

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
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Senate

State of Minnesota

S.F. No. 2840 - Employment Leaves for Organ Donation

Author: Senator Linda Scheid

Prepared by: John C. Fuller, Senate Counsel (651/296-3914) JCF

Date: March 24, 2006

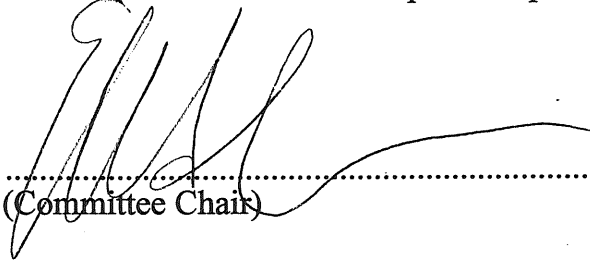
A public employer with more than 20 employees is required to grant an employee who works an average of 20 hours or more a week a paid leave of absence for absences due to medical procedures to donate an organ. The aggregate amount of leave cannot exceed 40 work hours per donation. Employer retaliation against an employee for taking a leave is prohibited.

JCF:cs

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was re-referred**

1.3 **S.F. No. 2840:** A bill for an act relating to employment; providing paid organ
1.4 donation leave for certain public employees; proposing coding for new law in Minnesota
1.5 Statutes, chapter 181.

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


.....
(Committee Chair)

1.8
1.9

1.10 March 27, 2006
1.11 (Date of Committee recommendation)

Senators Scheid, Higgins, Wiger and Frederickson introduced-

S.F. No. 2840: Referred to the Committee on State and Local Government Operations.

1.1 A bill for an act
1.2 relating to employment; providing paid organ donation leave for certain public
1.3 employees; proposing coding for new law in Minnesota Statutes, chapter 181.

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

1.5 Section 1. [181.9456] LEAVE FOR ORGAN DONATION.

1.6 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms
1.7 have the meanings given to them in this subdivision.

1.8 (b) "Employee" means a person who performs services for hire for a public
1.9 employer, for an average of 20 or more hours per week, and includes all individuals
1.10 employed at any site owned or operated by a public employer. Employee does not include
1.11 an independent contractor.

1.12 (c) "Employer" means a state, county, city, town, school district, or other
1.13 governmental subdivision that employs 20 or more employees.

1.14 Subd. 2. Leave. An employer must grant paid leaves of absence to an employee
1.15 who seeks to undergo a medical procedure to donate an organ or partial organ to another
1.16 person. The combined length of the leaves shall be determined by the employee, but
1.17 may not exceed 40 work hours for each donation, unless agreed to by the employer. The
1.18 employer may require verification by a physician of the purpose and length of each leave
1.19 requested by the employee for organ donation. If there is a medical determination that
1.20 the employee does not qualify as an organ donor, the paid leave of absence granted to the
employee prior to that medical determination is not forfeited.

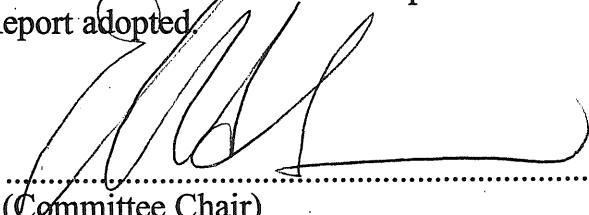
1.22 Subd. 3. No employer sanctions. An employer shall not retaliate against an
1.23 employee for requesting or obtaining a leave of absence as provided by this section.

- 2.1 Subd. 4. Relationship to other leave. This section does not prevent an employer
2.2 from providing leave for organ donations in addition to leave allowed under this section.
2.3 This section does not affect an employee's rights with respect to any other employment
2.4 benefit.

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 3308:** A bill for an act relating to energy; providing tax refunds to electric
1.4 utilities that transition to soy-based transformer fluid; appropriating money; proposing
1.5 coding for new law in Minnesota Statutes, chapter 216B.

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

1.8 
1.9 (Committee Chair)

1.10 March 27, 2006
1.11 (Date of Committee recommendation)

Senators Frederickson, Vickerman, Rosen, Dille and Sams introduced—

S.F. No. 3308: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

relating to energy; providing tax refunds to electric utilities that transition to soy-based transformer fluid; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 216B.

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

Section 1. [216B.1695] SOY-BASED TRANSFORMER FLUID TAX REFUND.

Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) "Commissioner" means the commissioner of revenue or the commissioner's designee.

(c) "Electric utility" means a public utility as defined in section 216B.02, but also includes municipal utilities and cooperative electric associations, rural or otherwise, organized under chapter 308A and producing or furnishing electric service.

(d) "Soy-based transformer fluid" means dielectric fluid that contains at least 98 percent soy-based products.

(e) "Transition period" means the period after June 30, 2006, and before January 1, 2008.

Subd. 2. Soy-based transformer fluid tax refund, limits. (a) An electric utility is eligible for a refund of taxes paid during the transition period from using non-soy-based transformer fluid to soy-based transformer fluid. The refund is intended to offset the cost of purchasing soy-based transformer fluid only during the transition period. Eligible costs must be incurred:

(1) during the transition period;

2.1 (2) in the first 18 months of the transition period from using non-soy-based
 2.2 transformer fluid to using soy-based transformer fluid; and

2.3 (3) to purchase soy-based transformer fluid.

2.4 (b) No more than 40,000 gallons are eligible for any electric utility.

2.5 (c) The total amount of eligible soy-based transformer fluid is limited to 120,000
 2.6 gallons for all claimants.

2.7 Subd. 3. Tax refund procedure. (a) An electric utility may apply to the
 2.8 commissioner for the soy-based transformer fluid tax refund by submitting to the
 2.9 commissioner all of the following:

2.10 (1) a completed application in a form prescribed by the commissioner;

2.11 (2) a copy of a signed and dated purchase agreement or other agreement to purchase
 2.12 soy-based transformer fluid during the transition;

2.13 (3) proof of state corporate franchise, sales and use, and property taxes paid during
 2.14 the transition period meeting the requirements of subdivision 4 in a form specified by the
 2.15 commissioner; and

2.16 (4) any other information required by the commissioner.

2.17 (b) The commissioner shall calculate the refund earned during the transition period
 2.18 and issue payment to qualified applicants at a rate of \$2 per gallon purchased up to a limit
 2.19 of 40,000 gallons per electric utility or the total of eligible state taxes paid as determined
 2.20 under subdivision 4, whichever is smaller.

2.21 (c) Applications must be reviewed and refunds awarded in the order received by
 2.22 the commissioner.

2.23 (d) Ineligible applicants must be notified in writing.

2.24 Subd. 4. Limitation to tax liability. Refunds under this section are limited to the
 2.25 sum of the liability for the following taxes paid or incurred by the applicant or its owners:

2.26 (1) corporate franchise tax under chapter 290 for the taxable years ending during
 2.27 the transition period;

2.28 (2) for a business organized as a partnership, S corporation, or an estate or trust
 2.29 electing to have its income taxed directly to the individual, the entity is treated as paying
 2.30 individual income tax under chapter 290 equal to 7.5 percent of the net income reported
 2.31 to partners, shareholders, or beneficiaries on federal schedule K-1 for the taxable years
 2.32 ending during the transition period;

2.33 (3) state and local property tax liability payable during the transition period; and

2.34 (4) state sales or use tax under chapter 297A paid by the applicant during the
 2.35 transition period.

3.1 Subd. 5. Appropriation. \$240,000 is appropriated from the general fund to the
3.2 commissioner of revenue to pay the refunds authorized by this section.

3.3 Subd. 6. Applicability. This chapter applies to calendar years ending after June 30,
3.4 2006, and beginning before January 1, 2008.

3.5 Subd. 7. Expiration. This section expires January 8, 2009.

Envirotemp[®] FR3[™] Fluid

Key Attributes

Feature

- Very High Fire Point of 360°C
- Third Party Listings
 - Approved by Factory Mutual
 - Classified by Underwriters Laboratories[™]
- Fully Miscible with Conventional Transformer Oil, High Molecular Weight Hydrocarbons (HMWH), and Most Askarel Substitutes
- Commodity Seed Oil-Based with Food Grade Additives

- Biodegradation Rate Meets EPA Standard Reference Material Deemed “Ultimately Biodegradable” per EPA Test OPPTS 835.3100
- Acute Toxicity Test OECD G.L. 203 (Trout Fry) Achieved Zero Mortality Rate
- Contains No Petroleum
- Enhances Insulating Paper Thermal Life by a Factor of 5 to 8 Times
- Better Loadbreak Dielectric Strength Retention
- Superior Resistance to Coke and Sludge Formation
- Lower Operating Viscosity Than Silicone and HMWHs
- ISO 9001 Certified Production Facility
- ANSI/IEEE C57.00 and Field Tested

Benefit

- Increased Margin of Fire Safety
- Easy Code Compliance

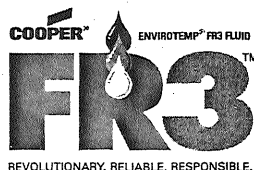
- Excellent for Refilling Existing Liquid-Filled Transformers
 - Maintains Fire Point over 300°C with up to 7.5% Residual Mineral Oil
- Renewable Natural Resource
- FDA Certifiable (Differentiates Edible Oil from Mineral Oil Regulations)
- New and Pending Environmental Regulatory Relief
- Reduced Environmental Impact in the Event of an Accidental Spill
 - For Clean-Up Natural Remediation May be an Option
- Key Attribute for Gaining Environmentally Preferred Product (EPP) Status
- Replaces a Depleting Non-Renewable Resource
- Longer Life and/or Higher Operating Temperature
- Reduced Rate of Dielectric Degradation
- Better Dielectric and Thermal Performance
- More Effective Cooling; Lower Transformer Design Cost Than Other Less-Flammable Fluids
- Quality Assurance
- Laboratory and Field Proven Functionality

Bulletin 97081
Key Attributes
June, 2001

(Supersedes December, 1997)

 **COOPER Power Systems**

COOPER POWER SYSTEMS
Fluids Products
1900 East North Street
Waukesha, WI 53188-3899
800-643-4335; FAX 262-524-4654



What is FR3?

Cooper Power Systems, a leading manufacturer of electrical distribution equipment, developed the Envirotemp® FR3™ fluid in 1997. Envirotemp® FR3™ fluid is developed by blending seed oils, including soybean oil, with food-grade performance enhancing additives, resulting in an environmentally preferred, readily bio-degradable product. The fluid contains no petroleum, halogens or silicones. Edible seed oils are an attractive resource because they are widely available and, unlike mineral oils, derived from renewable resources.

What are the environmental benefits of FR3?

Envirotemp® FR3™ fluid uses as its base food-grade vegetable oil, which is non-toxic according to guidelines developed by the Organization for Economic Cooperation and Development (OECD), a worldwide standard setting body. In addition, Envirotemp® FR3™ fluid is biodegradable based on testing done by the U.S. Environmental Protection Agency (USEPA).

Why would a utility use FR3?

Utilities are beginning to recognize the advantages offered by this revolutionary fluid over traditional dielectric fluids (non-conductive fluids used to insulate and cool electrical distribution products such as transformers), including added performance and environmental characteristics. Envirotemp® FR3™ fluid extends paper insulation life five to eight times, lowering life cycle costs. The increased insulation life also translates to extended and enhanced transformer life or the ability to carry higher loads during peak demand periods without leading to premature insulation failure. The enhanced performance allows utilities to manage their assets more profitably and forestall costly capital expenditures.

The fluid also has excellent fire resistant qualities. Recognized testing laboratories have listings allowing Envirotemp® FR3™ transformer installations outdoors and indoors, typically without costly fire protection devices. Envirotemp® FR3™ fluid is covered by several international patents.

Who is using FR3?

In Minnesota, a number of municipal public utilities and rural electric cooperatives purchased or are considering Envirotemp® FR3™ fluid. The utilities include: Virginia, Grand Rapids, and New Ulm public utilities; People's Electric in Rochester and Roseau Electric Utility; and Red Lake, Steel Waseca, and North Star rural electric cooperatives.

What is the market for soybean based transformer fluid?

Each year throughout the U.S., 75 million gallons of transformer fluid is used to retro-fill or fill newly manufactured transformers. The intent is not to replace 75 millions gallons of petroleum based transformer fluid, but introduce an ag-based, environmentally-friendly substitute with equal or better performance. The intent of the legislation is to provide an incentive for an alternative fluid, since petroleum-based transformer fluid is cheaper.

Who makes FR3?

Cooper Power Systems (www.cooperpower.com/), a subsidiary of Cooper Industries (NYSE: CBE), owns the patents to Envirotemp® FR3™ fluid. Cooper is a diversified worldwide manufacturer of products for the electrical, commercial, and industrial markets. CPS manufactures distribution transformers, distribution switchgear, reclosers, capacitors, protective relays, voltage regulators, automated switches, cable accessories, surge arresters, transformer components and dielectric coolants, fuses, tools and engineering services for the electrical utility and industrial markets. Cargill, a Minnesota headquartered company, manufactures Envirotemp® FR3™ fluid for Cooper.

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S.F. No. 3516 - Dedicated Fund for Housing Programs

Author: Senator Richard Cohen

Prepared by: John C. Fuller, Senate Counsel (651/296-3914) JCF

Date: March 24, 2006

Section 1 designates the bill as the "Housing Solutions Act."

Section 2 increases the deed tax from .0033 to .005 of the net consideration.

Section 3 is a general fund appropriation of an amount equal to the deed tax on .000709 of the net consideration for credit to the housing trust fund for use as rental assistance.

Section 4 is an appropriation from the general fund of an amount equal to the deed tax on .000566 of the net consideration for the economic development and housing challenge program.

Section 5 creates the housing account for leverage opportunity to be administered by the Housing Finance Agency. The account is to provide matching grants for affordable home ownership or rental housing. Not less than 40 percent of funds must be used outside of the seven-county metropolitan area and outside of community development entitlement areas.

Only one grant per year is allowed for projects within the boundaries of an eligible recipient. Matching grants may be made to a county, city, housing and redevelopment authority or public housing agency, an economic development authority, a community development agency, or a federally recognized American Indian tribe located in Minnesota. The minimum grant is \$550,000 and the maximum is \$1,000,000.

Section 6 makes a general fund appropriation in an amount equal to the deed tax on .000425 of the net consideration to the leverage account created in section 5.

JCF:cs

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 3516:** A bill for an act relating to housing; adjusting deed tax percentage;
1.4 providing rental housing assistance; establishing a housing account for leverage
1.5 opportunity; appropriating money; amending Minnesota Statutes 2004, sections 462A.201,
1.6 by adding a subdivision; 462A.33, by adding a subdivision; Minnesota Statutes 2005
1.7 Supplement, section 287.21, subdivision 1; proposing coding for new law in Minnesota
1.8 Statutes, chapter 462A.

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

1.10 Page 2, line 6, strike ".0033" and insert ".005"

1.11 Page 3, line 32, after "funds" insert ", donations, including donations of building
1.12 materials, the value of any fee reduction granted by an eligible recipient for a housing
1.13 project,"

1.14 Page 4, delete lines 10 and 11 and insert:

1.15 "Subd. 5. Application process. Eligible recipients must submit applications by
1.16 April 15 of each year and funds will be allocated from available state funds on a pro rata
1.17 basis to eligible recipients whose applications satisfy matching requirements and income
1.18 limits provided in this section."

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

1.21 
1.22 (Committee Chair)

1.23 March 27, 2006
24 (Date of Committee recommendation)

Senators Cohen, Dibble, Pogemiller and Sparks introduced—

S.F. No. 3516: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

relating to housing; adjusting deed tax percentage; providing rental housing assistance; establishing a housing account for leverage opportunity; appropriating money; amending Minnesota Statutes 2004, sections 462A.201, by adding a subdivision; 462A.33, by adding a subdivision; Minnesota Statutes 2005 Supplement, section 287.21, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 462A.

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

Section 1. HOUSING SOLUTIONS ACT.

Sections 2 to 6 shall be known as the Housing Solutions Act.

Sec. 2. Minnesota Statutes 2005 Supplement, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is \$500 or less, the tax is

2.1 \$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance
2.2 remaining at the time of sale, exceeds \$500, the tax is ~~.0033~~ .005 of the net consideration.

2.3 (c) If, within six months from the date of a designated transfer, an ownership interest
2.4 in the grantee entity is transferred by an initial owner to any person or entity with the
2.5 result that the designated transfer would not have been a designated transfer if made to
2.6 the grantee entity with its subsequent ownership, then a tax is imposed at .0033 of the
2.7 net consideration for the designated transfer. If the subsequent transfer of ownership
2.8 interests was reasonably expected at the time of the designated transfer, the applicable
2.9 penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under
2.10 this paragraph is due within 30 days of the subsequent transfer that caused the tax to be
2.11 imposed under this paragraph. Involuntary transfers of ownership shall not be considered
2.12 transfers of ownership under this paragraph. The commissioner may adopt rules defining
2.13 the types of transfers to be considered involuntary.

2.14 (d) The tax is due at the time a taxable deed or instrument is presented for
2.15 recording, except as provided in paragraph (c). The commissioner may require the tax
2.16 to be documented in a manner prescribed by the commissioner, and may require that the
2.17 documentation be attached to and recorded as part of the deed or instrument. The county
2.18 recorder or registrar of titles shall accept the attachment for recording as part of the deed or
2.19 instrument and may not require, as a condition of recording a deed or instrument, evidence
2.20 that a transfer is a designated transfer in addition to that required by the commissioner.
2.21 Such an attachment shall not, however, provide actual or constructive notice of the
2.22 information contained therein for purposes of determining any interest in the real property.
2.23 The commissioner shall prescribe the manner in which the tax due under paragraph (c) is
2.24 to be paid and may require grantees of designated transfers to file with the commissioner
2.25 subsequent statements verifying that the tax provided under paragraph (c) does not apply.

2.26 Sec. 3. Minnesota Statutes 2004, section 462A.201, is amended by adding a
2.27 subdivision to read:

2.28 Subd. 8. Appropriation. An amount equal to the proceeds of the deed tax
2.29 under section 287.21, subdivision 1, paragraph (b), clause (3), on .000709 of the net
2.30 consideration is appropriated from the general fund to the commissioner of finance for
2.31 transfer to the housing development fund and credit to the housing trust fund account to
2.32 be used for rental assistance. No more than ten percent of these funds may be used for
2.33 operations of rental housing under section 462A.201. This appropriation to the housing
2.34 trust fund account shall not supplant current funding levels for housing.

3.1 Sec. 4. Minnesota Statutes 2004, section 462A.33, is amended by adding a subdivision
3.2 to read:

3.3 Subd. 9. Appropriation. An amount equal to the proceeds of the deed tax
3.4 under section 287.21, subdivision 1, paragraph (b), clause (3), on .000566 of the net
3.5 consideration is appropriated from the general fund to the commissioner of finance for
3.6 transfer to the housing development fund to be used for the economic development and
3.7 housing challenge program. This appropriation to the housing development fund shall not
3.8 supplant current funding levels for housing.

3.9 Sec. 5. [462A.35] HOUSING ACCOUNT FOR LEVERAGE OPPORTUNITY.

3.10 Subdivision 1. Created. The housing account for leverage opportunity is an account
3.11 created to be administered by the agency.

3.12 (a) The fund shall provide matching grants to eligible recipients for preservation,
3.13 renovation, or development of affordable home ownership or rental housing.

3.14 (b) Not less than 40 percent of the funds in the account are to be available for project
3.15 applications submitted by eligible recipients outside of the seven-county metropolitan area
3.16 as defined in section 473.121, subdivision 2, and outside of community development
3.17 entitlement areas as defined by the United States Department of Housing and Urban
3.18 Development.

3.19 (c) In any biennial funding cycle, funds not committed to eligible recipients for
3.20 affordable housing projects by March 1 of any odd-numbered year shall be available to
3.21 provide matching funds for projects of eligible recipients without regard to the limitation
3.22 established in paragraph (b).

3.23 (d) Only one matching grant may be awarded within the jurisdictional boundaries of
3.24 any eligible recipient in any year.

3.25 Subd. 2. Eligible recipients. Matching grants may be made to a county; a city, as
3.26 defined in section 462A.03, subdivision 21; a housing and redevelopment authority or
3.27 public housing agency, established pursuant to sections 469.001 to 469.047; an economic
3.28 development authority, established pursuant to sections 469.090 to 469.1082; a community
3.29 development agency, established pursuant to section 383D.41; or a federally recognized
3.30 American Indian tribe located in Minnesota.

3.31 Subd. 3. Matching requirements. (a) Grants from the incentive fund must be
3.32 matched on a dollar-for-dollar basis by funds or the value of the land provided by eligible
3.33 recipients.

3.34 (b) The minimum incentive fund grant award is \$50,000. The maximum incentive
3.35 fund grant award to any eligible recipient in any year is \$1,000,000.

4.1 (c) Local matching funds may not include funds secured from any other state or
4.2 federal program for the project for which eligible recipients submitted application to
4.3 the incentive fund.

4.4 Subd. 4. Income limits. Households served through the incentive fund
4.5 matching grant must not have incomes at the time of initial occupancy that exceed, for
4.6 homeownership projects, 115 percent of the greater of state or area median income as
4.7 determined by the United States Department of Housing and Urban Development, and
4.8 for rental housing projects, 60 percent of the greater of state or area median income as
4.9 determined by the Department of Housing and Urban Development.

4.10 Preference among comparable proposals shall be given to those that provide housing
4.11 opportunities for the broadest range of incomes within the development.

4.12 **Sec. 6. APPROPRIATION.**

4.13 An amount equal to the proceeds of the deed tax under section 287.21, subdivision
4.14 1, paragraph (b), clause (3), on .000425 or the net consideration is appropriated from
4.15 the general fund to the commissioner of finance for transfer to the account established
4.16 by section 462A.35.

4.17 This appropriation to the housing account for leverage opportunity shall not supplant
4.18 current funding levels for housing.

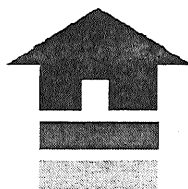
1.1 Senator moves to amend S.F. No. 3516 as follows:

1.2 Page 2, line 6, strike ".0033" and insert ".005"

1.3 Page 3, line 32, after "funds" insert ", donations, including donations of building
1.4 materials, the value of any fee reduction granted by an eligible recipient for a housing
1.5 project,"

1.6 Page 4, delete lines 10 and 11, and insert:

1.7 "Subd. 5. Application process. Eligible recipients must submit applications by
1.8 April 15 of each year and funds will be allocated from available state funds on a pro rata
1.9 basis to eligible recipients whose applications satisfy matching requirements and income
1.10 limits provided in this section."



HOUSING SOLUTIONS ALLIANCE

Dedicated to creating a range of housing opportunities in Minnesota

Policy Brief: Housing Solutions Act SF 3516/HF 3912

New Resources Dedicated to Low-Income Rental Assistance, Affordable Housing Rehab & Production, and a New Local Housing Incentive Fund

Dedicated housing resources are needed to meet the growing need

Housing programs have been under fire in recent years as significant budget cuts were made to help compensate for the state's budget deficit. Appropriations for affordable housing reached an all-time high in 2000-2001 with \$173 million for the biennium. Appropriations have been scaled back to \$70 million for the 2006-2007 biennium.

In the face of these cuts, the Housing Solutions Alliance has formed with the purpose to create dedicated funding for a range of housing opportunities in Minnesota. The Alliance is comprised of over 100 organizational supporters from across the state.

The need for affordable housing is growing. In 2000, 297,000 low-income households statewide could not afford their housing. It is projected that this number will grow to 330,000 low-income households by 2010. (*The Next Decade of Housing in Minnesota*, BBC Research and Consulting, 2003.)

Our bill dedicates new revenue to proven flexible MHFA programs and creates a local incentive-based fund accessible to small rural communities as well as larger communities.

Source of New Funds: Surcharge on Deed Transfers

The deed tax is a one-time transfer tax imposed on the value of the real property transferred. Under current law, .33% of the value of the property goes towards paying the deed tax. The new surcharge would increase that amount by .17% (to .5%) to raise revenue for housing and homelessness programs.

The current deed tax is projected to generate \$134 million statewide in fiscal year 2006. The deed surcharge of .17% would raise approximately \$69 million in one year. The resources raised through the dedicated fund will be split three ways: (see sidebar for more detail)

- 42% of the funds will go the Minnesota Housing Trust Fund for rental assistance programs, both tenant- and project-based.
- 33% of the funds will go the Challenge Fund for workforce housing.
- 25% of the funds will go to the new HALO local incentive fund

About the Programs

Housing Trust Fund

- Administered by the MN Housing Finance Agency ("MHFA")
- Rental assistance for low and extremely low-income families and individuals (households at or below 30% of metro median income)
- Recipients' median annual income is \$7,938 (MHFA Assessment Report 2002-03)
- Program would receive at least \$29 million per year
- Key resource to fund rental assistance needed for the governor's plan to end long-term homelessness

Challenge Fund

- Administered by MHFA
- \$23 million annually would more than double the program's loans and grants for workforce housing (rental & homeownership)
- Local match requirement leverages significant private funding
- 40% of funds spent in Greater MN
- 40% of funds to promote homeownership

New HALO Local Incentive Fund (Housing Account for Leverage Opportunity)

- New program would assist renters at or below 60%, and homeowners at or below 115% of the greater of state or area median income
- A state investment of \$17 million each year would be matched dollar for dollar with a locally raised investment to flexibly meet local housing needs-
- Up to \$1 million available per year, per jurisdiction
- Local entity must raise at least \$50,000 to qualify for state matching funds
- 40% of funds guaranteed to Greater Minnesota
- Local housing priorities could be funded such as transitional housing or affordable senior housing

How does Minnesota's deed tax measure up compared to other States?

According to a report from the Pennsylvania Association of Realtors, thirty-seven states have a deed tax. Sixteen of those have a higher deed tax than Minnesota's (the highest being a 2% tax). This change would move Minnesota to a rank of 12th instead of 17th and still far below the states with much higher deed taxes.

Ten other states have used this as a source for dedicating revenue to housing and homelessness programs including Florida, South Carolina, Nevada, Maryland, Nebraska, Illinois, Maine, Vermont, New Jersey, and Hawaii. Currently, Iowa, Kentucky, New York State, Oregon, and the City of Milwaukee are considering a similar approach.

How would a change impact the cost of real estate transfers?

The dramatic increase in property values over the last several years has put affordable housing out of reach for low-income renters and homebuyers. While sellers will directly benefit from this windfall of higher property values, the deed surcharge will bring some equity to the system by directing this small portion of the property's value to programs that will help low-income households afford their housing. The table below provides examples of the impact of potential deed surcharges on property sales of various values:

Property value	Tax at current rate (.33%)	Tax + proposed surcharge (.33% + .17% = .5%)	Deed Surcharge as dollar amount of increase
\$75,000	\$248	\$375	\$127
\$100,000	\$330	\$500	\$170
\$150,000	\$495	\$750	\$255
\$200,000	\$660	\$1,000	\$340
\$225,260 (current median home value in MN)	\$743	\$1,126	\$383
\$500,000	\$1,650	\$2,500	\$850

(For more information on the deed tax, see the report, "Mortgage and Deed Taxes in Minnesota," by House Research, 2002 at <http://www.house.leg.state.mn.us/hrd/pubs/mortdeedtx.pdf>.)

For more information on the Housing Solutions Alliance proposal, contact Rachel Callanan, State Policy Director with Minnesota Coalition for the Homeless at 612-230-3285 or callanan@mnhomelesscoalition.org.

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 2882:** A bill for an act relating to employment; prohibiting employers from
1.4 requiring employees to attend certain mandatory meetings; proposing coding for new
1.5 law in Minnesota Statutes, chapter 181.

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

1.7 Page 2, delete lines 10 to 18

1.8 Page 2, line 19, delete "(d)" and insert "(c)"

1.9 Page 2, line 22, delete "(e)" and insert "(d)"

1.10 Page 2, after line 30, insert:

1.11 "Subd. 3. Enforcement. The Department of Labor and Industry shall enforce
1.12 this section. The department may assess a fine of up to \$5,000 for a violation. The fine,
1.13 together with costs and attorney fees, may be recovered in a civil action in the name of
4 the department brought in the district court of the county where the violation is alleged to
1.15 have occurred or where the commission has an office. The fine provided by this section is
1.16 in addition to any other remedy provided by law."

1.17 Amend the title accordingly

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

1.19 
1.20 (Committee Chair)

1.21 March 27, 2006
22 (Date of Committee recommendation)

Senators Tomassoni, Anderson and Bakk introduced--

S.F. No. 2882: Referred to the Committee on Jobs, Energy and Community Development.

1.1 A bill for an act
 1.2 relating to employment; prohibiting employers from requiring employees to
 1.3 attend certain mandatory meetings; proposing coding for new law in Minnesota
 1.4 Statutes, chapter 181.

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

1.6 Section 1. [181.985] PROHIBITION OF CERTAIN MANDATORY MEETINGS.

1.7 Subdivision 1. Definitions. (a) For purposes of this section, the terms defined in this
 1.8 subdivision have the meanings given them.

1.9 (b) "Employer" means a person having one or more employees in Minnesota, and
 1.10 includes the state and any political subdivision of the state.

1.11 (c) "Employee" means a person who performs services for hire in Minnesota for an
 1.12 employer. Employee does not include an independent contractor.

1.13 (d) "Labor organization" means an organization that exists for the purpose, in
 1.14 whole or in part, of collective bargaining, dealing with employers concerning grievances,
 1.15 terms, or conditions of employment, or of other mutual aid or protection in connection
 1.16 with employment.

1.17 (e) "Political matters" includes political party affiliation or the decision to join or not
 1.18 join any lawful political, social, or community group or activity or any labor organization.

1.19 Subd. 2. Prohibition of mandatory meetings on politics, religion, or joining a
 1.20 union. (a) No employer or employer's agent, representative, or designee may require its
 1.22 employees to attend an employer-sponsored meeting or participate in any communications
 1.23 with the employer or its agents or representatives, the purpose of which is to communicate
the employer's opinion about religious or political matters.

2.1 (b) No employer or employer's agent, representative, or designee shall discharge,
2.2 discipline, or otherwise penalize or threaten to discharge, discipline, or otherwise penalize
2.3 any employee:

2.4 (1) as a means of requiring an employee to attend a meeting or participate in
2.5 communications described in paragraph (a); or

2.6 (2) because the employee, or a person acting on behalf of the employee, makes a
2.7 good faith report, verbally or in writing, of a violation or a suspected violation of this
2.8 section, except that such prohibitions shall not be applicable when the employee knows
2.9 that such report is false.

2.10 (c) Any aggrieved employee may enforce the provisions of this section by means
2.11 of a civil action brought no later than 90 days after the date of the alleged violation in
2.12 the district court for the judicial district where the violation is alleged to have occurred
2.13 or where the employer has its principal office. The court may award a prevailing
2.14 employee all appropriate relief, including rehiring or reinstatement of the employee to
2.15 the employee's former position, back pay, and reestablishment of any employee benefits
2.16 to which the employee would otherwise have been eligible if such violation had not
2.17 occurred. The court shall award a prevailing employee treble damages, together with
2.18 reasonable attorney fees and costs.

2.19 (d) Nothing in this section shall be construed to limit an employee's right to bring a
2.20 common law cause of action against an employer for wrongful termination or to diminish
2.21 or impair the rights of a person under any collective bargaining agreement.

2.22 (e) Nothing in this section shall prohibit:

2.23 (1) a religious organization from requiring its employees to attend an
2.24 employer-sponsored meeting or to participate in any communications with the employer
2.25 or its agents or representatives, the primary purpose of which is to communicate the
2.26 employer's religious beliefs, practices, or tenets; or

2.27 (2) a political organization from requiring its employees to attend an
2.28 employer-sponsored meeting or to participate in any communications with the employer
2.29 or its agents or representatives, the primary purpose of which is to communicate the
2.30 employer's political tenets or purposes.

1.1 Senator moves to amend S.F. No. 2882 as follows:

1.2 Page 2, delete lines 10 to 18

1.3 Page 2, line 19, delete "(d)" and insert "(c)"

1.4 Page 2, line 22, delete "(e)" and insert "(d)"

1.5 Page 2, after line 30, insert:

1.6 "Subd. 3. **Enforcement.** The Department of Labor and Industry shall enforce
1.7 this section. The department may assess a fine of up to \$5,000 for a violation. The fine,
1.8 together with costs and attorney fees, may be recovered in a civil action in the name of
1.9 the department brought in the district court of the county where the violation is alleged to
1.10 have occurred or where the commission has an office. The fine provided by this section is
1.11 in addition to any other remedy provided by law."

1.1 Senator Anderson from the Committee on Jobs, Energy and Community
1.2 Development, to which was referred

1.3 S.F. No. 2832: A bill for an act relating to employment; requiring employers
1.4 to allow unpaid leave for employees to perform volunteer firefighter duties; proposing
1.5 coding for new law in Minnesota Statutes, chapter 181.

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

1.7 Delete everything after the enacting clause and insert:

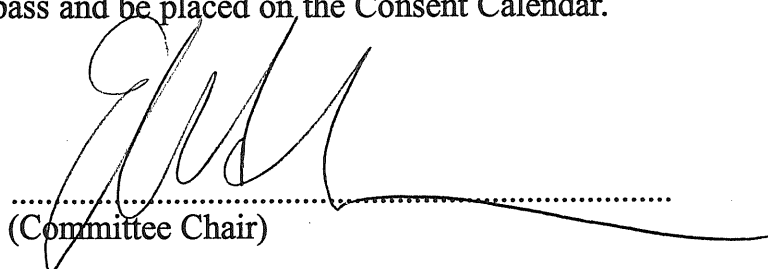
1.8 "Section 1. EMERGENCY PERSONNEL RECRUITMENT AND
1.9 RETENTION STUDY.

1.10 The commissioner of public safety must coordinate the formation of a task force
1.11 to study issues surrounding recruitment and retention of volunteer firefighters, volunteer
1.12 ambulance personnel, and volunteer emergency responders. Task force membership
1.13 is open to all stakeholders demonstrating an interest. The commissioner may limit the
4 number of individuals representing organizations. The task force, once convened, is
1.15 responsible for any costs, selecting a chair, and reporting back to the commissioner its
1.16 findings and recommendations, if any, by December 15, 2006."

1.17 Amend the title accordingly

1.18 And when so amended the bill do pass and be placed on the Consent Calendar.
1.19 Amendments adopted. Report adopted.

1.20
1.21


.....
(Committee Chair)

1.22
1.23

March 27, 2006
(Date of Committee recommendation)

Senators Tomassoni, Bakk, Sparks, Metzen and Saxhaug introduced—

S.F. No. 2832: Referred to the Committee on Jobs, Energy and Community Development.

1.1 A bill for an act
1.2 relating to employment; requiring employers to allow unpaid leave for
1.3 employees to perform volunteer firefighter duties; proposing coding for new
1.4 law in Minnesota Statutes, chapter 181.

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

1.6 Section 1. [181.947] VOLUNTEER FIREFIGHTERS.

1.7 Subdivision 1. Definitions. (a) For purposes of this section, the following terms
1.8 have the meanings given them in this subdivision.

1.9 (b) "Employee" means a person who performs services for hire for an employer, but
1.10 not an essential employee as defined in section 179A.03, subdivision 7.

1 (c) "Employer" means any person having ten or more full-time employees in
1.12 Minnesota and includes the state and any political subdivision of the state.

1.13 Subd. 2. Adverse action prohibited. An employer may not discharge, discipline,
1.14 threaten, otherwise discriminate against, or penalize an employee regarding the employee's
1.15 terms, conditions, location, or privileges of employment because the employee is absent
1.16 from or late to work for up to 40 hours in any 12-month period in order to perform
1.17 duties as a volunteer firefighter, if those duties are emergency response activities. This
1.18 section does not apply where the duties involve administrative or training activities only.
1.19 Nothing in this section requires an employer to pay an employee for time spent performing
1.20 volunteer firefighter duties that are not part of the employment.

1.22 Subd. 3. Individual remedies. In addition to any other remedies provided by
1.23 law, a person injured by a violation of subdivision 2 may bring a civil action to recover
1.24 damages, costs, disbursements, and reasonable attorney fees, and may receive injunctive
and equitable relief as determined by a court.

2.1 Sec. 2. **REVISOR'S INSTRUCTION.**

2.2 The revisor of statutes shall insert a first grade headnote prior to Minnesota Statutes,

2.3 section 181.947, that reads "VOLUNTEER FIREFIGHTER LEAVE."

1.1 Senator moves to amend S.F. No. 2832 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. **EMERGENCY PERSONNEL RECRUITMENT AND**
1.4 **RETENTION STUDY.**

1.5 The commissioner of public safety must coordinate the formation of a task force
1.6 to study issues surrounding recruitment and retention of volunteer firefighters, volunteer
1.7 ambulance personnel, and volunteer emergency responders. Task force membership
1.8 is open to all stakeholders demonstrating an interest. The commissioner may limit the
1.9 number of individuals representing organizations. The task force, once convened, is
1.10 responsible for any costs, selecting a chair, and reporting back to the commissioner its
1.11 findings and recommendations, if any, by December 15, 2006."

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.4 **S.F. No. 3244:** A bill for an act relating to employment; requiring employers to
1.5 notify employees of their right to access and review personnel records; proposing coding
for new law in Minnesota Statutes, chapter 181.

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

1.7 Page 1, line 7, after "employer" insert "as defined under section 181.960" and delete "
1.8 to all employees, and "

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

1.10 
1.11 (Committee Chair)

1.12 March 27, 2006
1.13 (Date of Committee recommendation)

Senator Neuville introduced—

S.F. No. 3244: Referred to the Committee on Jobs, Energy and Community Development.

1.1 A bill for an act
 1.2 relating to employment; requiring employers to notify employees of their right to
 1.3 access and review personnel records; proposing coding for new law in Minnesota
 1.4 Statutes, chapter 181.

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

1.6 Section 1. [181.9631] NOTICE OF EMPLOYEE RIGHTS.

1.7 An employer shall provide written notice to all employees, and to a job applicant
 1.8 upon hire, of the rights and remedies provided in sections 181.960 to 181.965. An
 1.9 employer shall also post in an appropriate and conspicuous location on the employer's
 1.10 premises notice of these rights and remedies.

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and Fiscal Analysis**

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**S.F. No. 776 - Customer Sales or Service Call Center
Regulations**

Author: Senator Dan Sparks

Prepared by: John C. Fuller, Senate Counsel (651/296-3914)

Date: March 24, 2006

JCF

Section 1 provides that a person who receives a telephone call from or calls a customer sales call center or a customer service call center may request and has the right to know the identification of the city, state, and country where the customer service employee is located and the employer of the employee. A person has the right to have a call transferred to the United States from a foreign country if the person is requested to provide financial, credit, or identifying information.

JCF:cs

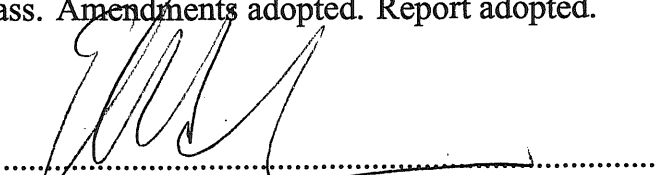
1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was re-referred**

1.3 **S.F. No. 776:** A bill for an act relating to commerce; imposing certain customer
1.4 sales or service call center requirements; prescribing a criminal penalty; proposing coding
1.5 for new law in Minnesota Statutes, chapter 325F.

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

1.7 Page 2, line 19, delete "2005" and insert "2006"

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

1.9 
1.10 (Committee Chair)

1.11 March 27, 2006
1.12 (Date of Committee recommendation)

1 SERVICE CALL CENTER INFORMATION.] (a) Any person who receives a
2 telephone call from, or places a telephone call to, a customer
3 sales call center or a customer service call center, upon
4 request, has the right to:

5 (1) know the identification of the city, state, and country
6 where the customer service employee is located; and

7 (2) know the name of the employer of the caller with whom
8 the person is speaking.

9 (b) A person who receives a telephone call from, or places
10 a telephone call to, a customer sales call center or a customer
11 service call center located in a foreign country, which requests
12 the person's financial, credit, or identifying information,
13 shall have the right to request the call be rerouted to a
14 customer sales and service center located in the United States
15 before the information is given.

16 Subd. 3. [VIOLATION.] It is fraud under section 325F.69
17 for a person to willfully violate this section.

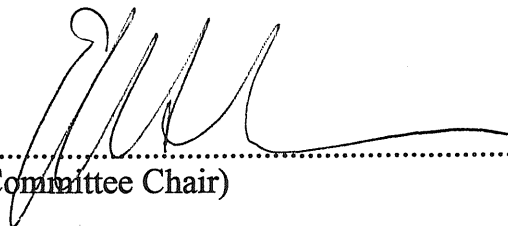
18 Sec. 2. [EFFECTIVE DATE; APPLICATION.]

19 This act is effective August 1, 2005.

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 3465:** A bill for an act relating to workers' compensation; modifying
1.4 appeal procedures; modifying notice of coverage provisions; amending Minnesota
1.5 Statutes 2004, section 176.421, subdivision 4; Minnesota Statutes 2005 Supplement,
1.6 section 176.185, subdivision 1.

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

1.9 
1.10
(Committee Chair)

1.11 March 27, 2006
1 2 (Date of Committee recommendation)

Senator Bakk introduced-

S.F. No. 3465: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

relating to workers' compensation; modifying appeal procedures; modifying notice of coverage provisions; amending Minnesota Statutes 2004, section 176.421, subdivision 4; Minnesota Statutes 2005 Supplement, section 176.185, subdivision 1.

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

Section 1. Minnesota Statutes 2005 Supplement, section 176.185, subdivision 1, is amended to read:

Subdivision 1. **Notice of coverage; notice to insured before policy cancellation, termination or nonrenewal.** Within ten days after the issuance or renewal of a policy of insurance covering the liability to pay compensation under this chapter written by an insurer licensed to insure such liability in this state, the insurer shall file notice of coverage with the commissioner under rules and on forms prescribed by the commissioner. No policy shall be canceled by the insurer within the policy period nor terminated upon its expiration date until a notice in writing is delivered or mailed to the insured that meets all of the requirements in paragraphs (a) to (c).

(a) The notice must specify the date the policy will be terminated if the premium is not paid, declare that the insurer intends to cancel the policy by the specified date, or does not intend to renew the policy upon the expiration date.

(b) The notice must include the following statement, which must be placed on or sent with the premium invoice or other document sent by the insurer to notify the insured of the intended cancellation or termination: "You must maintain workers' compensation insurance, or obtain permission to self-insure for workers' compensation from the Minnesota Department of Commerce. The failure to maintain workers' compensation coverage is a violation of section 176.181, and could result in criminal prosecution and

2.1 civil penalties of up to \$1,000 per week per uninsured employee." This statement must be
 2.2 in at least 12-point font, bold-faced type, and be set out in a separate paragraph.

2.3 (c) The notice must be mailed or delivered to the insured as follows, notwithstanding
 2.4 any contrary time frame for notice to the policyholder in section 60A.36 or 60A.37:

2.5 (1) at least 60 days before the actual date the policy is due to expire or be terminated
 2.6 or canceled for any reason other than as provided in clause (2);

2.7 (2) if the cancellation is due to nonpayment of premium, the notice must be sent
 2.8 at least 30 days before the actual date of cancellation and shall state the amount of
 2.9 premium due and the due date. This 60-day advance notice to the insured applies to
 2.10 cancellation, termination, or nonrenewal of all workers' compensation policies for any
 2.11 reason, notwithstanding any contrary time frame for notice to the policyholder in section
 2.12 60A.36 or 60A.37.

2.13 Sec. 2. Minnesota Statutes 2004, section 176.421, subdivision 4, is amended to read:

2.14 Subd. 4. **Service and filing of notice; cost of transcript.** Within the 30-day period
 2.15 for taking an appeal, the appellant shall:

2.16 (1) serve a copy of the notice of appeal on each adverse party; and

2.17 (2) file the original notice, with proof of service by admission or affidavit, with the
 2.18 chief administrative law judge and file a copy with the commissioner; . Alternatively, the
 2.19 original may be retained by the filing party and a copy of the original filed by facsimile
 2.20 with the chief administrative law judge and the commissioner. Facsimile filings must be
 2.21 15 pages or less in length. A facsimile appeal received after 4:30 p.m. on a state business
 2.22 day is considered filed on the next state business day.

2.23 (3) ~~In order to defray the cost of the preparation of the record of the proceedings~~
 2.24 ~~appealed from, each appellant and cross-appellant shall pay to the commissioner of~~
 2.25 ~~finance, Office of Administrative Hearings account the sum of \$25. The filing fee must~~
 2.26 ~~be received by the Office of Administrative Hearings within ten business days after the~~
 2.27 ~~end of the appeal period. If the filing fee is not received within ten days after the appeal~~
 2.28 ~~period, the appeal is not timely filed.~~

2.29 The first party to file an appeal is liable for the original cost of preparation of the
 2.30 transcript. Cross-appellants or any other persons requesting a copy of the transcript are
 2.31 liable for the cost of the copy. The chief administrative law judge may require payment
 2.32 for transcription costs to be made in advance of the transcript preparation. The cost of
 2.33 a transcript prepared by a nongovernmental source shall be paid directly to that source
 2.34 and shall not exceed the cost that the source would be able to charge the state for the
 2.35 same service.

3.1 Upon a showing of cause, the chief administrative law judge may direct that a
3.2 transcript be prepared without expense to the party requesting its preparation, in which
3.3 case the cost of the transcript shall be paid by the Office of Administrative Hearings.

3.4 All fees received by the Office of Administrative Hearings for the preparation of
3.5 the record for submission to the Workers' Compensation Court of Appeals or for the cost
3.6 of transcripts prepared by the office shall be deposited in the Office of Administrative
3.7 Hearings account in the state treasury and shall be used solely for the purpose of keeping
3.8 the record of hearings conducted under this chapter and the preparation of transcripts
3.9 of those hearings.

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S.F. No. 3528 - Public Utility Income Tax Rate Recovery

Author: Senator Steve Kelley

Prepared by: Matthew S. Grosser, Senate Research (651/296-1890) *MS*

Date: March 24, 2006

Section 1 permits the PUC to base the allowance in rates for income or corporate franchise taxes for a public utility on an estimate of what the utility will pay as a stand alone taxpaying entity or an estimate of the tax liability of the utility if it files returns on a consolidated basis with other related business entities. This section also requires public utilities to file a statement annually with the PUC showing the amount of income and corporate franchise taxes collected by the utility in rates in the preceding year and the amount of income and franchise taxes paid during that year. If the PUC finds that the amount allowed in rates exceeds the amount paid, the PUC shall order the utility to refund the excess to ratepayers. This section prohibits rate recovery of the costs of such a refund.

Section 2 requires that the information on income and franchise taxes specified in section 1 be provided retroactively for calendar years 2002 through 2004, and that any excess in income or franchise tax collected through rates over income and franchise taxes paid in any of those years be refunded to ratepayers. This section prohibits rate recovery of the costs of such refunds.

MSG:cs

1.1 **Senator Anderson from the Committee on Jobs, Energy and Community**
1.2 **Development, to which was referred**

1.3 **S.F. No. 3528: A bill for an act relating to utilities; regulating rate recovery**
1.4 **for income taxes; amending Minnesota Statutes 2004, section 216B.16, by adding**
1.5 **a subdivision.**

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

1.7 Delete everything after the enacting clause and insert:

1.8 "Section 1. Minnesota Statutes 2004, section 216B.16, is amended by adding a
1.9 subdivision to read:

1.10 Subd. 6e. Income taxes. (a) For purposes of setting an allowance in rates for
1.11 income or corporate franchise taxes, the commission may base the allowance on an
1.12 estimate of what the public utility will pay as a stand-alone taxpaying entity or an estimate
1.13 of the tax liability of the public utility if it files tax returns on a consolidated basis with
1.14 other related business entities. The commission must utilize the estimate that it determines
1.15 will provide the most accurate estimate of future tax liability.

1.16 (b) A public utility must annually file with the commission a statement showing:

1.17 (1) the amount of income and corporate franchise taxes collected by the utility in
1.18 rates in the immediately preceding year; and

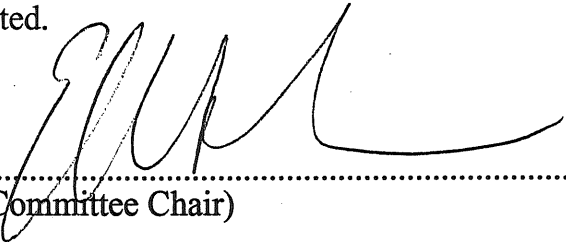
1.19 (2) the amount of income and corporate franchise taxes it paid in the immediate
1.20 preceding year, minus any refunds received.

1.21 (c) If the commission determines that the amount allowed by the commission for
1.22 income and corporate franchise taxes in the public utility's rates for a calendar year
1.23 exceeded the amount actually paid for that year, the commission shall order the utility to
1.24 refund the excess to ratepayers by credit posted as a separate item on customer bills in
1.25 the billing cycle next following the commission's order.

1.26 (d) A public utility may not receive rate recovery for the cost of payments required
1.27 by this section.

1.28 EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment
1.29 and applies to rate hearings pending or commenced on and after that date. Paragraphs (b)
1.30 and (c) are effective the day following final enactment and apply to a particular public
1.31 utility on and after January 1 of the year following the year in which a utility puts into
1.32 effect a general rate adjustment approved under Minnesota Statutes, section 216B.16.
1.33 Paragraph (d) is effective the day following final enactment."

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


.....
(Committee Chair)

2.3
2.4
2.5 March 27, 2006
2.6 (Date of Committee recommendation)

Senators Kelley and Anderson introduced—

S.F. No. 3528: Referred to the Committee on Jobs, Energy and Community Development.

1. A bill for an act
1 relating to utilities; regulating rate recovery for income taxes; amending
1.3 Minnesota Statutes 2004, section 216B.16, by adding a subdivision.

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

1.5 Section 1. Minnesota Statutes 2004, section 216B.16, is amended by adding a
1.6 subdivision to read:

1.7 Subd. 6e. Income taxes. (a) For purposes of setting an allowance in rates for
1.8 income or corporate franchise taxes, the commission may base the allowance on an
1.9 estimate of what the public utility will pay as a stand-alone taxpaying entity or an estimate
1.10 of the tax liability of the public utility if it files tax returns on a consolidated basis with
1.11 other related business entities. The commission shall utilize the estimate that it determines
1.12 will provide the most accurate estimate of future tax liability.

1.13 (b) A public utility shall annually file with the commission a statement showing:

1.14 (1) the amount of income and corporate franchise taxes collected by the utility in
1.15 rates in the immediately preceding year; and

1.16 (2) the amount of income and corporate franchise taxes it paid in the immediate
1.17 preceding year, minus any refunds received.

1.18 If the commission determines that the amount allowed by the commission for
1.19 income and corporate franchise taxes in the public utility's rates for a calendar year
1.20 exceeded the amount actually paid for that year, the commission shall order the utility to
1.21 refund the excess to ratepayers by credit posted as a separate item on customer bills in
1.22 the billing cycle next following the commission's order.

1.23 (c) A public utility may not receive rate recovery for the cost of payments required
1.24 by this section.

2.1 EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment
 2.2 and applies to rate hearings pending or commenced on and after that date. Paragraph (b) is
 2.3 effective the day following final enactment and applies to taxes paid in 2005 and thereafter.

2.4 **Sec. 2. RETROACTIVE APPLICATION.**

2.5 The Public Utilities Commission, by July 1, 2006, shall request from each public
 2.6 utility for which the commission set customer rates a report containing the information
 2.7 described in section 1, paragraph (b), for calendar years 2002, 2003, and 2004. The public
 2.8 utility shall provide each requested report by September 30, 2006.

2.9 If the commission determines that the amount allowed by the commission for
 2.10 income and corporate franchise taxes in the public utility's rates for a calendar year
 2.11 exceeded the amount actually paid for that year, the commission shall order the utility to
 2.12 refund the excess to ratepayers by a credit posted as a separate item on customer bills in
 2.13 the billing cycle next following the commission's order. A public utility may not recover
 2.14 in its rates for the cost of payments required by this section.

2.15 EFFECTIVE DATE. This section is effective retroactively from January 1, 2002.

1.1 Senator moves to amend S.F. No. 3528 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. Minnesota Statutes 2004, section 216B.16, is amended by adding a
1.4 subdivision to read:

1.5 Subd. 6e. **Income taxes.** (a) For purposes of setting an allowance in rates for
1.6 income or corporate franchise taxes, the commission may base the allowance on an
1.7 estimate of what the public utility will pay as a stand-alone taxpaying entity or an estimate
1.8 of the tax liability of the public utility if it files tax returns on a consolidated basis with
1.9 other related business entities. The commission must utilize the estimate that it determines
1.10 will provide the most accurate estimate of future tax liability.

1.11 (b) A public utility must annually file with the commission a statement showing:

1.12 (1) the amount of income and corporate franchise taxes collected by the utility in
1.13 rates in the immediately preceding year; and

1.14 (2) the amount of income and corporate franchise taxes it paid in the immediate
1.15 preceding year, minus any refunds received.

1.16 (c) If the commission determines that the amount allowed by the commission for
1.17 income and corporate franchise taxes in the public utility's rates for a calendar year
1.18 exceeded the amount actually paid for that year, the commission shall order the utility to
1.19 refund the excess to ratepayers by credit posted as a separate item on customer bills in
1.20 the billing cycle next following the commission's order.

1.21 (d) A public utility may not receive rate recovery for the cost of payments required
1.22 by this section.

1.23 **EFFECTIVE DATE.** Paragraphs (a) is effective the day following final enactment
1.24 and applies to rate hearings pending or commenced on and after that date. Paragraphs
1.25 (b) and (c) are effective the day following final enactment and apply to a particular
1.26 public utility on and after January 1 of the year following the year in which a utility puts
1.27 into effect a general rate adjustment approved under section 216B.16. Paragraph (d) is
1.28 effective the day following final enactment."



Date: March 27, 2006

To: Senate Jobs Energy and Economic Development Committee

From: Annette Henkel, President

Re: SF 3528

On behalf of the members of the Minnesota Utility Investors (MUI), we want to express our concerns and opposition to SF 3528.

As many of you know, the typical utility shareholder is retired and over the age of sixty. MUI members are moderate income families and use the dividends to supplement pensions and Social Security.

MUI regards public policy issues with a broad perspective, trying to assess the potential impact on consumers, the community and investor interests. MUI members are ratepayers as well as investors.

Unfortunately, I am unable to attend today's hearing because I will be in St. Cloud with MUI members, participating in the public hearing on Northern States Power's rate case. This hearing is part of a ten-month process that the Public Utilities Commission instigates when determining the rate levels and design of a regulated utility during a rate case. **We would strongly encourage the legislature to let the Public Utilities Commission use long-standing policies, procedures and its knowledge of complex technical issues to determine rates for Minnesota customers.** It is through this long and very thorough process that the PUC receives input from all of the stakeholders about all of the issues impacting rates and based on that input, makes an informed decision. SF 3528 would bypass this thoughtful process.

Ratepayers have been and are held harmless by any of the risks if utilities become involved in non-regulated activities. It is the shareholders that bear all of the risks of these ventures. Most of the state's regulated entities have made investments in non-regulated businesses, and at no time have utility customers been asked to pay for the costs of these investments. The PUC has insulated all utility ratepayers from these costs – it has been the shareholders that have incurred the consequences and should be able to utilize the full extent of any tax provisions that are allowed by law rather than have them legislated away retroactively.

Again, I am sorry I am unable to participate in the hearing today, but appreciate the opportunity to express our concerns.