statutes, chapter 179A.

31 Sec. 2. [POSTRETIREMENT EMPLOYMENT.]

32 (a) This section applies to a state employee who:

33 (1) on the effective date of this section is regularly
34 scheduled to work 1,044 or more hours a year in a position
35 covered by the Minnesota state retirement system general
36 employees retirement plan, correctional plan, or unclassified

1 plan;

2 (2) enters into an agreement with the appointing authority
3 to work a reduced schedule that is both (i) a reduction of at
4 least 25 percent from the number of regularly scheduled work
5 hours; and (ii) 1,044 hours or less in the covered position; and

6 (3) at the time of entering into the agreement under clause
7 (2), meets the age and service requirements necessary to receive
8 an unreduced retirement benefit from the plan.

9 (b) Notwithstanding any law to the contrary, for service
10 under an agreement entered into under paragraph (a), an employee:

11 (1) may receive a retirement annuity from the plan without
12 separating from state service; and

13 (2) is not subject to the cessation of annuity provisions
14 in Minnesota Statutes, section 352.115, subdivision 10.

15 (c) The amount of hours worked, the work schedule, and the
16 duration of the phased retirement employment must be mutually
17 agreed to by the employee and the appointing authority. The
18 appointing authority may not require a person to waive any
19 rights under a collective bargaining agreement as a condition of
20 participation under this section. The appointing authority has
21 sole discretion to determine if and the extent to which phased
22 retirement under this section is available to an employee. Upon
23 expiration of an agreement entered into under this section, the
24 appointing authority must restore the position to its status
25 prior to the agreement.

26 (d) Notwithstanding any law to the contrary, a person may
27 not earn service credit in the Minnesota state retirement system
28 for employment covered under this section, and employer
29 contributions and payroll deductions for the retirement fund
30 must not be made based on earnings of a person working under
31 this section. No change shall be made to a monthly annuity or
32 retirement allowance based on employment under this section.

33 (e) A person who works under this section is a member of
34 the appropriate bargaining unit; is covered by the appropriate
35 collective bargaining contract or compensation plan; and is
36 eligible for health care coverage as provided in the collective

1 bargaining contract or compensation plan.

2 (f) An agreement under this section may apply only to work
3 through June 30, 2007.

4 Sec. 3. [VOLUNTARY HOUR REDUCTION PLAN.]

5 (a) This section applies to a state employee who:

6 (1) on the effective date of this section is regularly
7 scheduled to work 1,044 or more hours a year in a position
8 covered by a pension plan administered by the Minnesota state
9 retirement system; and

10 (2) enters into an agreement with the appointing authority
11 to work a reduced schedule of 1,044 hours or less in the covered
12 position.

13 (b) Notwithstanding any law to the contrary, for service
14 under an agreement entered into under paragraph (a),
15 contributions may be made to the applicable plan of the
16 Minnesota state retirement system as if the employee had not
17 reduced hours. The employee must pay the additional employee
18 contributions and the employer must pay the additional employer
19 contributions necessary to bring the service credit and salary
20 up to the level prior to the voluntary reduction in hours.
21 Contributions must be made in a time and manner prescribed by
22 the executive director of the Minnesota state retirement system.

23 (c) The amount of hours worked, the work schedule, and the
24 duration of the voluntary hour reduction must be mutually agreed
25 to by the employee and the appointing authority. The appointing
26 authority may not require a person to waive any rights under a
27 collective bargaining agreement as a condition of participation
28 under this section. The appointing authority has sole
29 discretion to determine if and the extent to which voluntary
30 hour reduction under this section is available to an employee.

31 (d) A person who works under this section is a member of
32 the appropriate bargaining unit; is covered by the appropriate
33 collective bargaining contract or compensation plan; and is
34 eligible for health care coverage as provided in the collective
35 bargaining contract or compensation plan.

36 (e) An agreement under this section may apply only to work

1 through June 30, 2007.

2 Sec. 4. [VOLUNTARY UNPAID LEAVE OF ABSENCE.]

3 Appointing authorities in state government may allow each
4 employee to take unpaid leaves of absence for up to 1,044 hours
5 between June 1, 2005, and June 30, 2007. Each appointing
6 authority approving such a leave shall allow the employee to
7 continue accruing vacation and sick leave, be eligible for paid
8 holidays and insurance benefits, accrue seniority, and accrue
9 service credit and credited salary in the state retirement plans
10 as if the employee had actually been employed during the time of
11 leave. An employee covered by the unclassified plan may
12 voluntarily make both the employee and employer contributions to
13 the unclassified plan during the leave of absence. For
14 employees covered by another retirement plan administered by the
15 Minnesota State Retirement System, the employee must pay the
16 additional employee contributions and the employer must pay the
17 additional employer contributions necessary to bring the service
18 credit and salary credit up to the level prior to the voluntary
19 reduction in hours. Contributions must be made at a time and in
20 a manner prescribed by the executive director of the Minnesota
21 State Retirement System. If the leave of absence is for one
22 full pay period or longer, any holiday pay shall be included in
23 the first payroll warrant after return from the leave of
24 absence. The appointing authority shall attempt to grant
25 requests for the unpaid leaves of absence consistent with the
26 need to continue efficient operation of the agency. However,
27 each appointing authority shall retain discretion to grant or
28 refuse to grant requests for leaves of absence and to schedule
29 and cancel leaves, subject to the applicable provisions of
30 collective bargaining agreements and compensation plans.

31 Sec. 5. [RELATIONSHIP OF SECTIONS.]

32 (a) An employee covered by a phased retirement agreement
33 under section 2 may not be covered by the voluntary hour
34 reduction provisions of section 3 or by a voluntary unpaid leave
35 of absence agreement under section 4 during the same time period
36 or any later time period.

1 (b) An employee covered by the voluntary hour reduction
2 provisions of section 3:

3 (1) may not be covered by a phased retirement agreement
4 under section 2 during the same time period, but may be covered
5 by a phased retirement agreement under section 2 during a later
6 time period; and

7 (2) may be covered by the voluntary leave of absence
8 provision of section 4 during an earlier or later time period.

9 (c) An employee may receive the early retirement incentive
10 in section 1 after being covered under section 2, 3, or 4. An
11 employee who receives an incentive under section 1 may not later
12 be covered by section 2, 3, or 4.

13 Sec. 6. [EFFECTIVE DATE.]

14 Sections 1 to 5 are effective the day following final
15 enactment.

16 ARTICLE 8

17 APPROPRIATION

18 Section 1. [APPROPRIATION.]

19 There is appropriated from the general fund to the
20 commissioner of finance for the purposes of offsetting the
21 impact of the changes in article .., sections .. to .., \$.....
22 for the year ending June 30, 2006, and \$..... for the year
23 ending June 30, 2007.

24 Sec. 2. [EFFECTIVE DATE.]

25 Section 1 is effective on July 1, 2005."

26 Delete the title and insert:

27 "A bill for an act

28 relating to retirement; statewide and major local
29 retirement plans; providing for various member and
30 employer contribution rate increases; restructuring
31 the statewide Teachers Retirement Association fund and
32 benefit plan; providing a special postretirement
33 adjustment to certain pre-1969 teachers; changing
34 deferred annuities augmentation for new retirement
35 plan members; creating a public pension plan default
36 insurance pool; increasing the maximum retirement plan
37 covered salary figure; providing certain early
38 retirement incentives; appropriating money; amending
39 Minnesota Statutes 2004, sections 352.04, subdivisions
40 2, 3, 12; 352.116, subdivision 1a; 352.72, subdivision
41 2; 352.911, subdivision 5; 352.92, subdivisions 1, 2;
42 352B.02, subdivisions 1a, 1c, 1d; 352B.30, subdivision
43 2; 352D.04, subdivision 2; 352D.09, subdivision 7;
44 353.27, subdivisions 1, 2, 3, 3a, by adding a

1 subdivision; 353.30, subdivision 5; 353.65,
2 subdivisions 2, 3, 6; 353.71, subdivision 2; 353E.01,
3 subdivision 5; 353E.05; 354.05, subdivisions 2, 13;
4 354.42, subdivisions 2, 3, by adding a subdivision;
5 354.44, subdivisions 6, 6; 354.55, subdivision 11;
6 354A.011, subdivisions 15a, 27; 354A.021, subdivisions
7 1, 4; 354A.092; 354A.093, subdivision 1; 354A.095;
8 354A.096; 354A.12, subdivisions 1, 2, 2a, 3a, 3b, 3c,
9 3d; 354A.30; 354A.31, subdivisions 4, 7; 354A.32,
10 subdivision 1; 354A.37, subdivision 2; 354A.39;
11 354A.40, subdivision 1; 354A.41; 356.20, subdivision
12 2; 356.214, subdivision 1; 356.215, subdivision 8;
13 356.30, subdivisions 1, 3; 356.302, subdivision 7;
14 356.303, subdivision 4; 356.315, by adding a
15 subdivision; 356.42, subdivision 3; 356.465,
16 subdivision 3; 356.611, subdivision 1; 423A.02,
17 subdivision 1b; proposing coding for new law in/as
18 Minnesota Statutes, chapters 126C; 128D; 354; 356;
19 repealing Minnesota Statutes 2004, sections 354A.051;
20 354A.105; 354A.23, subdivision 1; 354A.28."

Consolidated Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 04/22/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agencies: Employee Relations (04/01/05)
 State Colleges & Universities (04/06/05)
 Teachers Retirement Assn (03/23/05)
 Public Defense Board (03/29/05)

Supreme Court (03/29/05)
 Minnesota State Retirement Sys (04/05/05)
 Public Employees Retirement (03/25/05)
 Legislature (04/22/05)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
General Fund	913	(1,380)	(4,263)	0	0
State Colleges & Universities		1,479	(490)		
Legislature	51	(568)	(620)		
Employee Relations	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Employee Relations	2,250	(5,980)	(8,231)	0	0
Revenues					
State Employees Retirement Fund		(154)	(154)		
Minnesota State Retirement Sys		(154)	(154)		
Net Cost <Savings>					
General Fund	913	(1,380)	(4,263)	0	0
State Colleges & Universities		1,479	(490)		
Legislature	51	(568)	(620)		
Employee Relations	862	(2,291)	(3,153)	0	0
State Employees Retirement Fund		154	154		
Minnesota State Retirement Sys		154	154		
All Other Fund	2,250	(5,980)	(8,231)	0	0
Employee Relations	2,250	(5,980)	(8,231)	0	0
Total Cost <Savings> to the State	3,163	(7,206)	(12,340)	0	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KRISTI SCHROEDL

Date: 04/22/05 Phone: 215-0595

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 04/01/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Employee Relations

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Total Cost <Savings> to the State	3,112	(8,271)	(11,384)	0	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

BILL DESCRIPTION:

Provides voluntary unpaid leave options and early retirement incentives to state employees: 1) Executive and legislative branch appointing authorities may offer retirement incentives up to \$17,000 to employees with at least 5 years of service who separate after the effective date of the bill and before September 1, 2005. Each appointing authority has discretion to offer incentives and set the amount, up to the stated maximum. 2) Through June 30, 2007, state employees in the MSRS general, correctional and unclassified plans may agree with their appointing authority to work a reduced schedule of 1044 hours or less, while qualifying to receive an unreduced annuity. The employee would earn no further retirement service credit and neither the employee nor employer would make retirement contributions. When the agreement ends, the position must be restored to its former status. 3) Through June 30, 2007, state employees in positions under any MSRS pension plan may agree with their appointing authority to work 1044 hours or less with both the employee and employer making unreduced retirement contributions. 4) Between June 1, 2005, and June 30, 2007, state government appointing authorities may allow employees to take up to 1044 hours of unpaid leave with employees receiving unreduced leave accruals, holiday pay, insurance contributions, and seniority and retirement credit.

ASSUMPTIONS:

General: Fiscal impact is divided between the General Fund and all other funds based on the distribution of total employee compensation costs in the Executive Branch. For Executive Branch employees, 27.7% of costs are paid by the General Fund and 72.3% by other funds. The average Executive Branch hourly salary, not including benefits, is \$22.42. Estimated insurance savings assume calendar 2005 rates. The weighted average assumes the current state employee group population breakdown of 40% with single coverage and 60% with family coverage. Figures for the partial employer insurance contribution assume the 75% rate that appears in the majority of state employee contracts and plans.

Insurance	Single	Family	Weighted Average
Savings per employee for reduction from full to no employer insurance contribution	\$4,905	\$12,473	\$9,445
Savings per employee for reduction from full to partial employer insurance contribution	\$1,226	\$3,118	\$2,361

Early Retirement Incentive: As of June 1, 2005, approximately 8,300 individuals who are employees of the Executive Branch and enrolled in the MSRS General Employees Plan would meet the General Plan criteria for immediate eligibility for a retirement annuity on separation. We assumed 5% of these would receive an incentive with payments distributed equally between FY05 and FY06. We further assumed that some appointing authorities will offer less than the \$17,000 maximum and the average cost will be \$15,000 per retiree.

Postretirement Employment: Approximately 1600 Executive Branch employees currently meet the MSRS General Employees Plan criteria for an unreduced retirement benefit. A participation rate of 15% of eligible employees (240 individuals) was assumed. We further assumed that these are full-time employees receiving the full employer insurance contribution with half reducing to 1044 hours (eligible for partial employer insurance contribution) and half to less than 1044 hours (ineligible for contribution). Among those at less than 1044 hours, half were assumed to reduce to 25% part-time and half to 40%. Estimated retirement savings assume the MSRS General Employees Plan rate of 4%.

Voluntary Hours Reduction: Because of the more generous benefit provisions, most employees will choose to request approval for Voluntary Unpaid Leave. We assumed that Voluntary Hours Reduction use would be 10% of projected Voluntary Unpaid Leave use. We further assumed that employees would not reduce to less than 1044 hours because of the associated loss of state group insurance eligibility.

Voluntary Unpaid Leaves: Leave usage in FY06 and FY07 was assumed to equal the average of hours used over the last three fiscal years (FY02 - FY04).

EXPENDITURE AND/OR REVENUE FORMULA:

Early Retirement Incentive:

Estimated eligible employees based on the number of Executive Branch employees who meet MSRS General Employees Plan criteria for an immediate annuity on separation, as of June 1, 2005.	8,300
Estimated number who would receive an incentive (5% of eligible employees)	415
Estimated total cost based on assumed average incentive amount of \$15,000.	\$6,225,000
Estimated annual cost assuming payments occur equally in FY2005 and FY2006.	\$3,112,500

Postretirement Employment:

Estimated participants 240 (assuming participation by 15% of Executive Branch employees in the MSRS General Employees Plan who meet the Plan's criteria for an unreduced retirement benefit)

	50% Part-time	25% Part-time	40% Part-time
Estimated participants who would work this %	120	60	60
Hours worked/year at this %	1044	522	835.2
Hours reduced/year at this %	1044	1566	1252.8
Estimated salary savings/participant based on hours reduced/year, average hourly salary and 7.65% FICA	(\$25,197)	(\$37,796)	(\$30,236)
Estimated insurance savings/participant	(\$2,361)	(\$9,445)	(\$9,445)
Estimated retirement savings/participant based on average salary and MSRS General Employees Plan rate of 4% of salary	(\$1,873)	(\$1,873)	(\$1,873)
Estimated salary savings - all participants working this %	(\$3,023,649)	(\$2,267,737)	(\$1,814,189)
Estimated insurance savings - all participants working this %	(\$283,344)	(\$566,729)	(\$566,729)
Estimated retirement savings - all participants working this %	(\$224,702)	(\$112,351)	(\$112,351)
Estimated total annual savings for salary, insurance and retirement	(\$3,531,695)	(\$2,946,817)	(\$2,493,270)

Estimated total annual savings for all participants (\$8,971,782)

Voluntary Unpaid Leaves and Voluntary Hours Reduction:

Estimated total annual hours (based on average used FY02 - FY04)	95,842
Estimated annual hours of voluntary unpaid leave (90% of total)	86,258
Average Executive Branch salary without benefits	\$22.42
Estimated annual savings (salary and 7.65% FICA)	(\$2,081,843)
Estimated savings from elimination of employer retirement contribution	(\$77,356)
Estimated total annual savings	(\$2,159,199)

The anticipated hours reduction is converted to an FTE equivalent in order to project the savings associated with individuals moving from the full to partial employer insurance contribution.

Estimated annual hours reduction (10% of total)	9,584
Estimated hours reduction per participating employee	1,044
Estimated number of FTEs	9.18
Average insurance savings per FTE	(\$2,361)
Estimated insurance savings (average savings X FTEs)	(\$21,678)
Average salary and FICA savings per FTE	(\$25,197)
Estimated salary savings (average savings X FTEs)	(\$231,316)
Estimated annual savings (insurance, salary and FICA)	(\$252,994)

Estimated total annual savings from leaves and hour reductions (\$2,412,193)

LONG-TERM FISCAL CONSIDERATIONS:

N/A.

LOCAL GOVERNMENT COSTS:

N/A. Applies only to state employees and appointing authorities.

REFERENCES/SOURCES:

Agency Contact Name: Carol Stein (651-296-2326)
FN Coord Signature: MIKE HOPWOOD
Date: 04/01/05 Phone: 297-5220

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KRISTI SCHROEDL
Date: 04/01/05 Phone: 215-0595

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 04/06/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: State Colleges & Universities

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund		1,479	(490)		
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund		1,479	(490)		
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund		1,479	(490)		
Total Cost <Savings> to the State		1,479	(490)		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

BILL DESCRIPTION:

Provides voluntary unpaid leave options and early retirement incentives to state employees. Executive and legislative branch appointing authorities may offer retirement incentives up to \$17,000 to employees with at least 5 years of service who separate after the effective date of the bill and before September 1, 2005. 2) Through June 30, 2007, state employees in the MSRS general, correctional and unclassified plans may work a reduced schedule, while qualifying to receive an unreduced annuity. 3) Through June 30, 2007, state employees in positions under any MSRS pension plan may work 1044 hours or fewer. 4) Between June 1, 2005, and June 30, 2007, employees may take up to 1044 hours of unpaid leave.

ASSUMPTIONS:

Early Retirement Incentive: As of June 1, 2005, approximately 2,625 individuals who are employees of MnSCU and enrolled in the non-MSRS retirement plans would meet the General Plan criteria for immediate eligibility for a retirement annuity on separation. Assume 5% of these would receive an incentive. We further assumed that some appointing authorities will offer less than the \$17,000 maximum and the average cost will be \$15,000 per retiree.

Assume that the assumptions and calculations for the sections on Postretirement Employment and Voluntary Hours Reduction apply to only employees under MSRS plans. DOER has calculated costs related to all employees covered under MSRS general plan. The following assumptions for Postretirement Employment and Voluntary Hours Reduction and related calculations relate to only the MnSCU employees on the MSRS unclassified plan.

Postretirement Employment: Only those people who are eligible for an unreduced retirement annuity (i.e., rule of 90 or 65 w/3 years of service) would qualify for this incentive. Approximately 11 MnSCU employees categorized as MSRS unclassified currently meet the MSRS criteria for an unreduced retirement benefit. A participation rate of 15% of eligible employees (approximately 2 individuals) was assumed. We further assumed that these are full-time employees receiving the full employer insurance contribution with all reducing to 1,044 hours (eligible for partial employer insurance contribution).

Voluntary Hours Reduction: Assume most employees will choose to request approval for Voluntary Unpaid Leave. Assume that Voluntary Hours Reduction use would be 10% of projected Voluntary Unpaid Leave use. Assume that employees would not reduce to less than 1,044 hours.

Voluntary Unpaid Leaves: Assume leave usage in FY06 and FY07 is approximately the same as FY2003 and FY2004.

EXPENDITURE AND/OR REVENUE FORMULA:

Early Retirement Incentive:

Estimated eligible employees based on the number of employees who meet criteria	2,625
Estimated number who would receive an incentive (5% of eligible employees)	131
Estimated amount of incentive	\$15,000
Estimated total cost based on assumed average incentive amount (for FY2006)	\$1,968,750

Postretirement Employment:

Assume only those people who are eligible for an unreduced retirement annuity (i.e., rule of 90 or 65 with 3 years of service) would qualify for this incentive. Estimated 2 participants (assuming participation by 15% of employees in the MSRS unclassified plan who meet the Plan's criteria for an unreduced retirement benefit)

	50% Part-time
Estimated participants who would work this %	2
Hours worked/year at this %	1,044
Hours reduced/year at this %	1,044
Estimated salary savings/participant based on hours reduced/year, average hourly salary and 7.65% FICA	(\$24,219)
Estimated insurance savings/participant	(\$2,361)

Estimated retirement savings/participant based on average salary and MSRS General Employees Plan rate of 6% of salary	(\$3,147)
Estimated salary savings - all participants working this %	(\$48,438)
Estimated insurance savings - all participants working this %	(\$4,722)
Estimated retirement savings - all participants working this %	(\$6,294)
Estimated total annual savings for salary, insurance and retirement for FY2006 & FY2007	(\$59,454)

Voluntary Hours Reduction

The anticipated hours reduction is converted to an FTE equivalent in order to project the savings associated with individuals moving from the full to partial employer insurance contribution.

Estimated total annual hours	15,777
Estimated annual hours reduction (10% of total)	1,578
Estimated hours reduction per participating employee	1,044
Estimated number of FTEs	1.51
Average insurance savings per FTE	(\$2,361)
Estimated insurance savings (average savings X FTEs)	(\$3,568)
Average salary and FICA savings per FTE	(\$28,232)
Estimated salary savings (average savings X FTEs)	(\$42,664)
Estimated annual savings (insurance, salary and FICA)	(\$46,232)

Voluntary Unpaid Leaves

Estimated total annual hours	15,777
Estimated annual hours of voluntary unpaid leave (90% of total)	14,199
Average Executive Branch salary without benefits	\$25.12
Estimated annual savings (salary and 7.65% FICA)	(\$383,973)

Estimated total annual savings from leaves and hour reductions for FY2006 & FY2007 (\$430,205)

LONG-TERM FISCAL CONSIDERATIONS:

REFERENCES/SOURCES:

Mary J. Millar
 Director, Personnel - State Universities/Workers' Comp Administrator
 Minnesota State Colleges and Universities
 Office of the Chancellor
 500 Wells Fargo Place, 30 East 7th Street
 St. Paul, MN 55101
 Phone: 651-296-2337
 e-mail: mary.millar@so.mnscu.edu

FN Coord Signature: JUDY BORGEN
 Date: 04/06/05 Phone: 296-3544

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JAYNE RANKIN

Date: 04/06/05 Phone: 296-7316

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 04/05/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Minnesota State Retirement Sys

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
State Employees Retirement Fund		(154)	(154)		
Net Cost <Savings>					
State Employees Retirement Fund		154	154		
Total Cost <Savings> to the State		154	154		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Section 1 provides an early retirement incentive. This provision affects the timing of retirements, but does not significantly impact the retirement plan.

Section 2 provides for postretirement employment with continued retirement benefits. Under current law, benefits are stopped for working annuitants, who are over the earnings limits, but are paid out at age 65 if not working. This section continues benefits rather than delaying payment.

Section 3 provides a voluntary hour reduction with continued retirement coverage as if the individual was being paid salary. It also provides for payment of employee and employer contributions for that time.

Section 4 provides for voluntary unpaid leave of absence with continued retirement coverage, but does not provide for employee and employer retirement contributions. The retirement plan would be adding service credit without the normal retirement contributions.

Assumptions

The bill has some administrative impact, but the only cost impact is in Section 4. Based on the estimate from the Department of Employee Relations' fiscal note, Section 4 salary savings will cause missed deductions of \$77,000 from the employees and \$77,000 from the employers at the 4% and 4% contribution rates. Total missed deductions are \$154,000 per year.

FN Coord Signature: ARVIN HERMAN
Date: 04/05/05 Phone: 297-1902

EBO Comments

DOF assumes that all employees in the unclassified plan (which would cover both MnSCU and the legislature) would choose to continue making both the employee and employer contributions to the plan during the voluntary unpaid leave of absence. Hopefully, this helps clarify estimates contained in the fiscal note.

EBO Signature: LEE MEHRKENS
Date: 04/05/05 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 03/23/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Teachers Retirement Assn

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

This bill version has no fiscal effect on our agency.

FN Coord Signature: LUTHER THOMPSON
Date: 03/23/05 Phone: 297-4853

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEE MEHRKENS
Date: 03/23/05 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 03/29/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Public Defense Board

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Assumptions

Since the option of offering the early retirement is at the employer's discretion, and because the employee has a choice, it is difficult to predict what the fiscal impact maybe.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Government Costs

References/Sources

FN Coord Signature: KEVIN KAJER
Date: 03/29/05 Phone: 349-2565

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JIM KING
Date: 03/29/05 Phone: 296-7964

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 03/29/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Supreme Court

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

Bill Description

This bill would authorize a state employee in mutual agreement with the employer to work a reduced work schedule in one of several specified plans involving continuation of pension contributions, use of pension funds if the employee is pension eligible, voluntary unpaid leave of absence with continuation of insurance and other benefits.

Assumptions

Since the plans are voluntary on the part of the employer and the employee, it is not possible to estimate the fiscal impact until the options are presented to the employees. Because of wage reductions, it is anticipated that a small number of employees would participate.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Government Costs

References/Sources

FN Coord Signature: JUDY REHAK
Date: 03/25/05 Phone: 297-7800

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JIM KING
Date: 03/29/05 Phone: 296-7964

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 03/25/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Public Employees Retirement

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Early retirement incentive offering lump sum of \$17,000 per individual to be deposited into healthcare savings plan or to purchase service to get to Rule of 90, and partial (phased) retirement opportunities.

Assumptions

Increase service to reach Rule of 90 would be at full actuarial value, thus fully funding pension benefit.

Long-Term Fiscal Considerations

Limited in application to those eligible to participate between 7/1/05 and 9/1/05.

FN Coord Signature: MARY MOST VANEK

Date: 03/25/05 Phone: 296-8358

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEE MEHRKENS

Date: 03/25/05 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S1057-1E (R) **Complete Date:** 04/22/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Legislature

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	51	(568)	(620)		
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund	51	(568)	(620)		
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	51	(568)	(620)		
Total Cost <Savings> to the State	51	(568)	(620)		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Senate file 1057-1E provides early retirement incentives and voluntary unpaid leave options to state employees, including legislative employees. The incentives are as follows: 1) Early retirement incentive – The appointing authority may offer retirement incentives up to \$17,000 to employees with at least 5 years of service who separate after the effective date of the bill and before Sept 1, 2005; 2) Post-retirement employment – Through June 30, 2007, employees in the MSRS general, correctional and unclassified plans may agree with their appointing authority to work a reduced schedule of 1044 hours or less, while qualifying to receive an unreduced annuity. The employee would earn no further retirement service credit and neither the employee nor employer would make retirement contributions. When the agreement ends, the position must be restored to its former status; 3) Voluntary hours reduction – Through June 30, 2007, employees in positions under any MSRS pension plan may agree with their appointing authority to work 1044 hours or less with both the employee and employer making unreduced retirement contributions; and 4) Voluntary unpaid leaves – between June 1, 2005, and June 30, 2007, appointing authorities may allow employees to take up to 1044 hours of unpaid leave with employees receiving unreduced leave accruals, holiday pay, insurance contributions, and seniority and retirement credit.

Each of these incentives must be individually agreed upon by the employer and the employee. The employer has discretion in deciding whether to offer the options or in deciding who may use the options.

Assumptions

The House, Legislative Auditor and Legislative Coordinating Commission provided information about its employees and their experience with the current voluntary unpaid leave option. The Senate did not report this information. As a result, this note assumes the Senate's staff eligibility for these incentives and its experience with voluntary unpaid leave is consistent with the average calculations derived from other legislative offices.

The average legislative branch salary is approximately \$23/hr. Estimated insurance savings assume calendar 2005 rates. The weighted average assumes the current state employee group population breakdown of 40% with single coverage and 60% with family coverage (as reported in DOER's note). The partial employer insurance contribution rate for legislative employees is 75% for employees working at least 1044 hours but less than 1566 hours and 100% for employees working greater than 1566 hours per year. The legislature does not provide employer paid insurance coverage for those working less than 1044 hours. The following table shows the weighted average estimated insurance savings per participant.

Insurance	Single	Family	Weighted Average
Savings per employee for reduction from full to no employer insurance contribution	\$4,905	\$12,473	\$9,445
Savings per employee for reduction from full to partial employer insurance contribution	\$1,226	\$3,118	\$2,361

Early retirement incentive: As of August 30, 2005, approximately 20%, or 120 of the legislature's 610 employees, would meet the criteria for immediate eligibility for a retirement annuity on separation. This note assumes that 5% of these would receive an incentive with payments distributed evenly between FY05 and FY06.

(This note does not take into account the anticipated salary savings of replacing a more experienced, higher-paid employee, with a lesser experienced, lower-paid employee, or the savings that may result from having to terminate the employee for budgetary reasons and having to pay the terminated employee 6 months insurance continuation coverage or the unemployment compensation that would likely result.)

Post-retirement employment: According to MSRS, 27 legislative employees would be eligible for the post-retirement employment incentive. This note assumes that 15% of employees would participate in this option. This note further assumes that these are full-time employees receiving the full employer insurance contribution with 75% reducing to 1044 hours (eligible for 75% employer insurance contribution) and 25% reducing to less than 1044 hours (ineligible for contribution). Among those at less than 1044 hours, all were assumed to reduce to 25% time. Estimated retirement savings assume MSRS Unclassified Plan rate of 6%.

Voluntary hours reduction: This note assumes that few, if any, legislative employees would choose this option.

The voluntary unpaid leave option offers more generous benefits and would be the preferred option by most employees. It is assumed that only those that have exhausted their voluntary unpaid leave eligibility would participate. For purposes of this note, we assume that voluntary hours reduction use would be 5% of projected voluntary unpaid leave use.

Voluntary unpaid leave: This option is similar to that which is available under current law. Legislative employees have used approximately 40,000 hours of voluntary unpaid leave from June 1, 2003 to date (or 20,000 hours annually). The note assumes that because the legislature is in session, further use will be negligible prior to June 1, 2005. This note assumes the voluntary unpaid leave usage for FY06 and FY07 would be 10% less than the current biennium because: 1) budget cuts have led to reductions in the legislature's workforce, so that managers may not be able to approve requests for salary savings leave; 2) because most legislative employees have not received salary increases for three years, they may not be able to afford the loss of income during these unpaid leaves; and 3) because current law provides that if an unclassified employee taking voluntary unpaid leave pays the applicable employee contribution to retirement, the employer must pay the applicable employer contribution. This bill requires the employee to voluntarily pay both the employee and employer contributions to receive retirement contributions thereby making it less advantageous for employees to take voluntary unpaid leave.

Expenditure and/or Revenue Formula

Early retirement incentive:

Estimated eligible employees based on the number of legislative employees who meet MSRS Unclassified Plan criteria for an immediate annuity on separation, as of August 30, 2005	120
Estimated number who would receive an incentive (5% of eligible employees)	6
Estimated total cost based on incentive amount of \$17,000	102,000
Estimated annual cost assuming payments occur equally in FY05 and FY06	51,000

Post-retirement employment:

Estimated participants 4 (assuming participation by 15% of legislative branch employees that qualify for an unreduced retirement benefit).

	50% Time	25% Time
Estimated participants	3	1
Hours worked per year	1044	522
Hours reduced per year	1044	1566
Estimated salary savings per participant based on hours reduced per year, average hourly salary (\$23/hr), and 7.65% FICA	(\$25,849)	(\$38,773)
Estimated insurance savings per participant	(\$2,361)	(\$9,445)
Estimated retirement savings per participant based on average salary and MSRS Unclassified Plan rate of 6% salary	(\$2,881)	(\$2,881)
Estimated salary savings – all participants	(\$77,547)	(\$38,773)
Estimated insurance savings – all participants	(\$7,083)	(\$9,445)
Estimated retirement savings – all participants	(\$8,643)	(\$2,881)
Estimated total annual savings for salary, insurance and retirement	(\$93,273)	(\$51,099)

Estimated total annual savings for all participants (\$144,372)

Voluntary unpaid leave and voluntary hours reduction:

Estimated total annual hours (based on 10% less than average used from June 1, 2003 to date)	18,000
Estimated annual hours of voluntary unpaid leave (95% of total)	17,100
Average legislative branch salary (hourly rate)	\$23.00
Estimated annual retirement savings	(\$23,598)
Estimated annual savings (salary, 7.65% FICA)	(\$423,387)
Estimated total voluntary unpaid leave savings	(\$446,985)

The anticipated hours reduction is converted to an FTE equivalent in order to project the savings associated with individuals moving from full to partial employer insurance contribution.

Estimated annual hours reduction (5% of total)	900
Estimated hours reduction per participating employee	1,044
Estimated number of FTE's	1
Average insurance savings per FTE	(\$2,361)
Average salary and FICA savings per FTE	(\$25,849)
Estimated annual savings (insurance, salary/FICA and retirement)	(\$28,210)
Estimated total annual savings from voluntary unpaid leaves and hours reductions	(\$475,195)

Long-Term Fiscal Considerations

N/A

Local Government Costs

N/A

References/Sources

Kelly Knight, House
James Nobles, Legislative Auditor
Eric Jacobson, Legislative Auditor's Office
Dave Bergstrom, MSRS
Larry Martin, Legislative Commission on Pensions and Retirement

FN Coord Signature: CHAD THUET
Date: 04/22/05 Phone: 296-1121

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KRISTI SCHROEDL
Date: 04/22/05 Phone: 215-0595

Consolidated Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 04/06/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agencies: Employee Relations (04/01/05)
 State Colleges & Universities (04/06/05)
 Teachers Retirement Assn (03/23/05)
 Public Defense Board (03/29/05)

Supreme Court (03/29/05)
 Minnesota State Retirement Sys (04/05/05)
 Public Employees Retirement (03/25/05)
 Legislature (04/04/05)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
General Fund	913	(1,848)	(4,730)	0	0
State Colleges & Universities		1,479	(490)		
Legislature	51	(1,036)	(1,087)		
Employee Relations	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Employee Relations	2,250	(5,980)	(8,231)	0	0
Revenues					
State Employees Retirement Fund		(154)	(154)		
Minnesota State Retirement Sys		(154)	(154)		
Net Cost <Savings>					
General Fund	913	(1,848)	(4,730)	0	0
State Colleges & Universities		1,479	(490)		
Legislature	51	(1,036)	(1,087)		
Employee Relations	862	(2,291)	(3,153)	0	0
State Employees Retirement Fund		154	154		
Minnesota State Retirement Sys		154	154		
All Other Fund	2,250	(5,980)	(8,231)	0	0
Employee Relations	2,250	(5,980)	(8,231)	0	0
Total Cost <Savings> to the State	3,163	(7,674)	(12,807)	0	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KRISTI SCHROEDL
 Date: 04/06/05 Phone: 215-0595

Cost 3,163,000
 SAVINGS 20,481,000

 17,318.00

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 04/01/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Employee Relations

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	862	(2,291)	(3,153)	0	0
All Other Fund	2,250	(5,980)	(8,231)	0	0
Total Cost <Savings> to the State	3,112	(8,271)	(11,384)	0	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

BILL DESCRIPTION:

Provides voluntary unpaid leave options and early retirement incentives to state employees: 1) Executive and legislative branch appointing authorities may offer retirement incentives up to \$17,000 to employees with at least 5 years of service who separate after the effective date of the bill and before September 1, 2005. Each appointing authority has discretion to offer incentives and set the amount, up to the stated maximum. 2) Through June 30, 2007, state employees in the MSRS general, correctional and unclassified plans may agree with their appointing authority to work a reduced schedule of 1044 hours or less, while qualifying to receive an unreduced annuity. The employee would earn no further retirement service credit and neither the employee nor employer would make retirement contributions. When the agreement ends, the position must be restored to its former status. 3) Through June 30, 2007, state employees in positions under any MSRS pension plan may agree with their appointing authority to work 1044 hours or less with both the employee and employer making unreduced retirement contributions. 4) Between June 1, 2005, and June 30, 2007, state government appointing authorities may allow employees to take up to 1044 hours of unpaid leave with employees receiving unreduced leave accruals, holiday pay, insurance contributions, and seniority and retirement credit.

ASSUMPTIONS:

General: Fiscal impact is divided between the General Fund and all other funds based on the distribution of total employee compensation costs in the Executive Branch. For Executive Branch employees, 27.7% of costs are paid by the General Fund and 72.3% by other funds. The average Executive Branch hourly salary, not including benefits, is \$22.42. Estimated insurance savings assume calendar 2005 rates. The weighted average assumes the current state employee group population breakdown of 40% with single coverage and 60% with family coverage. Figures for the partial employer insurance contribution assume the 75% rate that appears in the majority of state employee contracts and plans.

Insurance	Single	Family	Weighted Average
Savings per employee for reduction from full to no employer insurance contribution	\$4,905	\$12,473	\$9,445
Savings per employee for reduction from full to partial employer insurance contribution	\$1,226	\$3,118	\$2,361

annual

Early Retirement Incentive: As of June 1, 2005, approximately 8,300 individuals who are employees of the Executive Branch and enrolled in the MSRS General Employees Plan would meet the General Plan criteria for immediate eligibility for a retirement annuity on separation. We assumed 5% of these would receive an incentive with payments distributed equally between FY05 and FY06. We further assumed that some appointing authorities will offer less than the \$17,000 maximum and the average cost will be \$15,000 per retiree.

✓

Postretirement Employment: Approximately 1600 Executive Branch employees currently meet the MSRS General Employees Plan criteria for an unreduced retirement benefit. A participation rate of 15% of eligible employees (240 individuals) was assumed. We further assumed that these are full-time employees receiving the full employer insurance contribution with half reducing to 1044 hours (eligible for partial employer insurance contribution) and half to less than 1044 hours (ineligible for contribution). Among those at less than 1044 hours, half were assumed to reduce to 25% part-time and half to 40%. Estimated retirement savings assume the MSRS General Employees Plan rate of 4%.

Voluntary Hours Reduction: Because of the more generous benefit provisions, most employees will choose to request approval for Voluntary Unpaid Leave. We assumed that Voluntary Hours Reduction use would be 10% of projected Voluntary Unpaid Leave use. We further assumed that employees would not reduce to less than 1044 hours because of the associated loss of state group insurance eligibility.

Voluntary Unpaid Leaves: Leave usage in FY06 and FY07 was assumed to equal the average of hours used over the last three fiscal years (FY02 - FY04).

EXPENDITURE AND/OR REVENUE FORMULA:

Early Retirement Incentive:

Estimated eligible employees based on the number of Executive Branch employees who meet MSRS General Employees Plan criteria for an immediate annuity on separation, as of June 1, 2005.	8,300
Estimated number who would receive an incentive (5% of eligible employees)	415
Estimated total cost based on assumed average incentive amount of \$15,000.	\$6,225,000
Estimated annual cost assuming payments occur equally in FY2005 and FY2006.	\$3,112,500

Postretirement Employment:

Estimated participants 240 (assuming participation by 15% of Executive Branch employees in the MSRS General Employees Plan who meet the Plan's criteria for an unreduced retirement benefit)

	50% Part-time	25% Part-time	40% Part-time
Estimated participants who would work this %	120	60	60
Hours worked/year at this %	1044	522	835.2
Hours reduced/year at this %	1044	1566	1252.8
Estimated salary savings/participant based on hours reduced/year, average hourly salary and 7.65% FICA	(\$25,197)	(\$37,796)	(\$30,236)
Estimated insurance savings/participant	(\$2,361)	(\$9,445)	(\$9,445)
Estimated retirement savings/participant based on average salary and MSRS General Employees Plan rate of 4% of salary	(\$1,873)	(\$1,873)	(\$1,873)
Estimated salary savings - all participants working this %	(\$3,023,649)	(\$2,267,737)	(\$1,814,189)
Estimated insurance savings - all participants working this %	(\$283,344)	(\$566,729)	(\$566,729)
Estimated retirement savings - all participants working this %	(\$224,702)	(\$112,351)	(\$112,351)
Estimated total annual savings for salary, insurance and retirement	(\$3,531,695)	(\$2,946,817)	(\$2,493,270)

Estimated total annual savings for all participants (\$8,971,782)

Voluntary Unpaid Leaves and Voluntary Hours Reduction:

Estimated total annual hours (based on average used FY02 - FY04)	95,842
Estimated annual hours of voluntary unpaid leave (90% of total)	86,258
Average Executive Branch salary without benefits	\$22.42
Estimated annual savings (salary and 7.65% FICA)	(\$2,081,843)
Estimated savings from elimination of employer retirement contribution	(\$77,356)
Estimated total annual savings	(\$2,159,199)

The anticipated hours reduction is converted to an FTE equivalent in order to project the savings associated with individuals moving from the full to partial employer insurance contribution.

Estimated annual hours reduction (10% of total)	9,584
Estimated hours reduction per participating employee	1,044
Estimated number of FTEs	9.18
Average insurance savings per FTE	(\$2,361)
Estimated insurance savings (average savings X FTEs)	(\$21,678)
Average salary and FICA savings per FTE	(\$25,197)
Estimated salary savings (average savings X FTEs)	(\$231,316)
Estimated annual savings (insurance, salary and FICA)	(\$252,994)

Estimated total annual savings from leaves and hour reductions (\$2,412,193)

LONG-TERM FISCAL CONSIDERATIONS:

N/A.

LOCAL GOVERNMENT COSTS:

N/A. Applies only to state employees and appointing authorities.

REFERENCES/SOURCES:

Agency Contact Name: Carol Stein (651-296-2326)
FN Coord Signature: MIKE HOPWOOD
Date: 04/01/05 Phone: 297-5220

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KRISTI SCHROEDL
Date: 04/01/05 Phone: 215-0595

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 04/06/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: State Colleges & Universities

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund		1,479	(490)		
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund		1,479	(490)		
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund		1,479	(490)		
Total Cost <Savings> to the State		1,479	(490)		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

BILL DESCRIPTION:

Provides voluntary unpaid leave options and early retirement incentives to state employees. Executive and legislative branch appointing authorities may offer retirement incentives up to \$17,000 to employees with at least 5 years of service who separate after the effective date of the bill and before September 1, 2005. 2) Through June 30, 2007, state employees in the MSRS general, correctional and unclassified plans may work a reduced schedule, while qualifying to receive an unreduced annuity. 3) Through June 30, 2007, state employees in positions under any MSRS pension plan may work 1044 hours or fewer. 4) Between June 1, 2005, and June 30, 2007, employees may take up to 1044 hours of unpaid leave.

ASSUMPTIONS:

Early Retirement Incentive: As of June 1, 2005, approximately 2,625 individuals who are employees of MnSCU and enrolled in the non-MSRS retirement plans would meet the General Plan criteria for immediate eligibility for a retirement annuity on separation. Assume 5% of these would receive an incentive. We further assumed that some appointing authorities will offer less than the \$17,000 maximum and the average cost will be \$15,000 per retiree.

Assume that the assumptions and calculations for the sections on Postretirement Employment and Voluntary Hours Reduction apply to only employees under MSRS plans. DOER has calculated costs related to all employees covered under MSRS general plan. The following assumptions for Postretirement Employment and Voluntary Hours Reduction and related calculations relate to only the MnSCU employees on the MSRS unclassified plan.

Postretirement Employment: Only those people who are eligible for an unreduced retirement annuity (i.e., rule of 90 or 65 w/3 years of service) would qualify for this incentive. Approximately 11 MnSCU employees categorized as MSRS unclassified currently meet the MSRS criteria for an unreduced retirement benefit. A participation rate of 15% of eligible employees (approximately 2 individuals) was assumed. We further assumed that these are full-time employees receiving the full employer insurance contribution with all reducing to 1,044 hours (eligible for partial employer insurance contribution).

Voluntary Hours Reduction: Assume most employees will choose to request approval for Voluntary Unpaid Leave. Assume that Voluntary Hours Reduction use would be 10% of projected Voluntary Unpaid Leave use. Assume that employees would not reduce to less than 1,044 hours.

Voluntary Unpaid Leaves: Assume leave usage in FY06 and FY07 is approximately the same as FY2003 and FY2004.

EXPENDITURE AND/OR REVENUE FORMULA:

Early Retirement Incentive:

Estimated eligible employees based on the number of employees who meet criteria	2,625
Estimated number who would receive an incentive (5% of eligible employees)	131
Estimated amount of incentive	\$15,000
Estimated total cost based on assumed average incentive amount (for FY2006)	\$1,968,750

Postretirement Employment:

Assume only those people who are eligible for an unreduced retirement annuity (i.e., rule of 90 or 65 with 3 years of service) would qualify for this incentive. Estimated 2 participants (assuming participation by 15% of employees in the MSRS unclassified plan who meet the Plan's criteria for an unreduced retirement benefit)

	50% Part-time
Estimated participants who would work this %	2
Hours worked/year at this %	1,044
Hours reduced/year at this %	1,044
Estimated salary savings/participant based on hours reduced/year, average hourly salary and 7.65% FICA	(\$24,219)
Estimated insurance savings/participant	(\$2,361)

Estimated retirement savings/participant based on average salary and MSRS General Employees Plan rate of 6% of salary	(\$3,147)
Estimated salary savings - all participants working this %	(\$48,438)
Estimated insurance savings - all participants working this %	(\$4,722)
Estimated retirement savings - all participants working this %	(\$6,294)
Estimated total annual savings for salary, insurance and retirement for FY2006 & FY2007	(\$59,454)

Voluntary Hours Reduction

The anticipated hours reduction is converted to an FTE equivalent in order to project the savings associated with individuals moving from the full to partial employer insurance contribution.

Estimated total annual hours	15,777
Estimated annual hours reduction (10% of total)	1,578
Estimated hours reduction per participating employee	1,044
Estimated number of FTEs	1.51
Average insurance savings per FTE	(\$2,361)
Estimated insurance savings (average savings X FTEs)	(\$3,568)
Average salary and FICA savings per FTE	(\$28,232)
Estimated salary savings (average savings X FTEs)	(\$42,664)
Estimated annual savings (insurance, salary and FICA)	(\$46,232)

Voluntary Unpaid Leaves

Estimated total annual hours	15,777
Estimated annual hours of voluntary unpaid leave (90% of total)	14,199
Average Executive Branch salary without benefits	\$25.12
Estimated annual savings (salary and 7.65% FICA)	(\$383,973)

Estimated total annual savings from leaves and hour reductions for FY2006 & FY2007 (\$430,205) —

LONG-TERM FISCAL CONSIDERATIONS:

REFERENCES/SOURCES:

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 Director, Personnel - State Universities/Workers' Comp Administrator
 Minnesota State Colleges and Universities
 Office of the Chancellor
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 St. Paul, MN 55101
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 e-mail: mary.millar@so.mnscu.edu

FN Coord Signature: JUDY BORGEN
 Date: 04/06/05 Phone: 296-3544

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JAYNE RANKIN

Date: 04/06/05 Phone: 296-7316

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 04/05/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Minnesota State Retirement Sys

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
State Employees Retirement Fund		(154)	(154)		
Net Cost <Savings>					
State Employees Retirement Fund		154	154		
Total Cost <Savings> to the State		154	154		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

Bill Description

Section 1 provides an early retirement incentive. This provision affects the timing of retirements, but does not significantly impact the retirement plan.

Section 2 provides for postretirement employment with continued retirement benefits. Under current law, benefits are stopped for working annuitants, who are over the earnings limits, but are paid out at age 65 if not working. This section continues benefits rather than delaying payment.

Section 3 provides a voluntary hour reduction with continued retirement coverage as if the individual was being paid salary. It also provides for payment of employee and employer contributions for that time.

Section 4 provides for voluntary unpaid leave of absence with continued retirement coverage, but does not provide for employee and employer retirement contributions. The retirement plan would be adding service credit without the normal retirement contributions.

Assumptions

The bill has some administrative impact, but the only cost impact is in Section 4. Based on the estimate from the Department of Employee Relations' fiscal note, Section 4 salary savings will cause missed deductions of \$77,000 from the employees and \$77,000 from the employers at the 4% and 4% contribution rates. Total missed deductions are \$154,000 per year.



FN Coord Signature: ARVIN HERMAN
Date: 04/05/05 Phone: 297-1902

EBO Comments

DOF assumes that all employees in the unclassified plan (which would cover both MnSCU and the legislature) would choose to continue making both the employee and employer contributions to the plan during the voluntary unpaid leave of absence. Hopefully, this helps clarify estimates contained in the fiscal note.

EBO Signature: LEE MEHRKENS
Date: 04/05/05 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 03/23/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Teachers Retirement Assn

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

This bill version has no fiscal effect on our agency.

FN Coord Signature: LUTHER THOMPSON
Date: 03/23/05 Phone: 297-4853

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEE MEHRKENS
Date: 03/23/05 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 03/29/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Public Defense Board

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Assumptions

Since the option of offering the early retirement is at the employer's discretion, and because the employee has a choice, it is difficult to predict what the fiscal impact maybe.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Government Costs

References/Sources

FN Coord Signature: KEVIN KAJER
Date: 03/29/05 Phone: 349-2565

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JIM KING
Date: 03/29/05 Phone: 296-7964

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 03/29/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Supreme Court

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

Bill Description

This bill would authorize a state employee in mutual agreement with the employer to work a reduced work schedule in one of several specified plans involving continuation of pension contributions, use of pension funds if the employee is pension eligible, voluntary unpaid leave of absence with continuation of insurance and other benefits.

Assumptions

Since the plans are voluntary on the part of the employer and the employee, it is not possible to estimate the fiscal impact until the options are presented to the employees. Because of wage reductions, it is anticipated that a small number of employees would participate.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Government Costs

References/Sources

FN Coord Signature: JUDY REHAK
Date: 03/25/05 Phone: 297-7800

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: JIM KING
Date: 03/29/05 Phone: 296-7964

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 03/25/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Public Employees Retirement

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
-- No Impact --					
Net Cost <Savings>					
-- No Impact --					
Total Cost <Savings> to the State					

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

Bill Description

Early retirement incentive offering lump sum of \$17,000 per individual to be deposited into healthcare savings plan or to purchase service to get to Rule of 90, and partial (phased) retirement opportunities.

Assumptions

Increase service to reach Rule of 90 would be at full actuarial value, thus fully funding pension benefit.

Long-Term Fiscal Considerations

Limited in application to those eligible to participate between 7/1/05 and 9/1/05.

FN Coord Signature: MARY MOST VANEK

Date: 03/25/05 Phone: 296-8358

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEE MEHRKENS

Date: 03/25/05 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S1057-1E **Complete Date:** 04/04/05

Chief Author: POGEMILLER, LAWRENCE

Title: RETIREMENT INCENTIVES & VOL LEAVE

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Legislature

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	51	(1,036)	(1,087)		
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund	51	(1,036)	(1,087)		
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	51	(1,036)	(1,087)		
Total Cost <Savings> to the State	51	(1,036)	(1,087)		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Senate file 1057-1E provides early retirement incentives and voluntary unpaid leave options to state employees, including legislative employees. The incentives are as follows: 1) Early retirement incentive – The appointing authority may offer retirement incentives up to \$17,000 to employees with at least 5 years of service who separate after the effective date of the bill and before Sept 1, 2005; 2) Post-retirement employment – Through June 30, 2007, employees in the MSRS general, correctional and unclassified plans may agree with their appointing authority to work a reduced schedule of 1044 hours or less, while qualifying to receive an unreduced annuity. The employee would earn no further retirement service credit and neither the employee nor employer would make retirement contributions. When the agreement ends, the position must be restored to its former status; 3) Voluntary hours reduction – Through June 30, 2007, employees in positions under any MSRS pension plan may agree with their appointing authority to work 1044 hours or less with both the employee and employer making unreduced retirement contributions; and 4) Voluntary unpaid leaves – between June 1, 2005, and June 30, 2007, appointing authorities may allow employees to take up to 1044 hours of unpaid leave with employees receiving unreduced leave accruals, holiday pay, insurance contributions, and seniority and retirement credit.

Each of these incentives must be individually agreed upon by the employer and the employee. The employer has discretion in deciding whether to offer the options or in deciding who may use the options.

Assumptions

The House, Legislative Auditor and Legislative Coordinating Commission provided information about its employees and their experience with the current voluntary unpaid leave option. The Senate did not report this information. As a result, this note assumes the Senate’s staff eligibility for these incentives and its experience with voluntary unpaid leave is consistent with the average calculations derived from other legislative offices.

The average legislative branch salary is approximately \$23/hr. Estimated insurance savings assume calendar 2005 rates. The weighted average assumes the current state employee group population breakdown of 40% with single coverage and 60% with family coverage (as reported in DOER’s note). The partial employer insurance contribution rate for legislative employees is 75% for employees working at least 1044 hours but less than 1566 hours and 100% for employees working greater than 1566 hours per year. The legislature does not provide employer paid insurance coverage for those working less than 1044 hours. The following table shows the weighted average estimated insurance savings per participant.

Insurance	Single	Family	Weighted Average
Savings per employee for reduction from full to no employer insurance contribution	\$4,905	\$12,473	\$9,445
Savings per employee for reduction from full to partial employer insurance contribution	\$1,226	\$3,118	\$2,361

Early retirement incentive: As of August 30, 2005, approximately 20%, or 120 of the legislature’s 610 employees, would meet the criteria for immediate eligibility for a retirement annuity on separation. This note assumes that 5% of these would receive an incentive with payments distributed evenly between FY05 and FY06.

(This note does not take into account the anticipated salary savings of replacing a more experienced, higher-paid employee, with a lesser experienced, lower-paid employee, or the savings that may result from having to terminate the employee for budgetary reasons and having to pay the terminated employee 6 months insurance continuation coverage or the unemployment compensation that would likely result.)

Post-retirement employment: According to MSRS, 27 legislative employees would be eligible for the post-retirement employment incentive. This note assumes that 15% of employees would participate in this option. This note further assumes that these are full-time employees receiving the full employer insurance contribution with 75% reducing to 1044 hours (eligible for 75% employer insurance contribution) and 25% reducing to less than 1044 hours (ineligible for contribution). Among those at less than 1044 hours, all were assumed to reduce to 25% time. Estimated retirement savings assume MSRS Unclassified Plan rate of 6%.

Voluntary hours reduction: This note assumes that few, if any, legislative employees would choose this option.

The voluntary unpaid leave option offers more generous benefits and would be the preferred option by most employees. It is assumed that only those that have exhausted their voluntary unpaid leave eligibility would participate. For purposes of this note, we assume that voluntary hours reduction use would be 5% of projected voluntary unpaid leave use.

Voluntary unpaid leave: This option is similar to that which is available under current law. Legislative employees have used approximately 40,000 hours of voluntary unpaid leave from June 1, 2003 to date. The note assumes that because the legislature is in session, further use will be negligible prior to June 1, 2005. This note assumes the voluntary unpaid leave usage for FY06 and FY07 would be 10% less than the current biennium because: 1) budget cuts have led to reductions in the legislature's workforce, so that managers may not be able to approve requests for salary savings leave; 2) because most legislative employees have not received salary increases for three years, they may not be able to afford the loss of income during these unpaid leaves; and 3) because current law provides that if an unclassified employee taking voluntary unpaid leave pays the applicable employee contribution to retirement, the employer must pay the applicable employer contribution. This bill requires the employee to voluntarily pay both the employee and employer contributions to receive retirement contributions thereby making it less advantageous for employees to take voluntary unpaid leave.

Expenditure and/or Revenue Formula

Early retirement incentive:

Estimated eligible employees based on the number of legislative employees who meet MSRS Unclassified Plan criteria for an immediate annuity on separation, as of August 30, 2005	120
Estimated number who would receive an incentive (5% of eligible employees)	6
Estimated total cost based on incentive amount of \$17,000	102,000
Estimated annual cost assuming payments occur equally in FY05 and FY06	51,000

Post-retirement employment:

Estimated participants 4 (assuming participation by 15% of legislative branch employees that qualify for an unreduced retirement benefit).

	50% Time	25% Time
Estimated participants	3	1
Hours worked per year	1044	522
Hours reduced per year	1044	1566
Estimated salary savings per participant based on hours reduced per year, average hourly salary (\$23/hr), and 7.65% FICA	(\$25,849)	(\$38,773)
Estimated insurance savings per participant	(\$2,361)	(\$9,445)
Estimated retirement savings per participant based on average salary and MSRS Unclassified Plan rate of 6% salary	(\$2,881)	(\$2,881)
Estimated salary savings – all participants	(\$77,547)	(\$38,773)
Estimated insurance savings – all participants	(\$7,083)	(\$9,445)
Estimated retirement savings – all participants	(\$8,643)	(\$2,881)
Estimated total annual savings for salary, insurance and retirement	(\$93,273)	(\$51,099)

Estimated total annual savings for all participants (\$144,372)

Voluntary unpaid leave and voluntary hours reduction:

Estimated total annual hours (based on 10% less than average used from June 1, 2003 to date) 36,000

Estimated annual hours of voluntary unpaid leave (95% of total)	34,200
Average legislative branch salary (hourly rate)	\$23.00
Estimated annual retirement savings	(\$47,196)
Estimated annual savings (salary, 7.65% FICA)	(\$846,775)
Estimated total voluntary unpaid leave savings	(\$893,971)

The anticipated hours reduction is converted to an FTE equivalent in order to project the savings associated with individuals moving from full to partial employer insurance contribution.

Estimated annual hours reduction (5% of total)	1,800
Estimated hours reduction per participating employee	1,044
Estimated number of FTE's	1.72
Average insurance savings per FTE	(\$2,361)
Estimated insurance savings total	(\$4,061)
Average salary and FICA savings per FTE	(\$25,849)
Estimated salary savings (avg sal per FTE * 1.72 FTE's)	(\$44,460)
Estimated annual savings (insurance, salary/FICA and retirement)	(\$48,521)
Estimated total annual savings from voluntary unpaid leaves and hours reductions	(\$942,492)

Long-Term Fiscal Considerations

N/A

Local Government Costs

N/A

References/Sources

Kelly Knight, House
James Nobles, Legislative Auditor
Eric Jacobson, Legislative Auditor's Office
Dave Bergstrom, MSRS
Larry Martin, Legislative Commission on Pensions and Retirement

FN Coord Signature: CHAD THUET
Date: 04/01/05 Phone: 296-1121

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KRISTI SCHROEDL
Date: 04/04/05 Phone: 215-0595



Key Components of Amendment _____

- Total consolidation of Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA), effective July 1, 2005.
- 0.3 percent per year increase in formula multiplier for all Coordinated members for **future service only** – increases from 1.7 percent per year to 2.0 percent per year.
- 0.5 percent increase in employee contributions from 5.0 percent to 5.5 percent.
- 0.5 percent increase in employer contributions from 5.0 percent to 5.5 percent. This increase would be funded by state's increase in education aid to school districts.
- 0.3 percent of payroll supplemental employer contributions shared by the City of Minneapolis and District #1
- TRA full funding target extended for 30 years to 2035.
- All existing supplemental contributions continue and will be paid to TRA:
 - Direct state aid totaling \$18,829,000 annually
 - Mandatory local contribution - \$1,125,000 each from the City of Minneapolis and Special School District #1
 - Special School District #1 employer contributions set at 12.64 percent for Basic members and 8.64 percent for Coordinated members (3.14 percent supplemental)

Note: Annual payroll projected to be approximately \$3.5 billion.

0.5 percent of payroll = \$17.5 million

0.3 percent of payroll = \$10.5 million

Exhibit

TRA after merger with MTRFA

With 0.3% multiplier increase for service after 7/1/2004 (TRA active members and MTRFA Coordinated active members only)

MTRFA MVA and 100% of MTRFA Annuitant PVB in MPRIF - 30 year amortization period

Determination of Contribution Sufficiency

July 1, 2004 Valuation - SEGAL

	TRA - Segal 7/1/2004 Val	TRA - Segal 7/1/2004 Val 0.3% increase	MTRFA Coordinated 0.3% Increase, under TRA Provisions/Assumptions	MTRFA Basic MTRFA Provisions TRA Assumptions	Total MTRFA Combined	TRA - Segal 7/1/2004 Val Post Merger w/ Inc	TRA - Segal 7/1/2004 Impact
1. Present Value of Benefits:							
Benefit Recipients	\$ 10,248,982,176	\$ 10,248,982,176	\$ 47,512,673	\$ 1,289,435,042	\$ 1,336,947,715	\$ 11,585,929,891	\$ 1,336,947,715
Former Members	459,060,463	459,060,463	20,698,977	19,221,801	39,920,778	498,981,241	39,920,778
Active Members	9,094,849,060	9,651,572,136	517,873,676	177,680,517	695,554,193	10,347,126,329	1,252,277,269
TOTAL	\$ 19,802,891,699	\$ 20,359,614,775	\$ 586,085,326	\$ 1,486,337,360	\$ 2,072,422,686	\$ 22,432,037,461	\$ 2,629,145,762
2. Present Value of Future Normal Costs	\$ 2,284,107,999	\$ 2,739,813,702	\$ 217,728,630	\$ 11,687,096	\$ 229,415,726	\$ 2,969,229,428	\$ 685,121,429
3. Actuarial Accrued Liability (1. - 2.)	\$ 17,518,783,700	\$ 17,619,801,073	\$ 368,356,696	\$ 1,474,650,264	\$ 1,843,006,960	\$ 19,462,808,033	\$ 1,944,024,333
4. Assets							
MPRIF - smoothed	\$ 10,092,954,741	\$ 10,092,954,741				\$ 11,429,902,456	\$ 1,336,947,715
non-MPRIF AVA	7,426,954,609	7,426,954,609				6,833,584,984	(593,369,625)
TOTAL AVA	\$ 17,519,909,350	\$ 17,519,909,350				\$ 18,263,487,440	\$ 743,578,090
5. Unfunded Actuarial Accrued Liability	\$ (1,125,650)	\$ 99,891,723				\$ 1,199,320,593	\$ 1,200,446,243
6. Required Contributions - Chapter 356							
Normal Cost	8.07%	9.82%	10.33%	15.08%	10.77%	9.89%	1.82%
Supplemental (UAL Amort)	0.00%	0.17%				1.87%	1.87%
Expenses	0.39%	0.39%				0.39%	0.00%
TOTAL	8.46%	10.38%				12.15%	3.69%
7. Statutory Contributions - Chapter 354A							
Employee	5.00%	5.50%	5.50%	8.50%	5.78%	5.52%	0.52%
Employer	5.00%	5.50%	8.64%	12.64%	9.02%	5.75%	0.75%
Special (Legislations)	0.00%	0.00%				0.62%	0.62%
TOTAL	10.00%	11.00%				11.89%	1.89%
Sufficiency/(Deficiency)	1.54%	0.62%				-0.26%	-1.80%
Projected annual payroll	\$ 3,206,759,440	\$ 3,206,759,440	\$ 225,606,119	\$ 23,507,957	\$ 249,114,076	\$ 3,455,873,516	

Notes:

a. Segal has calculated the Statutory Special Contribution for TRA After Merger using the Legislation amounts from the MTRFA 7/1/2004 valuation as shown below. The contribution rate is determined as the total amount below, divided by the projected annual payroll, resulting in 0.62% of payroll.

Statutory Special/Supplemental Contribution from MTRFA 7/1/2004 Val:

i. 1993 Legislation	\$ 5,000,000
ii. 1996 Legislation	3,015,000
iii. 1997 Legislation	13,314,000
TOTAL	\$ 21,329,000

b. The assets transferred from MTRFA to TRA are equal to MTRFA MVA as of 7/1/2004 (\$763,089,276). Also, 100% of the total MTRFA Benefit Recipient (Annuitant) Present Value of Benefits (PVB) is allocated to TRA MPRIF.

c. The amortization of the Unfunded Actuarial Accrued Liability is over 30 years.

d. TRA active members and MTRFA Coordinated active members receive a 0.3% multiplier increase for service after July 1, 2004.

e. MTRFA Employee and Employer Contribution Rates under MTRFA provisions, with the exception of MTRFA Employer rates increased by 0.50%. TRA Employee and Employer Contribution Rates are 5.50%.



Teachers Retirement Association

Comparing Minnesota TRA with All Similar Statewide Teachers Retirement Systems (Non-Social Security States Excluded)

Rank	State	Formula Multiplier	Final Avg Salary	Normal Retirement Age/Service	2001-02	Contributions	
					Salary Rank 50 states + DC	Employee	Employer
1	Pennsylvania	2.50	High-3	62/1, 60/30, A35	6	7.50	1.94
2	New Mexico	2.35	5	65/5, A25, R75	43	7.60	8.65
3	Texas	2.30	3	65/5, R80	26	6.40	6.00
4	Rhode Island	2.20	3	60/10, A28	8	9.50	9.95
5	Arkansas	2.15	3	60/5, A28	47	6.00	12.00
6	Arizona	2.10	3	65/A, 62/10, R80	40	2.49	2.49
7	Alabama	2.01	3	60/10, A25	27	5.00	5.96
8	Georgia	2.00	2	60/10, A30	16	5.00	9.24
9	New York	2.00	3	62/5, 55/30	4	3.00	0.36
10	Oklahoma	2.00	5	62/10, R90	46	7.00	11.50
11	Utah	2.00	3	65/4, A30	38	0.00	10.40
12	Wyoming	2.00	3	60/4, R85	35	5.57	5.68
13	Iowa	2.00	3	65/A, 62/20, R88	33	3.70	5.75
14	Hawaii	2.00	3	55/5	22	7.80	10.20
15	Idaho	2.00	3.5	65/5, R90	37	5.86	9.77
16	Washington	2.00	5	60/5, 55/25, A30	18	6.00	1.27
17	West Virginia	2.00	5	60/5, 55/30, A35	41	6.00	20.01
18	Nebraska	2.00	3	65/5, R85	44	7.25	7.32
19	North Dakota	2.00	3	65/3, R85	50	7.75	7.75
20	Mississippi	2.00	4	60/4, A25	49	7.25	9.75
21	Delaware	1.85	3	62/5, 60/15, A30	11	3.00	7.44
22	South Carolina	1.82	3	65/A, A28	28	6.00	7.55
23	New Jersey	1.82	3	60/A	1	3.00	12.42
24	North Carolina	1.81	4	65/5, 60/25, A30	21	6.00	5.00
25	Maryland	1.80	3	60/A, A30	13	7.00	9.35
26	Wisconsin	1.77	3	65/A, 57/30	20	5.20	3.80
27	Kansas	1.75	3	65/A, 62/10, R85	42	4.00	4.78
28	Minnesota - Level	1.70	5	65/3 (66/3 for post '89)	19	5.00	5.00
29	Florida	1.68	5	62/6, A30	31	0.00	6.19
30	Vermont	1.67	3	62/5, A30	30	3.54	5.49
31	New Hampshire	1.67	3	60/A	29	5.00	3.97
32	Montana	1.67	3	60/5, A25	48	7.15	7.58
33	Oregon	1.67	3	58/A, A30	17	6.00	12.73
34	Minnesota - Step (R90)*	1.53	5	65/3, 62/30, R90	19	5.00	5.00
35	Michigan	1.50	3	60/10, A30	5	4.30	12.17
Average		1.92	3.44	U.S. Average	13.5	5.34	7.56

*Step Formula = 1.2% for first 10 years, 1.7% thereafter;
for first 30 years of service, multiplier averages 1.53% per year

A = Any
Example: A30 = any age with 30 years of service;
65/A= 65 years of age with any service

R = Rule of
Example: R80 = rule of 80

Source: Characteristics of 100 Large Public Pension Plans, NEA (Nov 2002)
Rankings & Estimates, NEA Research, 2002