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

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

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

Delete everything after the enacting clause and insert:

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

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

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

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

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

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

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

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

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

90.042 [PUBLIC INVOLVEMENT PROCESS.]

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

Subd. 2. [PUBLIC MEETINGS.] By May 1 each year, the commissioner shall hold one or more public meetings in the forested area of the state to inform the public of the manner in which the proposed annual harvest plan 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.

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

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

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

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

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

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

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

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

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

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

90.172 [ANNUAL ~~REPORT~~ REPORTS.]

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

Subd. 2. [REPORT TO EXECUTIVE COUNCIL.] The commissioner shall report on or before September 30 of each year 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.

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

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

(a) In lieu of filing the bond required by section 90.161 or 90.171, as security for the issuance or assignment of a timber permit, the person required to file the bond may deposit with the commissioner ~~of-finance~~ cash~~,~~; a certified check~~,~~; a cashier's check~~,~~; a personal check~~,~~; a postal, bank, or express money order~~,-assignable-bonds-or-notes-of-the-United-States,-or an-assignment-of-a-bank-savings-account-or-investment certificate~~; or an irrevocable bank letter of credit~~,~~ in the same amount as would be required for a bond. ~~If-securities listed-in-this-section-are-deposited,-the-par-value-of-the securities-shall-be-not-less-than-the-amount-required-for-the timber-sale-bond,-and-the-person-required-to-file-the-timber sale-bond-shall-submit-an-agreement-authorizing-the-commissioner to-sell-or-otherwise-take-possession-of-the-security-in-the event-of-default-under-the-timber-sale.~~ All of the conditions of the timber sale bond shall equally apply to ~~the-deposit-with the-commissioner-of-finance~~ the alternatives in lieu of bond. In the event of a default the state may take from the deposit the sum of money to which it is entitled; the remainder, if any, shall be returned to the person making the deposit. When cash is deposited for a bond, it shall be applied to the amount due when a statement is prepared and transmitted to the permit holder pursuant to section 90.181. Any balance due to the state shall be shown on the statement and shall be paid as provided in section 90.181. Any amount of the deposit in excess of the amount determined to be due pursuant to section 90.181 shall be returned to the permit holder when a final statement is transmitted pursuant to that section. All or part of a cash bond may be withheld from application to an amount due on a nonfinal statement if it appears that the total amount due on the permit will exceed the bid price.

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

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

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

90.211 [PURCHASE MONEY, WHEN FORFEITED.]

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

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

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

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

239.33 [STANDARD MEASUREMENTS OF WOOD.]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 14. [REPEALER.]

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

Sec. 15. [EFFECTIVE DATE.]

This act is effective July 1, 2005."

Delete the title and insert:

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

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

Report adopted.

....
(Committee Chair)

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

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

A bill for an act

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

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

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

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

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

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

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

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

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

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

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

90.042 [PUBLIC INVOLVEMENT PROCESS.]

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

Subd. 2. [PUBLIC MEETINGS.] By May 1 each year, the commissioner shall hold one or more public meetings in the forested area of the state to inform the public of the manner in which the proposed annual harvest plan 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.

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

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

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

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

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

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

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

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

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

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

90.172 [ANNUAL ~~REPORT~~ REPORTS.]

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

Subd. 2. [REPORT TO EXECUTIVE COUNCIL.] The commissioner shall report on or before September 30 of each year 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.

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

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

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

~~listed-in-this-section-are-deposited,-the-par-value-of-the securities-shall-be-not-less-than-the-amount-required-for-the timber-sale-bond,-and-the-person-required-to-file-the-timber sale-bond-shall-submit-an-agreement-authorizing-the-commissioner to-sell-or-otherwise-take-possession-of-the-security-in-the event-of-default-under-the-timber-sale.~~ All of the conditions of the timber sale bond shall equally apply to ~~the-deposit-with the-commissioner-of-finance~~ <u>the alternatives in lieu of bond</u>. In the event of a default the state may take from the deposit the sum of money to which it is entitled; the remainder, if any, shall be returned to the person making the deposit. When cash is deposited for a bond, it shall be applied to the amount due when a statement is prepared and transmitted to the permit holder pursuant to section 90.181. Any balance due to the state shall be shown on the statement and shall be paid as provided in section 90.181. Any amount of the deposit in excess of the amount determined to be due pursuant to section 90.181 shall be returned to the permit holder when a final statement is transmitted pursuant to that section. All or part of a cash bond may be withheld from application to an amount due on a nonfinal statement if it appears that the total amount due on the permit will exceed the bid price.

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

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

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

90.195 [SPECIAL USE PERMIT.]

The commissioner may issue a permit to salvage or cut not to exceed 12 cords of fuelwood per year for personal use 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. The permits may be issued for a period not to exceed one year. The commissioner shall charge a fee~~, not less than $5, in an amount up to the stumpage~~ for the permit that shall cover the commissioner's cost of issuing the permit and shall not exceed the current market value of fuelwood of similar species, grade, and volume that is being sold in the area where the salvage or cutting is authorized under the permit.

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

90.211 [PURCHASE MONEY, WHEN FORFEITED.]

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

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

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

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

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

239.33 [STANDARD MEASUREMENTS OF WOOD.]

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

<u>parties have not otherwise agreed in writing to the weight per cord by species or species group, the weight most recently established by the commissioner of natural resources prevails.</u>

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

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

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

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

(c) The county board may require final settlement on the basis of a scale of cut products. Any parcels of land from which timber is to be sold by scale of cut products shall be so designated in the published notice of sale under paragraph (a), in which case the notice shall contain a description of the parcels, a statement of the estimated quantity of each species of timber, and the appraised price of each species of timber for 1,000 feet, per cord or per piece, as the case may be. In those cases any bids offered over and above the appraised prices shall be by percentage, the percent bid to be added to the appraised price of each of the different species of timber advertised on the land. The purchaser of timber from the parcels shall pay in cash at the time of sale at the rate bid for all of the timber shown in the notice of sale as estimated to be standing on the land, and in addition shall pay at the same rate for any additional amounts which the final scale shows to have been cut or was available for cutting on the land at the time of sale under the terms of the sale. Where the final scale of cut products shows that less timber was cut or was available for cutting under terms of the sale than was originally paid for, the excess payment shall be refunded from the forfeited tax sale fund upon the claim of the purchaser, to be audited and allowed by the county board as in case of other claims against the county. No timber, except hardwood pulpwood, may be removed from the parcels of land or other designated landings until scaled by a person or persons designated by the county board and approved by the commissioner of natural resources. Landings other than the parcel of land from which timber is cut may be designated for scaling by the county board by written agreement with the purchaser of the timber. The county board may, by written agreement with the purchaser and with a consumer designated by the purchaser when the timber is sold by the county auditor, and with the approval of the commissioner of natural resources, accept the consumer's scale of cut products delivered at the consumer's landing. No timber shall be removed until fully paid for in cash. Small amounts of timber not exceeding $3,000 in appraised valuation may be sold for not less than the full appraised value at private sale to individual persons without first publishing notice of sale or calling for bids, provided that in case of a sale involving a total appraised value of more than $200 the sale shall be made subject to final settlement on the basis of a scale of cut products in the manner above provided and not more than two of the sales, directly or indirectly to any individual shall be in effect at one time.

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

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

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

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

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

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

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

Sec. 15. [REPEALER.]

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

Sec. 16. [EFFECTIVE DATE.]

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) ÷ 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

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

A bill for an act

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

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

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

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

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

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

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

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

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

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

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

90.042 [PUBLIC INVOLVEMENT PROCESS.]

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

Subd. 2. [PUBLIC MEETINGS.] By May 1 each year, the commissioner shall hold one or more public meetings in the forested area of the state to inform the public of the manner in which the proposed annual harvest plan 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.

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

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

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

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

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

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

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

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

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

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

90.172 [ANNUAL ~~REPORT~~ REPORTS.]

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

Subd. 2. [REPORT TO EXECUTIVE COUNCIL.] The commissioner shall report on or before September 30 of each year 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.

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

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

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

~~securities-shall-be-not-less-than-the-amount-required-for-the timber-sale-bond,-and-the-person-required-to-file-the-timber sale-bond-shall-submit-an-agreement-authorizing-the-commissioner to-sell-or-otherwise-take-possession-of-the-security-in-the event-of-default-under-the-timber-sale.~~ All of the conditions of the timber sale bond shall equally apply to ~~the-deposit-with the-commissioner-of-finance~~ <u>the alternatives in lieu of bond</u>. In the event of a default the state may take from the deposit the sum of money to which it is entitled; the remainder, if any, shall be returned to the person making the deposit. When cash is deposited for a bond, it shall be applied to the amount due when a statement is prepared and transmitted to the permit holder pursuant to section 90.181. Any balance due to the state shall be shown on the statement and shall be paid as provided in section 90.181. Any amount of the deposit in excess of the amount determined to be due pursuant to section 90.181 shall be returned to the permit holder when a final statement is transmitted pursuant to that section. All or part of a cash bond may be withheld from application to an amount due on a nonfinal statement if it appears that the total amount due on the permit will exceed the bid price.

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

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

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

90.195 [SPECIAL USE PERMIT.]

The commissioner may issue a permit to salvage or cut not to exceed 12 cords of fuelwood per year for personal use 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. The permits may be issued for a period not to exceed one year. The commissioner shall charge a fee, not less than ~~$5~~ $25, in an amount up to the stumpage current market value of fuelwood of similar species, grade, and volume that is being sold in the area where the salvage or cutting is authorized under the permit.

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

90.211 [PURCHASE MONEY, WHEN FORFEITED.]

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

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

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

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

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

239.33 [STANDARD MEASUREMENTS OF WOOD.]

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

<u>established by the commissioner of natural resources prevails.</u>

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

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

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

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

(c) The county board may require final settlement on the basis of a scale of cut products. Any parcels of land from which timber is to be sold by scale of cut products shall be so designated in the published notice of sale under paragraph (a), in which case the notice shall contain a description of the parcels, a statement of the estimated quantity of each species of timber, and the appraised price of each species of timber for 1,000 feet, per cord or per piece, as the case may be. In those cases any bids offered over and above the appraised prices shall be by percentage, the percent bid to be added to the appraised price of each of the different species of timber advertised on the land. The purchaser of timber from the parcels shall pay in cash at the time of sale at the rate bid for all of the timber shown in the notice of sale as estimated to be standing on the land, and in addition shall pay at the same rate for any additional amounts which the final scale shows to have been cut or was available for cutting on the land at the time of sale under the terms of the sale. Where the final scale of cut products shows that less timber was cut or was available for cutting under terms of the sale than was originally paid for, the excess payment shall be refunded from the forfeited tax sale fund upon the claim of the purchaser, to be audited and allowed by the county board as in case of other claims against the county. No timber, except hardwood pulpwood, may be removed from the parcels of land or other designated landings until scaled by a person or persons designated by the county board and approved by the commissioner of natural resources. Landings other than the parcel of land from which timber is cut may be designated for scaling by the county board by written agreement with the purchaser of the timber. The county board may, by written agreement with the purchaser and with a consumer designated by the purchaser when the timber is sold by the county auditor, and with the approval of the commissioner of natural resources, accept the consumer's scale of cut products delivered at the consumer's landing. No timber shall be removed until fully paid for in cash. Small amounts of timber not exceeding $3,000 in appraised valuation may be sold for not less than the full appraised value at private sale to individual persons without first publishing notice of sale or calling for bids, provided that in case of a sale involving a total appraised value of more than $200 the sale shall be made subject to final settlement on the basis of a scale of cut products in the manner above provided and not more than two of the sales, directly or indirectly to any individual shall be in effect at one time.

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

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

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

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

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

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

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

Sec. 15. [REPEALER.]

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

Sec. 16. [EFFECTIVE DATE.]

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.

To: Senator Cohen, Chair

Committee on Finance

Senator Sams,

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

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

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

Page 7, delete section 10

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

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

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

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 9, delete "90.195;"

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

........Dallas Sams............
(Division Chair)

April 5, 2005....................
(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) ÷ 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

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

S.F. No. 762: A bill for an act 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; modifying soil and water conservation district supervisor election procedures; appropriating money; amending Minnesota Statutes 2004, section 103C.311, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 446A; proposing coding for new law as Minnesota Statutes, chapter 114D; repealing Minnesota Statutes 2004, section 103C.311, subdivisions 1, 2.

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

Pages 1 and 2, delete section 1

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

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

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

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

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

Page 11, line 8, delete "and"

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

(16) one member representing the interests of tribal governments, appointed by the governor"

Page 11, line 28, delete "prepare" and insert "recommend" and after "The" insert "recommended"

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

Page 11, line 35, delete "work"

Pages 13 to 18, delete section 9

Page 19, line 4, delete the second "and" and insert a comma and before "without" insert "and 446A.075,"

Page 19, delete lines 11 and 12 and insert:

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

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

Page 20, line 16, after "grant" insert ", or the grantee made improvements to a wastewater treatment facility on or after March 28, 2000, that include infrastructure to reduce the discharge of total phosphorus to one milligram per liter or less"

Pages 24 and 25, delete section 13 and insert:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Page 26, delete lines 6 to 10

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

Page 26, delete lines 14 to 18

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

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

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

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

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

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

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

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

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

Page 26, line 36, delete "these"

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

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

Page 27, line 4, delete "$350,000" and insert "$800,000" and delete everything after "2006"

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

Page 27, line 10, delete "these amounts" and insert "this amount" and delete "$50,000 in fiscal"

Page 27, line 11, delete "year 2006 and" and delete "2007 are" and insert "2006 is"

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

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

Page 27, line 17, delete "these amounts" and insert "this amount" and delete "2007" and insert "2006"

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

Page 27, line 26, delete "$450,000" and insert "$1,807,000" and delete everything after "2006"

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

Page 27, line 28, delete "these amounts" and insert "this amount" and delete "$450,000" and insert "$1,713,000"

Page 27, line 29, delete "and $5,450,000 in fiscal year 2007 are" and insert "is"

Page 27, line 33, delete "$412,000" and insert "$1,085,000" and delete everything after "2006"

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

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

Page 27, line 36, delete "$412,000" and insert "$1,022,000" and delete everything after "2006"

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

Page 28, line 4, delete "$200,000" and insert "$63,000" and delete "2007" and insert "2006"

Page 28, line 6, delete "$2,400,000" and insert "$755,000" and delete "2007" and insert "2006"

Page 28, line 11, delete "$300,000" and insert "$471,000" and delete everything after "2006"

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

Page 28, line 17, delete "$2,400,000" and insert "$755,000" and delete "2007" and insert "2006"

Page 28, delete lines 22 to 33

Page 28, line 34, delete "7" and insert "5" and delete "$4,400,000" and insert "$15,249,000"

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

Page 28, line 36, delete "these"

Page 29, line 1, delete "amounts" and insert "this amount" and delete "$4,400,000" and insert "$6,131,000" and delete everything after "2006"

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

Page 29, line 4, delete "$4,582,000" and insert "$1,441,000" and delete "2007" and insert "2006" IN> Page 29, line 6, delete everything after the semicolon

Page 29, delete line 7

Page 29, line 8, delete "446A.075;" and delete "$22,433,000" and insert "$7,677,000" and delete "2007" and insert "2006"

Page 29, delete section 15 and insert:

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

The revisor of statutes shall renumber the section coded as Minnesota Statutes, section 446A.073, as Minnesota Statutues, section 446A.075."

Renumber the sections in sequence

Amend the title as follows:

Page 1, delete line 7

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

Page 1, line 9, delete everything after "amending" and insert "Laws 2005, chapter 20, article 1, section 39;"

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

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

Page 1, delete lines 13 and 14

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

....
(Committee Chair)

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

A bill for an act

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; modifying soil and water conservation district supervisor election procedures; appropriating money; amending Minnesota Statutes 2004, section 103C.311, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 446A; proposing coding for new law as Minnesota Statutes, chapter 114D; repealing Minnesota Statutes 2004, section 103C.311, subdivisions 1, 2.

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

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

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

(b) The supervisor districts must be apportioned to be coterminous with county commissioner districts. The districts must be numbered in a regular series. The boundaries of the districts must be redrawn after each decennial federal census as provided in section 204B.135 and must reflect any changes in the county commissioner district's boundaries. 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subdivision 1. [COORDINATION AND COOPERATION.] In implementing this chapter, public agencies shall take into consideration the relevant provisions of local and other applicable water management, conservation, land use, land management, and development plans and programs. Public agencies with authority for local water management, conservation, land use, land management, and development plans shall take into consideration the manner in which their plans affect the implementation of this chapter. Public agencies shall identify opportunities to participate and assist in the successful implementation of this chapter, including the funding or technical assistance needs, if any, that may be necessary. In implementing this chapter, public agencies shall endeavor to engage the cooperation of organizations and individuals whose activities affect the quality of surface waters, including point and nonpoint sources of pollution, and who have authority and responsibility for water management, planning, and protection. To the extent practicable, public agencies shall endeavor to enter into formal and informal agreements and arrangements with federal agencies and departments to jointly utilize staff and resources to deliver programs or conduct activities to achieve the intent of this chapter, including efforts under the federal Clean Water Act and other federal farm and soil and water conservation programs.

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

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

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

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

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

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

designated uses applicable to the waters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) coordinate with and utilize existing local authorities

and infrastructure for implementation;

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

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

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

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

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

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

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

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

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

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

The implementation information does not need to be sent to the

United States Environmental Protection Agency for review.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subd. 3. [TERMS; COMPENSATION; REMOVAL.] The initial terms of members representing state agencies and the Metropolitan Council expire on the first Monday in January, 2007. Thereafter, the terms of members representing the state agencies and the Metropolitan Council are four years and are coterminous with the governor. The terms of other members of the council shall be as provided in section 15.059, subdivision 2. Members may serve until their successors are appointed and qualify. Compensation and removal of council members is as provided in section 15.059, subdivisions 3 and 4. A vacancy on the council may be filled by the appointing authorities, as provided in subdivision 1, for the remainder of the unexpired term.

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

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

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

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

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

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

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

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

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

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

(c) "Effluent flow" means the flow of domestic wastewater from a residential dwelling or nonresidential establishment. The rate of water usage by a residential dwelling or nonresidential establishment must be substituted for the effluent flow if effluent flow from the residential dwelling or nonresidential establishment is not measured.

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

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

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

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

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

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

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

that is combined with one or more nonresidential establishments.

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

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

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

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

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

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

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

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

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

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

(iii) if average effluent flow is 100,000 gallons per day or greater, $....... in 2006, $....... in 2007, $....... in 2008, and $....... in 2009 and thereafter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) interest accrued on the account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 14. [APPROPRIATIONS.]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subd. 7. [PUBLIC FACILITIES AUTHORITY.] $4,400,000 in fiscal year 2006 and $44,015,000 in fiscal year 2007 are appropriated to the Public Facilities Authority; of these amounts, $4,400,000 in fiscal year 2006 and $17,000,000 in fiscal year 2007 are for deposit in the clean water legacy capital improvements fund for grants under Minnesota Statutes, section 446A.073; $4,582,000 in fiscal year 2007 is for deposit in the small community wastewater treatment fund for loans under Minnesota Statutes, section 446A.074; $....... is for total maximum daily load grants under Minnesota Statutes, section 446A.075; and $22,433,000 in fiscal year 2007 is for deposit in the water pollution control revolving fund under Minnesota Statutes, section 446A.07, for wastewater treatment and storm water projects. Money appropriated under this subdivision does not cancel and is available until expended.

Sec. 15. [REPEALER.]

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

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.

To: Senator Cohen, Chair

Committee on Finance

Senator Sams,

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

S.F. No. 762: A bill for an act 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; modifying soil and water conservation district supervisor election procedures; appropriating money; amending Minnesota Statutes 2004, section 103C.311, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 446A; proposing coding for new law as Minnesota Statutes, chapter 114D; repealing Minnesota Statutes 2004, section 103C.311, subdivisions 1, 2.

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

Pages 1 and 2, delete section 1

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

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

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

Page 11, line 8, delete "and"

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

(16) one member representing the interests of tribal governments, appointed by the governor"

Page 11, line 28, delete "prepare" and insert "recommend" and after "The" insert "recommended"

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

Page 11, line 35, delete "work"

Pages 13 to 18, delete section 9

Page 19, line 4, delete the second "and" and insert a comma and before "without" insert "and 446A.075,"

Page 19, delete lines 11 and 12 and insert:

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

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

Page 20, line 16, after "grant" insert ", or the grantee made improvements to a wastewater treatment facility on or after March 28, 2000, that include infrastructure to reduce the discharge of total phosphorus to one milligram per liter or less"

Page 26, delete lines 6 to 10

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

Page 26, delete lines 14 to 18

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

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

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

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

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

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

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

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

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

Page 26, line 36, delete "these"

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

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

Page 27, line 4, delete "$350,000" and insert "$800,000" and delete everything after "2006"

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

Page 27, line 10, delete "these amounts" and insert "this amount" and delete "$50,000 in fiscal"

Page 27, line 11, delete "year 2006 and" and delete "2007 are" and insert "2006 is"

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

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

Page 27, line 17, delete "these amounts" and insert "this amount" and delete "2007" and insert "2006"

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

Page 27, line 26, delete "$450,000" and insert "$1,807,000" and delete everything after "2006"

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

Page 27, line 28, delete "these amounts" and insert "this amount" and delete "$450,000" and insert "$1,713,000"

Page 27, line 29, delete "and $5,450,000 in fiscal year 2007 are" and insert "is"

Page 27, line 33, delete "$412,000" and insert "$1,085,000" and delete everything after "2006"

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

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

Page 27, line 36, delete "$412,000" and insert "$1,022,000" and delete everything after "2006"

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

Page 28, line 4, delete "$200,000" and insert "$63,000" and delete "2007" and insert "2006"

Page 28, line 6, delete "$2,400,000" and insert "$755,000" and delete "2007" and insert "2006"

Page 28, line 11, delete "$300,000" and insert "$471,000" and delete everything after "2006"

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

Page 28, line 17, delete "$2,400,000" and insert "$755,000" and delete "2007" and insert "2006"

Page 28, delete lines 22 to 33

Page 28, line 34, delete "7" and insert "5" and delete "$4,400,000" and insert "$15,249,000"

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

Page 28, line 36, delete "these"

Page 29, line 1, delete "amounts" and insert "this amount" and delete "$4,400,000" and insert "$6,131,000" and delete everything after "2006"

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

Page 29, line 4, delete "$4,582,000" and insert "$1,441,000" and delete "2007" and insert "2006"

Page 29, line 6, delete everything after the semicolon

Page 29, delete line 7

Page 29, line 8, delete "446A.075;" and delete "$22,433,000" and insert "$7,677,000" and delete "2007" and insert "2006"

Page 29, delete section 15

Renumber the sections in sequence

Amend the title as follows:

Page 1, delete line 7

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

Page 1, delete line 9

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

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

Page 1, delete lines 13 and 14

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

...Dallas...Simms...............
(Division Chair)

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

A bill for an act

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subdivision 1. [COORDINATION AND COOPERATION.] In implementing this chapter, public agencies shall take into consideration the relevant provisions of local and other applicable water management, conservation, land use, land management, and development plans and programs. Public agencies with authority for local water management, conservation, land use, land management, and development plans shall take into consideration the manner in which their plans affect the implementation of this chapter. Public agencies shall identify opportunities to participate and assist in the successful implementation of this chapter, including the funding or technical assistance needs, if any, that may be necessary. In implementing this chapter, public agencies shall endeavor to engage the cooperation of organizations and individuals whose activities affect the quality of surface waters, including point and nonpoint sources of pollution, and who have authority and responsibility for water management, planning, and protection. To the extent practicable, public agencies shall endeavor to enter into formal and informal agreements and arrangements with federal agencies and departments to jointly utilize staff and resources to deliver programs or conduct activities to achieve the intent of this chapter, including efforts under the federal Clean Water Act and other federal farm and soil and water conservation programs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subd. 2. [MEMBERSHIP; APPOINTMENT.] The commissioners of natural resources, agriculture, and the Pollution Control Agency, and the executive director of the Board of Water and Soil Resources shall appoint one person from their respective agency to serve as a member of the council. Nineteen additional nonagency members of the council shall be appointed as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subd. 3. [TERMS; COMPENSATION; REMOVAL.] The initial terms of members representing state agencies and the Metropolitan Council expire on the first Monday in January, 2007. Thereafter, the terms of members representing the state agencies and the Metropolitan Council are four years and are coterminous with the governor. The terms of other members of the council shall be as provided in section 15.059, subdivision 2. Members may serve until their successors are appointed and qualify. Compensation and removal of council members is as provided in section 15.059, subdivisions 3 and 4. A vacancy on the council may be filled by the appointing authorities, as provided in subdivision 1, for the remainder of the unexpired term.

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

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

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

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

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

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

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

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

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

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

(1) money transferred to the account; and

(2) interest accrued on the account.

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

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

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

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

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

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

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

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

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

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

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

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

authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 12. [APPROPRIATIONS.]

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

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

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

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

Subd. 3. [AGRICULTURE DEPARTMENT.] The following amounts are appropriated to the Department of Agriculture for the purposes stated:

(1) $2,300,000 in fiscal year 2006 is for the agricultural best management practices loan program under Minnesota Statutes, section 17.117; of this amount, $2,100,000 in fiscal year 2006 is available for pass-through to local governments and lenders for low-interest loans;

(2) $800,000 in fiscal year 2006 is to expand technical assistance to producers and conservation professionals on nutrient and pasture management; target practices to sources of water impairments; coordinate federal and state farm conservation programs to fully utilize federal conservation funds; and expand conservation planning assistance for producers; of this amount, $210,000 in fiscal year 2006 is available for grants or contracts to develop nutrient and conservation planning assistance information materials; and

(3) $800,000 in fiscal year 2006 is for research, evaluation, and effectiveness monitoring of agricultural practices in restoring impaired waters; of this amount, $600,000 in fiscal year 2006 is available for grants or contracts for research, evaluations, and effectiveness monitoring of agricultural practices in restoring impaired waters, including on-farm demonstrations.

Subd. 4. [BOARD OF WATER AND SOIL RESOURCES.] The following amounts are appropriated to the Board of Water and Soil Resources for restoration and prevention actions as described in Minnesota Statutes, section 114D.20, subdivisions 6 and 7:

(1) $1,807,000 in fiscal year 2006 is for targeted nonpoint restoration cost-share and incentive payments; of this amount, up to $1,713,000 in fiscal year 2006 is available for grants to soil and water conservation districts through the state cost-share program authorized under Minnesota Statutes, section 103C.501;

(2) $1,085,000 in fiscal year 2006 is for targeted nonpoint technical and engineering assistance for restoration activities;

of this amount, up to $1,022,000 in fiscal year 2006 is available for grants to soil and water conservation districts, watershed management organizations, or counties to support implementation of nonpoint restoration activities;

(3) $63,000 in fiscal year 2006 is for reporting and evaluation of applied soil and water conservation practices;

(4) $755,000 in fiscal year 2006 is for grants to counties for implementation of county individual sewage treatment systems programs through the local water resources protection and management program under Minnesota Statutes, section 103B.3369;

(5) $471,000 in fiscal year 2006 is for base and challenge grants to support nonpoint source protection activities related to lake and river protection and management through the local water resources protection and management program under Minnesota Statutes, section 103B.3369; and

(6) $755,000 in fiscal year 2006 is for grants to soil and water conservation districts for streambank, stream channel, lakeshore, and roadside protection and restoration projects through the state-cost share program under Minnesota Statutes, section 103C.501.

Subd. 5. [PUBLIC FACILITIES AUTHORITY.] $15,249,000 in fiscal year 2006 is appropriated to the Public Facilities Authority; of this amount, $6,131,000 in fiscal year 2006 is for deposit in the clean water legacy capital improvements fund for grants under Minnesota Statutes, section 446A.073; $1,441,000 in fiscal year 2006 is for deposit in the small community wastewater treatment fund for loans under Minnesota Statutes, section 446A.074; and $7,677,000 in fiscal year 2006 is for deposit in the water pollution control revolving fund under Minnesota Statutes, section 446A.07, for wastewater treatment and storm water projects. Money appropriated under this subdivision does not cancel and is available until expended.

Senator ..... moves to amend ~~the committee engrossment (SS0762CE1) of~~ S.F. No. 762 as follows:

Pages ~~18~~ 24 and ~~19~~ 25, delete section ~~11~~ 13 and insert:

"Sec. ~~18~~ 11. Minnesota Statutes, section 446A.073, as added by Laws 2005, chapter 20, article 1, section 39, is renumbered as section 446A.075 and amended to read:

446A.075 [TOTAL MAXIMUM DAILY LOAD GRANTS.]

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

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

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

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

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

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

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

allocation;

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

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

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

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

Subd. 5. [GRANT DISBURSEMENT.] Disbursement of a grant must be made for eligible project costs as incurred by the municipality and in accordance with a project financing agreement and applicable state and federal laws and rules 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 Equivalents					
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)						
RESIDENTIAL DWELLINGS	Units or connections		Fee rate per year		Revenue in dollars	
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	Systems		Fee rate per year			
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	Systems or discharges		Fee rate per year	Avg. res. dwelling per system		
Non-municipal domestic wastewater treatment systems	118		$36	35	$148,680	0.2%
Non-municipal industrial systems:						
Minor non-municpal - low (1 - 9,999 gpd)	112		$120	n/a	$13,440	
Minor non-municpal - medium (10,000 - 99,999 gpd)	58		$300	n/a	$17,400	
Minor non-municpal - 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 administrating 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 $3,750 cost-share $2,000 incentive payments	$450	$5,750	$5,750	$5,75
Targeted Technical Assistance to support practice implementation				

▪ 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 ▪ 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 ▪ County program support grants	$0	$2,400	$2,400	$2,400
SUBTOTAL FOR NON-POINT RESTORATION	**$862**	**$11,800**	**$11,950**	**$11,950**
2. Protection Initiatives				
Land and Water Protection Planning ▪ 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
Land and Water Protection Implementation ▪ 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
SUBTOTAL FOR PROTECTION STRATEGIES	**$300**	**$3,900**	**$3,900**	**$3,900**
BWSR TOTAL	**$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 that 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
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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 Equivalents					
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.

   - 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.

   - 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.
     $ 150,000 $ 400,000 $ 400,000 $ 400,000

   - 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.
     $ 100,000 $ 100,000 $ 100,000 $ 100,000

   - 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.
     $ 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).

   - 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**

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
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EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LEONIE HUANG
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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 Pubic 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.

Appropriations (Dollars in thousands)	FY 06	FY 07	FY 08	FY 09
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.

Expenditures (Dollars in thousands)	FY 06	FY 07	FY 08	FY 09
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 to1

Revenue (Dollars in thousands)	FY 06	FY 07	FY 08	FY 09
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.

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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 Equivalents					
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
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EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

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S.F. No. 762 - (Division Report) - The Clean Water Legacy Act

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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)		
	FY2006	**FY2007**	**Biennium Total**
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**

Frederickson

Organizations (Entities) Participating in the Completion of TMDLs

2/24/05

Projects with Entities Leading the Completion of TMDLs:

TMDL Project	Entity
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 private non-profit
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 Mississpi 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
1	Ada WWTP	New Grant
2	Adams WWTP	New Grant
3	Adrian WWTP	New Grant
4	Aitkin WWTP	New Grant
5	Albert Lea WWTP	New Grant
6	Altura WWTP	New Grant
7	Amboy WWTP	New Grant
8	Annandale/Maple Lake WWTP	Retroactive Grant
9	Appleton WWTP	New Grant
10	Arlington WWTP	New Grant
11	Aspen Hills WWTP	Retroactive Grant
12	Audubon WWTP	Retroactive Grant
13	Austin WWTP	New Grant
14	Avon WWTP	Retroactive Grant
15	Barnesville WWTP	New Grant
16	Baudette WWTP	New Grant
17	Belle Plaine WWTP	Retroactive Grant
18	Benson WWTP	Retroactive Grant
19	Bertha WWTP	New Grant
20	Big Lake WWTP	New Grant
21	Bigfork WWTP	Retroactive Grant
22	Blooming Prairie WWTP	New Grant
23	Braham WWTP	New Grant
24	Brainerd WWTP	New Grant
25	Breckenridge WWTP	New Grant
26	Brewster WWTP	Retroactive Grant
27	Browerville WWTP	New Grant
28	Browns Valley WWTP	New Grant
29	Buffalo WWTP	New Grant
30	Byron WWTP	Retroactive Grant
31	Caledonia WWTP	New Grant
32	Cambridge WWTP	New Grant
33	Canby WWTP	New Grant
34	Cannon Falls WWTP	Retroactive Grant
35	Carver WWTP	New Grant
36	Chatfield WWTP	New Grant
37	Chisago Lakes Joint STC	Retroactive Grant
38	Clara City WWTP	New Grant
39	Claremont WWTP	Retroactive Grant
40	Clarkfield WWTP	New Grant
41	Clear Lake/Clearwater WWTP	New Grant
42	Clements WWTP	New Grant
43	Clinton WWTP	Retroactive Grant
44	Cokato WWTP	New Grant
45	Cold Spring WWTP	Retroactive Grant
46	Coleraine-Bovey-Taconite Joint WWTP	New Grant
47	Cook WWTP	New Grant
48	Crane Lake WWTP	Retroactive Grant
49	Crookston WWTP	New Grant
50	Crosslake WWTP	Retroactive Grant
51	Dassel WWTP	Retroactive Grant
52	Dawson WWTP	New Grant
53	Delano WWTP	Retroactive Grant
54	Dodge Center WWTP	New Grant
55	East Grand Forks WWTP	New Grant
56	Elk River WWTP	New Grant
57	Fairfax WWTP	New Grant
58	Fairmont WWTP	Retroactive Grant

	Wastewater Treatment Plant Nar	Phosphorus Grants
59	Faribault WWTP	New Gran
60	Finlayson WWTP	New Gran
61	Fosston WWTP	New Gran
62	Frazee WWTP	New Gran
63	Gaylord WWTP	New Gran
64	Glencoe WWTP	New Gran
65	Grand Rapids WWTP	New Gran
66	Granite Falls WWTP	New Gran
67	Grasston WWTP	New Gran
68	Green Lake SSWD WWTP	New Gran
69	Grove City WWTP	New Gran
70	Hawley WWTP	New Gran
71	Hayfield WWTP	New Gran
72	Hector WWTP	New Gran
73	Heron Lake WWTP	Retroactive Gran
74	Holdingford WWTP	New Gran
75	Houston WWTP	New Gran
76	Hutchinson WWTP	New Gran
77	Isanti WWTP	New Gran
78	Jackson WWTP	New Gran
79	Janesville WWTP	New Gran
80	Kasson WWTP	Retroactive Gran
81	Kenyon WWTP	New Gran
82	La Crescent WWTP	Retroactive Gran
83	Lake Crystal WWTP	Retroactive Gran
84	Lake Park WWTP	Retroactive Gran
85	Lakefield WWTP	New Gran
86	Le Center WWTP	Retroactive Gran
87	LeSueur WWTP	New Gran
88	Lewiston WWTP	Retroactive Gran
89	Litchfield WWTP	Retroactive Gran
90	Little Falls WWTP	New Gran
91	Long Prairie WWTP - Municipal	Retroactive Gran
92	Lonsdale WWTP	Retroactive Gran
93	Luverne WWTP	New Gran
94	Madelia WWTP	Retroactive Gran
95	Madison WWTP	New Gran
96	Mahnomen WWTP	New Gran
97	Mankato WWTP	New Gran
98	Mapleton WWTP	New Gran
99	Marshall WWTP	New Gran
100	Met Council - Blue Lake WWTP	Retroactive Gran
101	Met Council - Eagles Point WWT	Retroactive Gran
102	Met Council - Empire WWTP	Retroactive Gran
103	Met Council - Hastings WWTP	New Gran
104	Met Council - Metropolitan WWTI	New Gran
105	Met Council - Rosemount WWTF	Retroactive Gran
106	Met Council - Seneca WWTP	Retroactive Gran
107	Milaca WWTP	New Gran
108	Minneota WWTP	New Gran
109	Montevideo WWTP	New Gran
110	Montgomery WWTP	Retroactive Gran
111	Monticello WWTP	New Gran
112	Montrose WWTP	Retroactive Gran
113	Moorhead WWTP	New Gran
114	Moose Lake WWTP	New Gran
115	Moose Lake WWTP	New Gran
116	Mora WWTP	New Gran

117 Mora WWTP	New Grant
118 Morgan WWTP	New Grant
119 Morris WWTP	New Grant
120 Motley WWTP	New Grant
121 Mountain Lake WWTP	New Grant
122 New Prague WWTP	Retroactive Grant
123 New Richland WWTP	New Grant
124 New Ulm WWTP	New Grant
125 North Branch WWTP	Retroactive Grant
126 North Koochiching WWTP	New Grant
127 Norwood Young America WWTP	New Grant
128 Olivia WWTP	New Grant
129 Onamia WWTP	New Grant
130 Ortonville WWTP	Retroactive Grant
131 Otsego WWTP West	Retroactive Grant
132 Owatonna WWTP	New Grant
133 Park Rapids WWTP	New Grant
134 Pelican Rapids WWTP	New Grant
135 Pine City WWTP	New Grant
136 Pipestone WWTP	New Grant
137 Plainview-Elgin Sanitary District WWTP	New Grant
138 Preston WWTP	New Grant
139 Princeton WWTP	Retroactive Grant
140 Red Wing WWTP	Retroactive Grant
141 Redwood Falls WWTP	New Grant
142 Rockford WWTP	New Grant
143 Roseau WWTP	New Grant
144 Rush City WWTP	New Grant
145 Sandstone WWTP	New Grant
146 Sherburn WWTP	New Grant
147 Slayton WWTP	New Grant
148 Sleepy Eye WWTP	New Grant
149 Spring Grove WWTP	New Grant
150 Spring Valley WWTP	New Grant
151 Springfield WWTP	New Grant
152 St Clair WWTP	New Gran
153 St Cloud WWTP	New Gran
154 St Francis WWTP	Retroactive Gran
155 St James WWTP	New Gran
156 St Michael WWTP	Retroactive Grar
157 St Peter WWTP	Retroactive Grar
158 Staples WWTP	New Grar
159 Starbuck WWTP	New Grar
160 Stewart WWTP	New Grar
161 Stewartville WWTP	New Grar
162 Thief River Falls WWTP	New Grar
163 Tracy WWTP	Ne rar
164 Trimont WWTP	Retroactive Grar
165 Truman WWTP	New Grar
166 Wadena WWTP	New Grar
167 Wahkon WWTP	Retroactive Grar
168 Wanamingo WWTP	New Grar
169 Warroad WWTP	New Grar
170 Waseca WWTP	New Grar
171 Watertown WWTP	New Grar
172 Waterville WWTP	Retroactive Grar
173 Welcome WWTP	New Grar
174 Wells Easton Minnesota Lake W	New Grar
175 West Concord WWTP	Retroactive Grar
176 Wheaton WWTP	New Grar
177 Whitewater River Pollution Contr	New Grar
178 Williams WWTP	Retroactive Grar
179 Willmar WWTP	New Grar
180 Windom WWTP	New Grar
181 Winnebago WWTP	New Grar
182 Winona WWTP	New Grar
183 Winsted WWTP	New ar
184 Winthrop WWTP	New rar
185 Zimmerman WWTP	Retroactive Grar
186 Zumbrota WWTP	New Grar

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Organizations (Entities) Participating in the Completion of TMDLs

2/24/05

Projects with Entities Leading the Completion of TMDLs:

TMDL Project	Entity
Red River - Moorhead - Ammonia	Red River Basin Commission
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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 private non-profit
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
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Projects with Little to No Assistance from Other Entities (i.e. led by MPCA):

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Lower Mississippi Regional Turbidity

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THE JOURNAL, New Ulm, MN Saturday, February 19, 2005 Page 3A

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 until 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.

Fredrickson

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.

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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.

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 Nar	Phosphorus Grants
1	Ada WWTP	New Grant	59	Faribault WWTP	New Gran
2	Adams WWTP	New Grant	60	Finlayson WWTP	New Gran
3	Adrian WWTP	New Grant	61	Fosston WWTP	New Gran
4	Aitkin WWTP	New Grant	62	Frazee WWTP	New Gran
5	Albert Lea WWTP	New Grant	63	Gaylord WWTP	New Gran
6	Altura WWTP	New Grant	64	Glencoe WWTP	New Gran
7	Amboy WWTP	New Grant	65	Grand Rapids WWTP	New Gran
	Annandale/Maple Lake WWTP	Retroactive Grant	66	Granite Falls WWTP	New Gran
9	Appleton WWTP	New Grant	67	Grasston WWTP	New Gran
10	Arlington WWTP	New Grant	68	Green Lake SSWD WWTP	New Gran
11	Aspen Hills WWTP	Retroactive Grant	69	Grove City WWTP	New Gran
12	Audubon WWTP	Retroactive Grant	70	Hawley WWTP	New Gran
13	Austin WWTP	New Grant	71	Hayfield WWTP	New Gran
14	Avon WWTP	Retroactive Grant	72	Hector WWTP	New Gran
15	Barnesville WWTP	New Grant	73	Heron Lake WWTP	Retroactive Gran
16	Baudette WWTP	New Grant	74	Holdingford WWTP	New Gran
17	Belle Plaine WWTP	Retroactive Grant	75	Houston WWTP	New Gran
18	Benson WWTP	Retroactive Grant	76	Hutchinson WWTP	New Gran
19	Bertha WWTP	New Grant	77	Isanti WWTP	New Gran
20	Big Lake WWTP	New Grant	78	Jackson WWTP	New Gran
21	Bigfork WWTP	Retroactive Grant	79	Janesville WWTP	New Gran
22	Blooming Prairie WWTP	New Grant	80	Kasson WWTP	Retroactive Gran
23	Braham WWTP	New Grant	81	Kenyon WWTP	New Gran
24	Brainerd WWTP	New Grant	82	La Crescent WWTP	Retroactive Gran
25	Breckenridge WWTP	New Grant	83	Lake Crystal WWTP	Retroactive Gran
26	Brewster WWTP	Retroactive Grant	84	Lake Park WWTP	Retroactive Gran
27	Browerville WWTP	New Grant	85	Lakefield WWTP	New Gran
	Browns Valley WWTP	New Grant	86	Le Center WWTP	Retroactive Gran
29	Buffalo WWTP	New Grant	87	LeSueur WWTP	New Gran
30	Byron WWTP	Retroactive Grant	88	Lewiston WWTP	Retroactive Gran
31	Caledonia WWTP	New Grant	89	Litchfield WWTP	Retroactive Gran
32	Cambridge WWTP	New Grant	90	Little Falls WWTP	New Gran
33	Canby WWTP	New Grant	91	Long Prairie WWTP - Municipal	Retroactive Gran
34	Cannon Falls WWTP	Retroactive Grant	92	Lonsdale WWTP	Retroactive Gran
35	Carver WWTP	New Grant	93	Luverne WWTP	New Gran
36	Chatfield WWTP	New Grant	94	Madelia WWTP	Retroactive Gran
37	Chisago Lakes Joint STC	Retroactive Grant	95	Madison WWTP	New Gran
38	Clara City WWTP	New Grant	96	Mahnomen WWTP	New Gran
39	Claremont WWTP	Retroactive Grant	97	Mankato WWTP	New Gran
40	Clarkfield WWTP	New Grant	98	Mapleton WWTP	New Gran
41	Clear Lake/Clearwater WWTP	New Grant	99	Marshall WWTP	New Gran
42	Clements WWTP	New Grant	100	Met Council - Blue Lake WWTP	Retroactive Gran
43	Clinton WWTP	Retroactive Grant	101	Met Council - Eagles Point WWT	Retroactive Gran
44	Cokato WWTP	New Grant	102	Met Council - Empire WWTP	Retroactive Gran
45	Cold Spring WWTP	Retroactive Grant	103	Met Council - Hastings WWTP	New Gran
46	Coleraine-Bovey-Taconite Joint WWTP	New Grant	104	Met Council - Metropolitan WWTI	New Gran
47	Cook WWTP	New Grant	105	Met Council - Rosemount WWTF	Retroactive Gran
	Crane Lake WWTP	Retroactive Grant	106	Met Council - Seneca WWTP	Retroactive Gran
	Crookston WWTP	New Grant	107	Milaca WWTP	New Gran
50	Crosslake WWTP	Retroactive Grant	108	Minneota WWTP	New Gran
51	Dassel WWTP	Retroactive Grant	109	Montevideo WWTP	New Gran
52	Dawson WWTP	New Grant	110	Montgomery WWTP	Retroactive Gran
53	Delano WWTP	Retroactive Grant	111	Monticello WWTP	New Gran
54	Dodge Center WWTP	New Grant	112	Montrose WWTP	Retroactive Gran
55	East Grand Forks WWTP	New Grant	113	Moorhead WWTP	New Gran
56	Elk River WWTP	New Grant	114	Moose Lake WWTP	New Gran
57	Fairfax WWTP	New Grant	115	Moose Lake WWTP	New Gran
58	Fairmont WWTP	Retroactive Grant	116	Mora WWTP	New Gran

117 Mora WWTP	New Grant
118 Morgan WWTP	New Grant
119 Morris WWTP	New Grant
120 Motley WWTP	New Grant
121 Mountain Lake WWTP	New Grant
122 New Prague WWTP	Retroactive Grant
123 New Richland WWTP	New Grant
124 New Ulm WWTP	New Grant
125 North Branch WWTP	Retroactive Grant
126 North Koochiching WWTP	New Grant
127 Norwood Young America WWTP	New Grant
128 Olivia WWTP	New Grant
129 Onamia WWTP	New Grant
130 Ortonville WWTP	Retroactive Grant
131 Otsego WWTP West	Retroactive Grant
132 Owatonna WWTP	New Grant
133 Park Rapids WWTP	New Grant
134 Pelican Rapids WWTP	New Grant
135 Pine City WWTP	New Grant
136 Pipestone WWTP	New Grant
137 Plainview-Elgin Sanitary District WWTP	New Grant
138 Preston WWTP	New Grant
139 Princeton WWTP	Retroactive Grant
140 Red Wing WWTP	Retroactive Grant
141 Redwood Falls WWTP	New Grant
142 Rockford WWTP	New Grant
143 Roseau WWTP	New Grant
144 Rush City WWTP	New Grant
145 Sandstone WWTP	New Grant
146 Sherburn WWTP	New Grant
147 Slayton WWTP	New Grant
148 Sleepy Eye WWTP	New Grant
149 Spring Grove WWTP	New Grant
150 Spring Valley WWTP	New Grant
151 Springfield WWTP	New Grant
152 St Clair WWTP	New Gran
153 St Cloud WWTP	New Gran
154 St Francis WWTP	Retroactive Gran
155 St James WWTP	New Gran
156 St Michael WWTP	Retroactive Grar
157 St Peter WWTP	Retroactive Grar
158 Staples WWTP	New Grar
159 Starbuck WWTP	New Grar
160 Stewart WWTP	New Grar
161 Stewartville WWTP	New Grar
162 Thief River Falls WWTP	New Grar
163 Tracy WWTP	Ne[illegible]rar
164 Trimont WWTP	Retroactive Grar
165 Truman WWTP	New Grar
166 Wadena WWTP	New Grar
167 Wahkon WWTP	Retroactive Grar
168 Wanamingo WWTP	New Grar
169 Warroad WWTP	New Grar
170 Waseca WWTP	New Grar
171 Watertown WWTP	New Grar
172 Waterville WWTP	Retroactive Grar
173 Welcome WWTP	New Grar
174 Wells Easton Minnesota Lake W	New Grar
175 West Concord WWTP	Retroactive Grar
176 Wheaton WWTP	New Grar
177 Whitewater River Pollution Contr	New Grar
178 Williams WWTP	Retroactive Grar
179 Willmar WWTP	New Grar
180 Windom WWTP	New Grar
181 Winnebago WWTP	New Grar
182 Winona WWTP	New Grar
183 Winsted WWTP	Ne[illegible]rar
184 Winthrop WWTP	Ne[illegible]rar
185 Zimmerman WWTP	Retroactive Grar
186 Zumbrota WWTP	New Grar

Frederickson

Organizations (Entities) Participating in the Completion of TMDLs

2/24/05

Projects with Entities Leading the Completion of TMDLs:

TMDL Project	Entity
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 priority non-point
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 Mississpi 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

A bill for an act

relating to state employment; providing voluntary unpaid leave options and early retirement incentives to state employees.

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

Section 1. [EARLY RETIREMENT INCENTIVE.]

Subdivision 1. [ELIGIBILITY.] An appointing authority in the executive or legislative branch of state government or the Board of Public Defense may offer the early retirement incentive in this section to an employee who:

(1) has at least five years of allowable service in one or more of the funds listed in Minnesota Statutes, section 356.30, subdivision 3, and upon retirement is immediately eligible for a retirement annuity from one or more of these funds; and

(2) terminates state service after the effective date of this section and before September 1, 2005.

Subd. 2. [INCENTIVE.] (a) For an employee eligible under subdivision 1, the employer may provide an amount up to $17,000, to be used:

(1) for an employee who terminates state service after the effective date of this section and on or before July 15, 2005, for deposit in the employee's account in the health care savings plan established by Minnesota Statutes, section 352.98; or

(2) for an employee who terminates state service after July 15, 2005, and before September 1, 2005:

(i) notwithstanding Minnesota Statutes, section 352.01, subdivision 11, for purchase of service credit for unperformed service sufficient to enable the employee to retire under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b); or

(ii) for purchase of a lifetime annuity or annuity for a specific number of years from the state unclassified retirement program to provide additional benefits under Minnesota Statutes, section 352D.06, subdivision 1.

(b) An employee is eligible for the payment under paragraph (a), clause (2), item (i), if the employee uses money from a deferred compensation account that, combined with the payment under paragraph (a), clause (2), item (i), would be sufficient to purchase enough service credit to qualify for retirement under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b).

Subd. 3. [DESIGNATION OF POSITIONS; EMPLOYER DISCRETION.] Before offering an incentive under this section, an appointing authority must designate the job classifications or positions within job classifications that qualify for the incentive. The appointing authority may modify this designation at any time. Designation of positions eligible for the incentive under this section, participation of individual employees, and the amount of the payment under this section are at the sole discretion of the appointing authority. Unilateral implementation of this section by the employer is not an unfair labor practice under Minnesota Statutes, chapter 179A.

Sec. 2. [POSTRETIREMENT EMPLOYMENT.]

(a) This section applies to a state employee who:

(1) on the effective date of this section is regularly scheduled to work 1,044 or more hours a year in a position covered by the Minnesota state retirement system general employees retirement plan, correctional plan, or unclassified plan;

(2) enters into an agreement with the appointing authority to work a reduced schedule that is both (i) a reduction of at

least 25 percent from the number of regularly scheduled work hours; and (ii) 1,044 hours or less in the covered position; and

(3) at the time of entering into the agreement under clause (2), meets the age and service requirements necessary to receive an unreduced retirement benefit from the plan.

(b) Notwithstanding any law to the contrary, for service under an agreement entered into under paragraph (a), an employee:

(1) may receive a retirement annuity from the plan without separating from state service; and

(2) is not subject to the cessation of annuity provisions in Minnesota Statutes, section 352.115, subdivision 10.

(c) The amount of hours worked, the work schedule, and the duration of the phased retirement employment must be mutually agreed to by the employee and the appointing authority. The appointing authority may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section. The appointing authority has sole discretion to determine if and the extent to which phased retirement under this section is available to an employee. Upon expiration of an agreement entered into under this section, the appointing authority must restore the position to its status prior to the agreement.

(d) Notwithstanding any law to the contrary, a person may not earn service credit in the Minnesota state retirement system for employment covered under this section, and employer contributions and payroll deductions for the retirement fund must not be made based on earnings of a person working under this section. No change shall be made to a monthly annuity or retirement allowance based on employment under this section.

(e) A person who works under this section is a member of the appropriate bargaining unit; is covered by the appropriate collective bargaining contract or compensation plan; and is eligible for health care coverage as provided in the collective bargaining contract or compensation plan.

(f) An agreement under this section may apply only to work through June 30, 2007.

Sec. 3. [VOLUNTARY HOUR REDUCTION PLAN.]

(a) This section applies to a state employee who:

(1) on the effective date of this section is regularly scheduled to work 1,044 or more hours a year in a position covered by a pension plan administered by the Minnesota state retirement system; and

(2) enters into an agreement with the appointing authority to work a reduced schedule of 1,044 hours or less in the covered position.

(b) Notwithstanding any law to the contrary, for service under an agreement entered into under paragraph (a), contributions may be made to the applicable plan of the Minnesota state retirement system as if the employee had not reduced hours. The employee must pay the additional employee contributions and the employer must pay the additional employer contributions necessary to bring the service credit and salary up to the level prior to the voluntary reduction in hours. Contributions must be made in a time and manner prescribed by the executive director of the Minnesota state retirement system.

(c) The amount of hours worked, the work schedule, and the duration of the voluntary hour reduction must be mutually agreed to by the employee and the appointing authority. The appointing authority may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section. The appointing authority has sole discretion to determine if and the extent to which voluntary hour reduction under this section is available to an employee.

(d) A person who works under this section is a member of the appropriate bargaining unit; is covered by the appropriate collective bargaining contract or compensation plan; and is eligible for health care coverage as provided in the collective bargaining contract or compensation plan.

(e) An agreement under this section may apply only to work through June 30, 2007.

Sec. 4. [VOLUNTARY UNPAID LEAVE OF ABSENCE.]

Appointing authorities in state government may allow each employee to take unpaid leaves of absence for up to 1,044 hours between June 1, 2005, and June 30, 2007. Each appointing authority approving such a leave shall allow the employee to continue accruing vacation and sick leave, be eligible for paid holidays and insurance benefits, accrue seniority, and accrue service credit and credited salary in the state retirement plans as if the employee had actually been employed during the time of leave. An employee covered by the unclassified plan may voluntarily make both the employee and employer contributions to the unclassified plan during the leave of absence. If the leave of absence is for one full pay period or longer, any holiday pay shall be included in the first payroll warrant after return from the leave of absence. The appointing authority shall attempt to grant requests for the unpaid leaves of absence consistent with the need to continue efficient operation of the agency. However, each appointing authority shall retain discretion to grant or refuse to grant requests for leaves of absence and to schedule and cancel leaves, subject to the applicable provisions of collective bargaining agreements and compensation plans.

Sec. 5. [RELATIONSHIP OF SECTIONS.]

(a) An employee covered by a phased retirement agreement under section 2 may not be covered by the voluntary hour reduction provisions of section 3 or by a voluntary unpaid leave of absence agreement under section 4 during the same time period or any later time period.

(b) An employee covered by the voluntary hour reduction provisions of section 3:

(1) may not be covered by a phased retirement agreement under section 2 during the same time period, but may be covered by a phased retirement agreement under section 2 during a later time period; and

(2) may be covered by the voluntary leave of absence provision of section 4 during an earlier or later time period.

(c) An employee may receive the early retirement incentive in section 1 after being covered under section 2, 3, or 4. An employee who receives an incentive under section 1 may not later be covered by section 2, 3, or 4.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective the day following final enactment.

M .... moves to amend S.F. No. 1057; H.F. 1120, as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

VARIOUS RETIREMENT PLAN CONTRIBUTION

RATE INCREASES

Section 1. Minnesota Statutes 2004, section 352.04, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE CONTRIBUTIONS.] The employee contribution to the fund must be equal to 4.0 percent of salary. Beginning on July 1, 2007, the employee contribution must be equal to 4.25 percent of salary. Beginning on July 1, 2008, the employee contribution must be equal to 4.50 percent of salary. Beginning on July 1, 2009, the employee contribution must be equal to 4.75 percent of salary. Beginning on July 1, 2010, the employee contribution must be equal to 5.0 percent of salary. These contributions must be made by deduction from salary as provided in subdivision 4.

Sec. 2. Minnesota Statutes 2004, section 352.04, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER CONTRIBUTIONS.] The employer contribution to the fund must be equal to 4.0 percent of salary. Beginning on July 1, 2007, the employer contribution must be equal to 4.25 percent of salary. Beginning on July 1, 2008, the employer contribution must be equal to 4.50 percent of salary. Beginning on July 1, 2009, the employer contribution must be equal to 4.75 percent of salary. Beginning on July 1, 2010, the employer contribution must be equal to 5.0 percent of salary.

Sec. 3. Minnesota Statutes 2004, section 352.92, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] Employee contributions of covered correctional employees must be in an amount equal to ~~5.69~~ a percent of salary. Beginning July 1, 2007, through June 30, 2008, the employee contribution must be equal to 6.4 percent of salary. Beginning July 1, 2008, through

June 30, 2009, the employee contribution must be equal to 7.0 percent of salary. Beginning July 1, 2009, through June 30, 2010, the employee contribution must be equal to 7.7 percent of salary. Beginning July 1, 2010, the ongoing employee contribution must be equal to 8.6 percent of salary.

Sec. 4. Minnesota Statutes 2004, section 352.92, subdivision 2, is amended to read:

Subd. 2. [EMPLOYER CONTRIBUTIONS.] The employer shall contribute for covered correctional employees an amount equal to ~~7.98~~ a percent of salary. Beginning July 1, 2007, through June 30, 2008, the employer contribution must be equal to 9.1 percent of salary. Beginning July 1, 2008, through June 30, 2009, the employer contribution must be equal to 10.1 percent of salary. Beginning July 1, 2009, through June 30, 2010, the employer contribution must be equal to 11.1 percent of salary. Beginning July 1, 2010, the ongoing employer contribution must be equal to 12.1 percent of salary.

Sec. 5. Minnesota Statutes 2004, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. [MEMBER CONTRIBUTIONS.] Each member shall pay a sum equal to ~~8.40~~ a percent of the member's salary, which shall constitute the member contribution to the fund. Beginning July 1, 2007, through June 30, 2008, each member contribution shall be equal to 9.1 percent of salary. Beginning July 1, 2008, the ongoing member contribution amount shall be equal to 9.8 percent of salary.

Sec. 6. Minnesota Statutes 2004, section 352B.02, subdivision 1c, is amended to read:

Subd. 1c. [EMPLOYER CONTRIBUTIONS.] In addition to member contributions, department heads shall pay a sum equal to ~~12.60~~ a percent of the salary upon which deductions were made, which shall constitute the employer contribution to the fund. Beginning July 1, 2007, through June 30, 2008, the employer contribution shall be equal to 13.6 percent of salary. Beginning July 1, 2008, the ongoing employer contribution amount shall be equal to 14.6 percent of salary. Department contributions must be paid out of money appropriated to departments for this purpose.

Sec. 7. Minnesota Statutes 2004, section 352D.04, subdivision 2, is amended to read:

Subd. 2. [CONTRIBUTION RATES.] (a) The money used to purchase shares under this section is the employee and employer contributions provided in this subdivision.

(b) The employee contribution is an amount equal to ~~the employee-contribution-specified-in-section-352.04,-subdivision-2~~ four percent of salary.

(c) The employer contribution is an amount equal to six percent of salary.

(d) These contributions must be made in the manner provided in section 352.04, subdivisions 4, 5, and 6.

(e) For members of the legislature, the contributions under this subdivision also must be made on per diem payments received during a regular or special legislative session, but may not be made on per diem payments received outside of a regular or special legislative session, on the additional compensation attributable to a leadership position under section 3.099, subdivision 3, living expense payments under section 3.101, or special session living expense payments under section 3.103.

(f) For a judge who is a member of the unclassified plan under section 352D.02, subdivision 1, paragraph (c), clause (16), the employee contribution rate is eight percent of salary, and there is no employer contribution.

Sec. 8. Minnesota Statutes 2004, section 353.27, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE CONTRIBUTION.] (a) The employee contribution is the following applicable percentage of the total salary amount for a "basic member" and for a "coordinated member":

	Basic Program	Coordinated Program
~~Before-January-1,-2002~~	~~8.75~~	~~4.75~~
~~Effective-January-1,-2002~~		

Effective before January 1, 2006	9.10	5.10
Effective January 1, 2006	9.10	5.50
Effective January 1, 2007	9.10	5.75
Effective January 1, 2008	9.10	6.00 plus any contribution rate adjustment under subdivision 3b

(b) These contributions must be made by deduction from salary as defined in section 353.01, subdivision 10, in the manner provided in subdivision 4. ~~Where~~ If any portion of a member's salary is paid from other than public funds, ~~such~~ the member's employee contribution must be based on the total salary received by the member from all sources.

Sec. 9. Minnesota Statutes 2004, section 353.27, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER CONTRIBUTION.] (a) The employer contribution is the following applicable percentage of the total salary amount for "basic members" and for "coordinated members":

	Basic Program	Coordinated Program
~~Before-January-1,-2002~~	~~8.75~~	~~4.75~~
~~Effective-January-1,-2002~~		
Effective before January 1, 2006	9.10	5.10
Effective January 1, 2006	9.10	5.50
Effective January 1, 2007	9.10	5.75
Effective January 1, 2008	9.10	6.00 plus any contribution rate adjustment under subdivision 3b

(b) This contribution must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

Sec. 10. Minnesota Statutes 2004, section 353.27, subdivision 3a, is amended to read:

Subd. 3a. [ADDITIONAL EMPLOYER CONTRIBUTION.] (a) An additional employer contribution must be made equal to ~~(1) 2.68 percent of~~ the following applicable percentage of the total salary ~~of each~~ amount for "basic ~~member~~ members"~~,~~ and ~~(2) .43 percent of the total salary of each~~ for "coordinated ~~member,~~ members":

	Basic Program	Coordinated Program
Effective before January 1, 2006	2.68	.43
Effective January 1, 2006	2.68	.50
Effective January 1, 2009	2.68	.75
Effective January 1, 2010	2.68	1.00

These contributions must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(b) The coordinated program contribution rates set forth in paragraph (a) effective for January 1, 2009, or January 1, 2010, must not be implemented if, following receipt of the July 1, 2008, or July 1, 2009, annual actuarial valuation reports under section 356.215, respectively, the actuarially required contributions are equal to or less than the total rates under this section in effect as of January 1, 2008.

(c) This subdivision is repealed once the actuarial value of the assets of the plan equal or exceed the actuarial accrued liability of the plan as determined by the actuary retained by the Legislative Commission on Pensions and Retirement under section 356.215. The repeal is effective on the first day of the first full pay period occurring after March 31 of the calendar year following the issuance of the actuarial valuation upon which the repeal is based.

Sec. 11. Minnesota Statutes 2004, section 353.27, is amended by adding a subdivision to read:

Subd. 3b. [CHANGE IN EMPLOYEE AND EMPLOYER CONTRIBUTIONS IN CERTAIN INSTANCES.] (a) For purposes of this section, a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement. For purposes of this section, a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Employee and employer contributions under subdivisions 2 and 3 must be adjusted:

(1) if, after July 1, 2010, the regular actuarial valuations of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicate that there is a contribution sufficiency under paragraph (a) equal to or greater than 0.5 percent of covered payroll for two consecutive years, the coordinated program employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency equals no more than 0.25 percent of covered payroll based on the most recent actuarial valuation; or

(2) if, after July 1, 2010, the regular actuarial valuations of the general employees retirement plan of the Public Employees Retirement Association under section 356.215

indicate that there is a deficiency equal to or greater than 0.5 percent of covered payroll for two consecutive years, the coordinated program employee and employer contribution rates must be increased as determined under paragraph (c) to a level such that no deficiency exists based on the most recent actuarial valuation.

(c) The contribution rate increase or decrease must be determined by the executive director of the Public Employees Retirement Association, must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1, and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination by the executive director that a contribution deficiency or sufficiency has existed for two consecutive fiscal years based on the most recent actuarial valuations under section 356.215. If the actuarially required contribution exceeds or is less than the total support provided by the combined employee and employer contribution rates by more than 0.5 percent of covered payroll, the coordinated program employee and employer contribution rates must be adjusted incrementally over one or more years to a level such that there remains a contribution sufficiency of no more than 0.25 percent of covered payroll.

(d) No incremental adjustment may exceed 0.25 percent for either the coordinated program employee and employer contribution rates per year in which any adjustment is implemented. A contribution rate adjustment under this subdivision must not be made until at least two years have passed since fully implementing a previous adjustment under this subdivision.

Sec. 12. Minnesota Statutes 2004, section 353.65, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE CONTRIBUTION RATE.] (a) The employee contribution is an amount equal to ~~6.2~~ the percent of the total salary of the member specified in paragraph (b). This contribution must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

(b) For calendar year 2006, the employee contribution rate is 7.0 percent. For calendar year 2007, the employee contribution rate is 7.8 percent. For calendar year 2008, the employee contribution rate is 8.6 percent. For calendar year 2009 and thereafter, the employee contribution rate is 9.4 percent.

Sec. 13. Minnesota Statutes 2004, section 353.65, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER CONTRIBUTION RATE.] (a) The employer contribution shall be an amount equal to ~~9.3~~ the percent of the total salary of every member as specified in paragraph (b). This contribution shall be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(b) For calendar year 2006, the employer contribution rate is 10.5 percent. For calendar year 2007, the employer contribution rate is 11.7 percent. For calendar year 2008, the employer contribution rate is 12.9 percent. For calendar year 2009 and thereafter, the employer contribution rate is 14.1 percent.

Sec. 14. [EFFECTIVE DATE.]

(a) Sections 1, 2, and 7 are effective on July 1, 2007.

(b) Sections 3 to 6 are effective on July 1, 2005.

(c) Sections 8 to 13 are effective on January 1, 2006.

ARTICLE 2

TEACHER RETIREMENT FUND AND

BENEFIT RESTRUCTURING

Section 1. [126C.458] [LEVY FOR EARLY RETIREMENT COSTS.]

Each year, a school district may levy for the additional employer contributions required under section 354.42, subdivision 3.

Sec. 2. [128D.18] [FUNDING OF UNFUNDED PENSION LIABILITIES.]

Subdivision 1. [FINANCING AUTHORITY.] Notwithstanding any other law to the contrary, Special School District No. 1, Minneapolis, may finance all or a portion of the current and future unfunded actuarial accrued liability of the former Minneapolis Teachers Retirement Fund Association through the issuance of pension obligation bonds under this section.

Subd. 2. [USE OF PROCEEDS.] The proceeds of the bonds issued, less costs, must be paid to the State Board of Investment to be deposited as a payment toward the funding of the unfunded actuarial accrued liability of the former Minneapolis Teachers Retirement Fund Association owed by Special School District No. 1, Minneapolis, and must be credited as an asset of the Teachers Retirement Association.

Subd. 3. [APPROPRIATIONS.] Notwithstanding any law to the contrary, special direct state aid, matching aid, and other contributions levied for the Teachers Retirement Association under section 354A.12, subdivisions 3a and 3b, and amortization or supplementary amortization state aid reallocated to the Teachers Retirement Association under section 423A.02 are pledged and appropriated to the payment of the bonds and must be transferred to Special School District No. 1, Minneapolis, and additional employer contributions levied by Special School District No. 1, Minneapolis, under section 354A.12, subdivision 3b, shall be retained by the district to the extent required to pay debt service on the bonds for the succeeding 12-month period or a longer period established pursuant to the resolution of the district authorizing the bonds.

Subd. 4. [NO ELECTION.] No election of the voters of the district shall be required to issue bonds authorized by this section.

Subd. 5. [TERMS AND SALE OF BONDS.] The bonds issued pursuant to this section shall bear interest at the rate or rates and mature on the date or dates not more than 30 years from the date of issue as the district shall determine by resolution. Interest may be at a fixed or variable rate. The bonds may be sold and issued on terms and in a manner that Special School District No. 1, Minneapolis, determines is in its best interests and in the best interests of the state.

Subd. 6. [THIS SECTION PREVAILS.] Notwithstanding any other law to the contrary, this section shall apply to the issuance and sale of the bonds and to the purposes for which the bonds may be issued.

Subd. 7. [STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS.] The state pledges and agrees with the holders of bonds issued under this section that the state will not limit or alter the rights vested in Special School District No. 1, Minneapolis, to fulfill the terms of any agreements made with the bondholders or in any way impair the rights and remedies of the holders until the bonds, together with interest on them, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders, are fully met and discharged. The district may include this pledge and agreement of the state in any agreement with the holders of bonds issued under this section.

Subd. 8. [NOT NET DEBT.] Bonds ended under this section not in default shall not be deemed net debt under any law limiting indebtedness.

Subd. 9. [AID REDUCTION FOR REPAYMENT.] If the amount transferred by Special School District No. 1, Minneapolis, to the paying agent for the bonds is insufficient to pay required debt service, the paying agent shall notify the commissioner of finance. The commissioner shall reduce any and all unrestricted state aids generally available to the school district by the amount of the deficiency and pay the amounts to the paying agent for the bonds for the payment of debt service. If the state aids are reduced pursuant to this subdivision, the district may levy a tax in the amount of the reduction in state aid. Notwithstanding any other law to the contrary, no election of the voters of the district is required for the levy and the levy is not subject to other levy limitations.

Sec. 3. [128D.181] [AID REDEDICATION.]

Notwithstanding any law to the contrary and subject to section 2, special direct state aid previously paid to the Minneapolis Teachers Retirement Fund Association under section 354A.12, subdivision 3a, must be paid to the Teachers Retirement Association.

Sec. 4. Minnesota Statutes 2004, section 354.05, subdivision 2, is amended to read:

Subd. 2. [TEACHER.] (a) "Teacher" means:

(1) a person who renders service as a teacher, supervisor, principal, superintendent, librarian, nurse, counselor, social worker, therapist, or psychologist in a public school of the state located outside of the corporate limits of ~~a city of the first class~~ the city of Duluth or the city of St. Paul, or in any charter school, irrespective of the location of the school, or in any charitable, penal, or correctional institutions of a governmental subdivision, or who is engaged in educational administration in connection with the state public school system, but excluding the University of Minnesota, whether the position be a public office or an employment, and not including the members or officers of any general governing or managing board or body;

(2) an employee of the Teachers Retirement Association;

(3) a person who renders teaching service on a part-time basis and who also renders other services for a single employing unit. A person whose teaching service comprises at least 50 percent of the combined employment salary is a member of the association for all services with the single employing unit. If the person's teaching service comprises less than 50 percent of the combined employment salary, the executive director must determine whether all or none of the combined service is covered by the association; or

(4) a person who is not covered by the plans established under chapter 352D, 354A, or 354B and who is employed by the

Board of Trustees of the Minnesota State Colleges and Universities system in an unclassified position as:

(i) a president, vice-president, or dean;

(ii) a manager or a professional in an academic or an academic support program other than specified in item (i);

(iii) an administrative or a service support faculty position; or

(iv) a teacher or a research assistant.

(b) "Teacher" does not mean:

(1) a person who works for a school or institution as an independent contractor as defined by the Internal Revenue Service;

(2) a person who renders part-time teaching service or who is a customized trainer as defined by the Minnesota State Colleges and Universities system if (i) the service is incidental to the regular nonteaching occupation of the person; and (ii) the employer stipulates annually in advance that the part-time teaching service or customized training service will not exceed 300 hours in a fiscal year and retains the stipulation in its records; and (iii) the part-time teaching service or customized training service actually does not exceed 300 hours in a fiscal year; or

(3) a person exempt from licensure under section 122A.30.

Sec. 5. Minnesota Statutes 2004, section 354.05, subdivision 13, is amended to read:

Subd. 13. [ALLOWABLE SERVICE.] "Allowable service" means:

(1) Any service rendered by a teacher for which on or before July 1, 1957, the teacher's account in the retirement fund was credited by reason of employee contributions in the form of salary deductions, payments in lieu of salary deductions, or in any other manner authorized by Minnesota Statutes 1953, sections 135.01 to 135.13, as amended by Laws 1955, chapters 361, 549, 550, 611, or

(2) Any service rendered by a teacher for which on or before July 1, 1961, the teacher elected to obtain credit for service by making payments to the fund pursuant to Minnesota

Statutes 1980, section 354.09 and section 354.51, or

(3) Any service rendered by a teacher after July 1, 1957, for any calendar month when the member receives salary from which deductions are made, deposited and credited in the fund, or

(4) Any service rendered by a person after July 1, 1957, for any calendar month where payments in lieu of salary deductions are made, deposited and credited into the fund as provided in Minnesota Statutes 1980, section 354.09, subdivision 4, and section 354.53, or

(5) Any service rendered by a teacher for which the teacher elected to obtain credit for service by making payments to the fund pursuant to Minnesota Statutes 1980, section 354.09, subdivisions 1 and 4, sections 354.50, 354.51, Minnesota Statutes 1957, section 135.41, subdivision 4, Minnesota Statutes 1971, section 354.09, subdivision 2, or Minnesota Statutes, 1973 Supplement, section 354.09, subdivision 3, or

(6) Both service during years of actual membership in the course of which contributions were currently made and service in years during which the teacher was not a member but for which the teacher later elected to obtain credit by making payments to the fund as permitted by any law then in effect, or

(7) Any service rendered where contributions were made and no allowable service credit was established because of the limitations contained in Minnesota Statutes 1957, section 135.09, subdivision 2, as determined by the ratio between the amounts of money credited to the teacher's account in a fiscal year and the maximum retirement contribution allowable for that year, or

(8) MS 2002 (Expired)

(9) A period of time during which a teacher who is a state employee was on strike without pay, not to exceed a period of one year, if the teacher makes a payment in lieu of salary deductions or makes a prior service credit purchase payment, whichever applies. If the payment is made within 12 months, the payment by the teacher must be an amount equal to the employee

and employer contribution rates set forth in section 354.42, subdivisions 2 and 3, applied to the teacher's rate of salary in effect on the conclusion of the strike for the period of the strike without pay, plus compound interest at a monthly rate of 0.71 percent from the last day of the strike until the date of payment. If the payment by the employee is not made within 12 months, the payment must be in an amount equal to the payment amount determined under section 356.55 or 356.551, whichever applies, or

(10) A period of service before July 1, 2005, that was credited by the Minneapolis Teachers Retirement Fund Association and that was rendered by a teacher as an employee of Special School District No. 1, Minneapolis, or by an employee of the Minneapolis Teachers Retirement Fund Association who was a member of the Minneapolis Teachers Retirement Fund Association by virtue of that employment, who has not begun receiving an annuity or other retirement benefit from the former Minneapolis Teachers Retirement Fund Association calculated in whole or in part on that service before July 1, 2005, and who has not taken a refund of member contributions related to that service unless the refund is repaid under section 354.50, subdivision 4.

Sec. 6. Minnesota Statutes 2004, section 354.42, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE.] (a) The employee contribution to the fund is an amount equal to the following percentage of the salary of a member:

(1) after July 1, 2005, for a teacher employed by Special School District No. 1, Minneapolis, 5.5 percent if the teacher is a coordinated member and 9.0 percent if the teacher is a basic member;

(2) for every other teacher, ~~5.0~~ 5.5 percent ~~of~~ if the ~~salary of every~~ teacher is a coordinated member and 9.0 percent ~~of~~ if the ~~salary of every~~ teacher is a basic member.

(b) This contribution must be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the entire salary received.

Sec. 7. Minnesota Statutes 2004, section 354.42, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER.] <u>(a) The employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to 8.64 percent of the salary of each of its teachers who is a coordinated member and 12.64 percent of the salary of each of its teachers who is a basic member.</u>

<u>(b)</u> The employer contribution to the fund <u>for every other employer</u> is an amount equal to ~~5.0~~ <u>5.5</u> percent of the salary of each coordinated member and 9.0 percent of the salary of each basic member.

<u>(c) As payment toward the cost of the unfunded actuarial accrued liability transferred to the Teachers Retirement Association from the former Minneapolis Teachers Retirement Fund Association, a supplemental contribution of ... percent of the covered Special School District No. 1 teacher payroll must be made each fiscal year through June 30, 2035. One-third of the dollar amount of this supplemental contribution must be paid each by Special School District No. 1, Minneapolis, the city of Minneapolis, and the state of Minnesota. On or before October 1, annually, the executive director of the Teachers Retirement Association shall calculate the expected total dollar amount of the supplemental contribution for the calendar year and shall certify the portion payable by each governmental entity. The amount is payable in full on or before the following June 1.</u>

Sec. 8. Minnesota Statutes 2004, section 354.44, subdivision 6, is amended to read:

Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT ANNUITY.] (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary for the period of the member's formula service credit.

For all years of formula service credit, "average salary," for the purpose of determining the member's retirement annuity, means the average salary upon which contributions were made and upon which payments were made to increase the salary limitation provided in Minnesota Statutes 1971, section 354.511, for the highest five successive years of formula service credit provided, however, that such "average salary" shall not include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of formula service credit if this service credit is less than five years.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in paragraph (a), multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled for service rendered prior to July 1, 2005:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in section 356.315, subdivision 1, per year	the percent specified in section 356.315, subdivision 3, per year
Each year of service thereafter	the percent specified in section 356.315, subdivision 2, per year	the percent specified in section 356.315, subdivision 4, per year

For service rendered on or after July 1, 2005, the average salary as defined in paragraph (a), multiplied by the following percentages per year of service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in	the percent specified in

	<u>section 356.315, subdivision 1a, per year</u>	<u>section 356.315, subdivision 3, per year</u>
	<u>Coordinated Member</u>	<u>Basic Member</u>
<u>Each year of service after ten years of service</u>	<u>the percent specified in section 356.315, subdivision 2a, per year</u>	<u>the percent specified in section 356.315, subdivision 4, per year</u>

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). <u>For a basic member,</u> the average salary, as defined in paragraph (a) multiplied by the percent specified by section 356.315, subdivision 4, for each year of service for a basic member ~~and-by-the-percent-specified-in section-356.315,-subdivision-2,-for-each-year-of-service-for-a coordinated-member~~ shall determine the amount of the retirement annuity to which the basic member is entitled. For a coordinated member, the average salary, as defined in clause (1) multiplied by the percent specified in section 356.315, subdivision 2, for each year of service rendered prior to July 1, 2005, and by the percent specified in section 356.315, subdivision 2a, for each year of service rendered on or after July 1, 2005, shall determine the amount of the retirement annuity to which the coordinated member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) 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.

(f) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

Sec. 9. [354.70] [CONSOLIDATION OF THE MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.]

Subdivision 1. [MEMBERSHIP TRANSFER.] All active, inactive, and retired members of the Minneapolis Teachers Retirement Fund Association are transferred to the Teachers Retirement Association and are no longer members of the Minneapolis Teachers Retirement Fund Association as of the effective date of this section.

Subd. 2. [TRA MEMBERSHIP.] A person first hired as a teacher by Special School District No. 1, Minneapolis, after the effective date of this section and who is a teacher as defined in section 354.05, subdivision 2, is a member of the Teachers Retirement Association for the person's teaching service.

Subd. 3. [SERVICE CREDIT AND LIABILITY TRANSFER.] All allowable service and salary credit of the members and other individuals transferred under subdivision 1 as specified in the records of the Minneapolis Teachers Retirement Fund Association on the transfer date is allowable service credit under section 354.05, subdivision 13, formula service credit under section 354.05, subdivision 25, and salary credit under section 354.05, subdivision 35, for the Teachers Retirement Association.

Subd. 4. [TRANSFER OF RECORDS.] On the effective date of this section, the chief administrative officer of the Minneapolis Teachers Retirement Fund Association shall effect a transfer of all records and documents relating to the funds and the benefit plans of the association to the executive director of the Teachers Retirement Association. To the extent possible, original copies of all records and documents must be transferred. The chief administrative officer of the Minneapolis Teachers Retirement Fund Association shall certify the accuracy of all records and documents for which the transfer of original copies was not possible.

Subd. 5. [TRANSFER OF ASSETS.] (a) On the effective date of this section, the chief administrative officer of the Minneapolis Teachers Retirement Fund Association shall transfer to the Teachers Retirement Association the entire assets of the Minneapolis Teachers Retirement Fund Association. The transfer of the assets of the Minneapolis Teachers Retirement Fund

Association must include any accounts receivable that are determined by the executive director of the State Board of Investment as reasonably capable of being collected. Legal title to account receivables that are determined by the executive director of the State Board of Investment as not reasonably capable of being collected transfers to Special School District No. 1, Minneapolis, as of the date of the determination of the executive director of the State Board of Investment. If the account receivables transferred to Special School District No. 1, Minneapolis, are subsequently recovered by the school district, the superintendent of Special School District No. 1, Minneapolis, shall transfer the recovered amount to the executive director of the Teachers Retirement Association, in cash, for deposit in the teachers retirement fund, less the reasonable expenses of the school district related to the recovery.

(b) As of the effective date of this section, subject to the authority of the State Board of Investment, the board of directors of the Teachers Retirement Association has legal title to and management responsibility for any transferred assets under this subdivision as trustees for any person having a beneficial interest in the Minneapolis Teachers Retirement Fund Association. The Teachers Retirement Association is the successor in interest for all claims for and against the former coordinated program of the Minneapolis Teachers Retirement Fund Association with respect to the retirement fund association, except a claim against the Minneapolis Teachers Retirement Fund Association or any person connected with the fund association in a fiduciary capacity, based on any act or acts by that person which were not done in good faith and which constituted a breach of the obligation of the person as a fiduciary. As the successor in interest, the Teachers Retirement Association may assert any applicable defense in any judicial proceeding which the board of the Minneapolis Teachers Retirement Fund Association would have otherwise been entitled to assert relating to the coordinated program.

(c) From the assets of the Minneapolis Teachers Retirement Fund Association transferred to the Teachers Retirement Association, an amount equal to the percentage figure that represents the ratio between the market value of the Minnesota postretirement investment fund as of June 30, 2005, and the required reserves of the Minnesota postretirement investment fund as of June 30, 2005, applied to the present value of future benefits payable to annuitants of the former Minneapolis Teachers Retirement Fund Association as of June 30, 2005, including any postretirement adjustment from the Minnesota postretirement investment fund expected to be payable on January 1, 2006, must be transferred to the Minnesota postretirement investment fund. The executive director of the State Board of Investment shall estimate this ratio at the time of the transfer. By January 1, 2006, after all necessary financial information becomes available to determine the actual funded ratio of the Minnesota postretirement investment fund, the postretirement fund must refund to the Teachers Retirement Association any excess assets or the Teachers Retirement Association must contribute any deficiency to the Minnesota postretirement investment fund with interest under section 11A.18, subdivision 6. The balance of the assets of the former Minneapolis Teachers Retirement Fund Association after the transfer to the Minnesota postretirement investment fund must be credited to the Teachers Retirement Association.

If the assets transferred by the Minneapolis Teachers Retirement Fund Association to the Teachers Retirement Association are insufficient to meet its obligation to the Minnesota postretirement investment fund, additional assets must be transferred by the executive director of the Teachers Retirement Association to meet the amount required.

Subd. 6. [BENEFIT CALCULATION.] (a) For every deferred, inactive, disabled, and retired member of the Minneapolis Teachers Retirement Fund Association transferred under subdivision 1, and the survivors of these members, annuities or benefits earned before the date of the transfer, other than future postretirement adjustments, must be calculated and paid by the Teachers Retirement Association under the laws, articles of incorporation, and bylaws of the former Minneapolis Teachers Retirement Fund Association that were in effect relative to the person on the date of the person's termination of active service covered by the former Minneapolis Teachers Retirement Fund Association.

(b) Former Minneapolis Teachers Retirement Fund Association members who retired before July 1, 2005, must receive postretirement adjustments after January 1, 2006, only as provided in section 11A.18. All other benefit recipients of the former Minneapolis Teachers Retirement Fund Association must receive postretirement adjustments after January 1, 2006, only as provided in section 356.41.

Subd. 7. [TERMINATION OF THE MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.] As of the effective date of this section and upon the transfer of administration, records, assets, and liabilities from the Minneapolis Teachers Retirement Fund Association to the Teachers Retirement Association, the Minneapolis Teachers Retirement Fund Association ceases to exist as a Minnesota public pension plan.

Sec. 10. [354.75] [MINNEAPOLIS EMPLOYEES RETIREMENT FUND STATE AID REDEDICATED.]

Subdivision 1. [APPROPRIATION.] The positive difference, if any, between the actual state aid paid to the Minneapolis Employees Retirement Fund under section 422A.101, subdivision 3, and $8,065,000 annually is appropriated from the general fund to the commissioner of finance for deposit in the Teachers Retirement Association to offset all or a portion of the current and future unfunded actuarial accrued liability of the Minneapolis Teachers Retirement Fund Association.

Subd. 2. [FINANCIAL REQUIREMENTS.] The appropriation in subdivision 1 is available to the extent that financial requirements of the Minneapolis Employees Retirement Fund under section 422A.101, subdivision 3, have been satisfied.

Sec. 11. Minnesota Statutes 2004, section 354A.011, subdivision 15a, is amended to read:

Subd. 15a. [NORMAL RETIREMENT AGE.] "Normal retirement age" means age 65 for a person who first became a member of the coordinated program of the ~~Minneapolis-or~~ St. Paul Teachers Retirement Fund Association or the new law coordinated program of the Duluth Teachers Retirement Fund Association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first became a member of the coordinated program of the ~~Minneapolis-or~~ St. Paul Teachers Retirement Fund Association or the new law coordinated program of the Duluth Teachers Retirement Fund Association after June 30, 1989, normal retirement age means the higher of age 65 or retirement age, as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66. For a person who is a member of the basic program of the ~~Minneapolis or~~ St. Paul Teachers Retirement Fund Association or the old law coordinated program of the Duluth Teachers Retirement Fund Association, normal retirement age means the age at which a teacher becomes eligible for a normal retirement annuity computed upon meeting the age and service requirements specified in the applicable provisions of the articles of incorporation or bylaws of the respective teachers retirement fund association.

Sec. 12. Minnesota Statutes 2004, section 354A.011, subdivision 27, is amended to read:

Subd. 27. [TEACHER.] (a) "Teacher" means any person who renders service for a public school district, other than a charter school, located in the corporate limits of ~~one-of~~ the cities of ~~the-first-class-which-was-so-classified-on-January-1, 1979~~ <u>Duluth and St. Paul</u>, as any of the following:

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

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

(3) a part-time employee in a position for which a valid license from the state Department of Education is required; or

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

(b) The term does not mean any person who renders service in the school district as any of the following:

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

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

(3) an employee exempt from licensure pursuant to section 122A.30;

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

(5) a teacher employed by a charter school, irrespective of the location of the school; or

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

Sec. 13. Minnesota Statutes 2004, section 354A.021, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT.] There is established a teachers retirement fund association in each of the cities of ~~the-first-class-which-were-so-classified-on-January-1, 1979~~ Duluth and St. Paul. The associations shall be known respectively as the "Duluth Teachers Retirement Fund Association~~,~~" ~~the-"Minneapolis-Teachers-Retirement-Fund Association"~~ and the "St. Paul Teachers Retirement Fund Association." Each association shall be a continuation of the teachers retirement fund association with the same corporate name established pursuant to the authorization contained in Laws 1909, chapter 343, section 1.

Sec. 14. Minnesota Statutes 2004, section 354A.092, is amended to read:

354A.092 [SABBATICAL LEAVE.]

Any teacher in the coordinated program of ~~either-the Minneapolis-Teachers-Retirement-Fund-Association-or~~ the St. Paul Teachers Retirement Fund Association or any teacher in the new law coordinated program of the Duluth Teachers Retirement Fund Association who is granted a sabbatical leave shall be entitled to receive allowable service credit in the applicable association for periods of sabbatical leave. To obtain the service credit, the teacher on sabbatical leave shall make an employee contribution to the applicable association. No teacher shall be entitled to receive more than three years of allowable service credit pursuant to this section for a period or periods of sabbatical leave during any ten consecutive fiscal or calendar years, whichever is the applicable plan year for the teachers retirement fund association. If the teacher granted a sabbatical leave makes the employee contribution for a period of sabbatical leave pursuant to this section, the employing unit shall make an employer contribution on behalf of the teacher to the applicable association for that period of sabbatical leave in the manner described in section 354A.12, subdivision 2a. The employee and employer contributions shall be in an amount equal to the employee and employer contribution rates in effect for other active members of the association covered by the same program applied to a salary figure equal to the teacher's actual covered salary for the plan year immediately preceding the sabbatical leave period. Payment of the employee contribution authorized pursuant to this section shall be made by the teacher on or before June 30 of year next following the year in which the sabbatical leave terminated and shall be made without interest. For sabbatical leaves taken after June 30, 1986, the required employer contributions shall be paid by the employing unit within 30 days after notification by the association of the amount due. If the employee contributions for the sabbatical leave period are less than an amount equal to the applicable contribution rate applied to a salary figure equal to the teacher's actual covered salary for the plan year immediately preceding the sabbatical leave period, service credit shall be prorated. The prorated service credit shall be determined by the ratio between the amount of the actual payment which was made and the full contribution amount payable pursuant to this section.

Sec. 15. Minnesota Statutes 2004, section 354A.093, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] Any teacher in the coordinated program of ~~either-the-Minneapolis-Teachers Retirement-Fund-Association-or~~ the St. Paul Teachers Retirement Fund Association or any teacher in the new law coordinated program of the Duluth Teachers Retirement Fund Association who is absent from employment by reason of service in the uniformed services as defined in United States Code, title 38, section 4303(13) and who returns to the employer providing active teaching service upon discharge from uniformed service within the time frames required under United States Code, title 38, section 4312(e), may receive allowable service credit in the applicable association for all or a portion of the period of uniformed service, provided that the teacher did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

Sec. 16. Minnesota Statutes 2004, section 354A.095, is amended to read:

354A.095 [PARENTAL AND MATERNITY LEAVE.]

Basic or coordinated members of the St. Paul Teachers Retirement Fund Association~~, the Minneapolis Teachers Retirement Fund Association,~~ and new coordinated members of the Duluth Teachers Retirement Fund Association, who are granted parental or maternity leave of absence by the employing authority, are entitled to obtain service credit not to exceed one year for the period of leave upon payment to the applicable fund by the end of the fiscal year following the fiscal year in which the leave of absence terminated. The amount of the payment must include the total required employee and employer contributions for the period of leave prescribed in section 354A.12. Payment must be based on the member's average monthly salary rate upon return to teaching service, and is payable without interest. Payment must be accompanied by a certified or otherwise adequate copy of the resolution or action of the employing authority granting or approving the leave.

Sec. 17. Minnesota Statutes 2004, section 354A.096, is amended to read:

354A.096 [MEDICAL LEAVE.]

Any teacher in the coordinated program of ~~either the Minneapolis Teachers Retirement Fund Association or~~ the St. Paul Teachers Retirement Fund Association or the new law coordinated program of the Duluth Teachers Retirement Fund Association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354A.12, subdivisions 1 and 2, as applied to the member's average full-time monthly salary rate on the date the leave of absence commenced plus annual interest at the rate of 8.5 percent per year from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made. The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required must be paid by the end of the fiscal year following the fiscal year in which the leave of absence terminated or before the member retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association in a manner specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354A.36 and receive allowable service credit under this section for the same period of time.

Sec. 18. Minnesota Statutes 2004, section 354A.12, subdivision 1, is amended to read:

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

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

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

Sec. 19. Minnesota Statutes 2004, section 354A.12, subdivision 2, is amended to read:

Subd. 2. [RETIREMENT CONTRIBUTION LEVY DISALLOWED.] Except as provided in ~~subdivision 3b and in section 423A.02, subdivision 3, with respect to the city of Minneapolis and special school district No. 1 and in~~ section 423A.02, subdivision 3, with respect to independent school district No. 625, notwithstanding any law to the contrary, levies for teachers retirement fund associations in the cities of ~~the first class~~ Duluth and St. Paul, including levies for any employer Social Security taxes for teachers covered by the Duluth Teachers Retirement Fund Association or the ~~Minneapolis Teachers Retirement Fund Association or the~~ St. Paul Teachers Retirement Fund Association, are disallowed.

Sec. 20. Minnesota Statutes 2004, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. [EMPLOYER REGULAR AND ADDITIONAL CONTRIBUTION RATES.] (a) The employing units shall make the following employer contributions to teachers retirement fund associations:

(1) for any coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall pay the employer Social Security taxes in accordance with section 355.46, subdivision 3, clause (b);

(2) for any coordinated member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

Duluth Teachers Retirement Fund Association	4.50 percent
~~Minneapolis Teachers Retirement Fund Association~~	~~4.50 percent~~
St. Paul Teachers Retirement	

Fund Association 4.50 percent;

(3) for any basic member of ~~one-of~~ the ~~following~~ St. Paul Teachers Retirement Fund ~~associations-in-a-city-of-the-first class~~ Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount equal to ~~the-designated-percentage~~ 8.00 percent of the salary of the basic member ~~as-provided-below:~~

~~Minneapolis-Teachers-Retirement~~
~~Fund-Association~~ ~~8.50-percent~~
~~St.--Paul-Teachers-Retirement~~
~~Fund-Association~~ ~~8.00-percent~~;

(4) for a basic member of ~~a~~ the St. Paul Teachers Retirement Fund Association ~~in-a-city-of-the-first-class~~, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to ~~the-designated percentage~~ 3.64 percent of the salary of the basic member~~,-as provided-below:~~

~~Minneapolis-Teachers-Retirement~~
~~Fund-Association~~
~~July-1,-1993---June-30,-1994~~ ~~4.85-percent~~
~~July-1,-1994,-and-thereafter~~ ~~3.64-percent~~
~~St.--Paul-Teachers-Retirement~~
~~Fund-Association~~
~~July-1,-1993---June-30,-1995~~ ~~4.63-percent~~
~~July-1,-1995,-and-thereafter~~ ~~3.64-percent~~;

(5) for a coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the applicable percentage of the coordinated member's salary, as provided below:

Duluth Teachers Retirement
Fund Association 1.29 percent
~~Minneapolis-Teachers-Retirement~~
~~Fund-Association~~
~~July-1,-1993---June-30,-1994~~ ~~0.50-percent~~
~~July-1,-1994,-and-thereafter~~ ~~3.64-percent~~

St. Paul Teachers Retirement
Fund Association

July 1, 1993 - June 30, 1994	0.50 percent
July 1, 1994 - June 30, 1995	1.50 percent
July 1, 1997, and thereafter	3.84 percent<u>.</u>

(b) The regular and additional employer contributions must be remitted directly to the respective teachers retirement fund association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

Sec. 21. Minnesota Statutes 2004, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. [SPECIAL DIRECT STATE AID TO FIRST CLASS CITY TEACHERS RETIREMENT FUND ASSOCIATIONS.] (a) In fiscal year 1998, the state shall pay $4,827,000 to the St. Paul Teachers Retirement Fund Association, $17,954,000 to the Minneapolis Teachers Retirement Fund Association, and $486,000 to the Duluth Teachers Retirement Fund Association. In each ~~subsequent~~ fiscal year <u>after fiscal year 2005</u>, these payments to the first class city teachers retirement fund associations must be $2,827,000 for St. Paul, $12,954,000 <u>to the Teachers Retirement Association</u> for <u>the former</u> Minneapolis <u>Teachers Retirement Fund Association</u>, and $486,000 for Duluth.

(b) The direct state aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.

Sec. 22. Minnesota Statutes 2004, section 354A.12, subdivision 3b, is amended to read:

Subd. 3b. [SPECIAL DIRECT STATE MATCHING AID TO THE ~~MINNEAPOLIS~~ TEACHERS RETIREMENT ~~FUND~~ ASSOCIATION.] (a) Special School District No. 1 ~~may~~ <u>must</u> make an additional employer contribution to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association. The city of Minneapolis ~~may~~ must make a contribution to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association. This contribution ~~may~~ must be made by a levy of the board of estimate and taxation of the city of Minneapolis and the levy, if made, is classified as that of a special taxing district for purposes of sections 275.065 and 276.04, and for all other property tax purposes.

(b) ~~For-every-$1,000~~ $1,125,000 must be contributed ~~in equal-proportion~~ by Special School District No. 1 and $1,125,000 must be contributed by the city of Minneapolis to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association under paragraph (a)~~,~~ and the state shall pay to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association ~~$1,000,-but-not-to exceed~~ $2,500,000 ~~in-total-in~~ each fiscal year ~~1994~~. The superintendent of Special School District No. 1, the mayor of the city of Minneapolis, and the executive director of the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association shall jointly certify to the commissioner of finance the total amount that has been contributed by Special School District No. 1 and by the city of Minneapolis to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association. Any certification to the commissioner of education must be made quarterly. If the total certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of direct state matching aid payable to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of finance.

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

Sec. 23. Minnesota Statutes 2004, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. [TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND

DIRECT MATCHING AND STATE AID.] (a) The supplemental contributions payable to the ~~Minneapolis-Teachers-Retirement Fund-Association-by-special-school-district-No.-1-and-the-city of-Minneapolis-under-section-423A.02,-subdivision-3,-or-to-the~~ St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state aids under subdivision 3a to the ~~first-class city~~ St. Paul Teachers Retirement ~~associations,-and-the-direct matching-and-state-aid-under-subdivision-3b-to-the-Minneapolis Teachers-Retirement~~ Fund Association terminate ~~for-the respective-fund~~ at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained by the Legislative Commission on Pensions and Retirement, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the Teachers Retirement Association by the actuary retained by the Legislative Commission on Pensions and Retirement.

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

(c) If ~~either-the-Minneapolis-Teachers-Retirement-Fund Association,~~ the St. Paul Teachers Retirement Fund Association~~,~~ ~~or-the-Duluth-Teachers-Retirement-Fund-Association-remain~~ is funded at ~~less-than~~ the funding ratio applicable to the teachers retirement association when the provisions of paragraph (b) become effective, then any state aid ~~not~~ previously distributed to that association must be immediately transferred to the ~~other associations-in-proportion-to-the-relative-sizes-of-their unfunded-actuarial-accrued-liabilities~~ Teachers Retirement Association.

Sec. 24. Minnesota Statutes 2004, section 354A.12, subdivision 3d, is amended to read:

Subd. 3d. [SUPPLEMENTAL ADMINISTRATIVE EXPENSE

ASSESSMENT.] (a) The active and retired membership of the ~~Minneapolis-Teachers-Retirement-Fund-Association-and-of-the~~ St. Paul Teachers Retirement Fund Association is responsible for defraying supplemental administrative expenses other than investment expenses of the respective teacher retirement fund association.

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

(c) Supplemental administrative expenses other than investment expenses of ~~a-first-class-city-teacher~~ the St. Paul Teachers Retirement Fund Association are those expenses for the fiscal year that:

(1) exceed, for the St. Paul Teachers Retirement Fund Association, $443,745~~,-or-for-the-Minneapolis-Teacher-Retirement Fund-Association-$671,513,~~ plus~~,-in-each-case,~~ an additional amount derived by applying the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers All Items Index published by the Bureau of Labor Statistics of the United States Department of Labor since July 1, 2001, to the ~~applicable~~ dollar amount; and

(2) exceed the amount computed by applying the most recent percentage of pay administrative expense amount, other than investment expenses, for the teachers retirement association governed by chapter 354 to the covered payroll of the respective teachers retirement fund association for the fiscal year.

(d) The board of trustees of ~~each-first-class-city~~ the St. Paul Teachers Retirement Fund Association shall allocate the total dollar amount of supplemental administrative expenses other than investment expenses determined under paragraph (c), clause (2), among the various active and retired membership groups of the teachers retirement fund association and shall assess the various membership groups their respective share of the supplemental administrative expenses other than investment expenses, in amounts determined by the board of trustees. The supplemental administrative expense assessments must be paid by the membership group in a manner determined by the board of trustees of the respective teachers retirement association. Supplemental administrative expenses payable by the active members of the pension plan must be picked up by the employer in accordance with section 356.62.

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

(1) the total amount of administrative expenses of the St. Paul Teachers Retirement Fund Association, the amount of the investment expenses of the St. Paul Teachers Retirement Fund Association, and the net remaining amount of administrative expenses of the St. Paul Teachers Retirement Fund Association;

(2) the amount of administrative expenses for the St. Paul Teachers Retirement Fund Association that would be equivalent to the teachers retirement association noninvestment administrative expense level described in paragraph (c);

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

(4) the portion of the total amount of the supplemental administrative expense assessment allocated to each membership

group and the rationale for that allocation;

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

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

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

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

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

Sec. 25. Minnesota Statutes 2004, section 354A.30, is amended to read:

354A.30 [~~MINNEAPOLIS-AND~~ ST. PAUL TEACHERS RETIREMENT FUND ~~ASSOCIATIONS~~ <u>ASSOCIATION</u>; COORDINATED PROGRAM.]

There is established a coordinated program within the ~~Minneapolis-Teachers-Retirement-Fund-Association-and-a coordinated-program-within-the~~ St. Paul Teachers Retirement Fund Association to provide retirement coverage for teachers who are covered by an agreement or modification made between the state and the secretary of health, education and welfare making the provisions of the federal Old Age, Survivors and Disability Insurance Act applicable to certain teachers covered by the teachers retirement fund association. The provisions governing the coordinated program shall be sections 354A.31 to 354A.41 and any other applicable provisions of this chapter.

Sec. 26. Minnesota Statutes 2004, section 354A.31, subdivision 4, is amended to read:

Subd. 4. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; ~~MINNEAPOLIS AND~~ ST. PAUL ~~FUNDS~~.] (a) This subdivision applies to the coordinated ~~programs~~ program of the ~~Minneapolis Teachers Retirement Fund Association and the~~ St. Paul Teachers Retirement Fund Association.

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

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2, for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated service.

Sec. 27. Minnesota Statutes 2004, section 354A.32, subdivision 1, is amended to read:

Subdivision 1. [OPTIONAL FORMS GENERALLY.] The ~~boards~~ board of the ~~Minneapolis and the~~ St. Paul Teachers Retirement Fund ~~Associations~~ Association shall ~~each~~ establish for the coordinated program and the board of the Duluth Teachers Retirement Fund Association shall establish for the new law coordinated program an optional retirement annuity which shall take the form of a joint and survivor annuity. Each board may also in its discretion establish an optional annuity which shall take the form of an annuity payable for a period certain and for life thereafter. Each board shall also establish an optional retirement annuity that guarantees payment of the balance of the annuity recipient's accumulated deductions to a designated beneficiary upon the death of the annuity recipient. Except as provided in subdivision 1a, optional annuity forms shall be the actuarial equivalent of the normal forms provided in section 354A.31. In establishing these optional annuity forms, the board shall obtain the written recommendation of the commission-retained actuary. The recommendation shall be a part of the permanent records of the board.

Sec. 28. Minnesota Statutes 2004, section 354A.39, is amended to read:

354A.39 [SERVICE IN OTHER PUBLIC RETIREMENT FUNDS; ANNUITY.]

Any person who has been a member of the Minnesota State Retirement System, the Public Employees Retirement Association including the Public Employees Retirement Association Police and Fire Fund, the Teachers Retirement Association, the Minnesota State Patrol Retirement Association, the legislators retirement plan, the constitutional officers retirement plan, the Minneapolis Employees Retirement Fund, the Duluth Teachers

Retirement Fund Association new law coordinated program, ~~the Minneapolis-Teachers-Retirement-Fund-Association-coordinated program,~~ the St. Paul Teachers Retirement Fund Association coordinated program, or any other public employee retirement system in the state of Minnesota having a like provision but excluding all other funds providing retirement benefits for police officers or firefighters shall be entitled when qualified to an annuity from each fund if the person's total allowable service in all of the funds or in any two or more of the funds totals three or more years, provided that no portion of the allowable service upon which the retirement annuity from one fund is based is used again in the computation for a retirement annuity from another fund and provided further that the person has not taken a refund from any of funds or associations since the person's membership in the fund or association has terminated. The annuity from each fund or association shall be determined by the appropriate provisions of the law governing each fund or association, except that the requirement that a person must have at least three years of allowable service in the respective fund or association shall not apply for the purposes of this section, provided that the aggregate service in two or more of these funds equals three or more years.

Sec. 29. Minnesota Statutes 2004, section 354A.40, subdivision 1, is amended to read:

Subdivision 1. [RETIREMENT ANNUITY.] Any coordinated member of ~~either-the-Minneapolis-Teachers-Retirement-Fund Association-or-of~~ the St. Paul Teachers Retirement Fund Association who has credited service prior to July 1, 1978 shall be entitled to receive a retirement annuity when otherwise qualified, the calculation of which shall utilize the applicable retirement annuity formula specified in articles of incorporation and bylaws of the teachers retirement fund association governing the basic program for that portion of credited service which was served prior to July 1, 1978, and the retirement annuity formula specified in section 354A.31 for the remainder of the member's credited service, both applied to the member's average salary as specified in section 354A.31, subdivision 4. The formula percentages to be used in calculating the coordinated portion of the retirement annuity or coordinated service under this section shall recognize the coordinated service as a continuation of any service prior to July 1, 1978.

Sec. 30. Minnesota Statutes 2004, section 354A.41, is amended to read:

354A.41 [ADMINISTRATION OF COORDINATED PROGRAM.]

Subdivision 1. [ADMINISTRATIVE PROVISIONS.] The provisions of the articles of incorporation and bylaws of the ~~Minneapolis or the~~ St. Paul Teachers Retirement Fund Association~~, whichever is applicable,~~ relating to the administration of the fund shall govern the administration of the coordinated program and the provisions of the articles of incorporation and bylaws of the Duluth Teachers Retirement Fund Association relating to the administration of the fund shall govern the administration of the new law coordinated program in instances where the administrative provisions are not inconsistent with the provisions of sections 354A.31 to 354A.41, including but not limited to provisions relating to the composition and function of the board of trustees, the investment of assets of the teachers retirement fund association, and the definition of the plan year.

Subd. 2. [ACTUARIAL VALUATIONS.] In any actuarial valuation of the ~~Minneapolis Teachers Retirement Fund Association, the~~ St. Paul Teachers Retirement Fund Association~~,~~ or the Duluth Teachers Retirement Fund Association under section 356.215 prepared by the commission-retained actuary or supplemental actuarial valuation prepared by an approved actuary retained by the teachers retirement fund association, there shall be included a finding of the condition of the fund showing separately the basic and coordinated programs or the old law coordinated and new law coordinated programs, as appropriate. The finding shall include the level normal cost and the applicable employee and employer contribution rates for each program.

Sec. 31. Minnesota Statutes 2004, section 356.20, subdivision 2, is amended to read:

Subd. 2. [COVERED PUBLIC PENSION PLANS AND FUNDS.] This section applies to the following public pension plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System;

(2) the general employees retirement plan of the Public Employees Retirement Association;

(3) the Teachers Retirement Association;

(4) the State Patrol retirement plan;

(5) the ~~Minneapolis-Teachers-Retirement-Fund-Association;~~ ~~(6)-the~~ St. Paul Teachers Retirement Fund Association;

~~(7)~~ (6) the Duluth Teachers Retirement Fund Association;

~~(8)~~ (7) the Minneapolis Employees Retirement Fund;

~~(9)~~ (8) the University of Minnesota faculty retirement plan;

~~(10)~~ (9) the University of Minnesota faculty supplemental retirement plan;

~~(11)~~ (10) the judges retirement fund;

~~(12)~~ (11) a police or firefighter's relief association specified or described in section 69.77, subdivision 1a, or 69.771, subdivision 1;

~~(13)~~ (12) the public employees police and fire plan of the Public Employees Retirement Association;

~~(14)~~ (13) the correctional state employees retirement plan of the Minnesota State Retirement System; and

~~(15)~~ (14) the local government correctional service retirement plan of the Public Employees Retirement Association.

Sec. 32. Minnesota Statutes 2004, section 356.214, subdivision 1, is amended to read:

Subdivision 1. [JOINT RETENTION.] (a) The chief administrative officers of the Minnesota State Retirement System, the Public Employees Retirement Association, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, ~~the-Minneapolis-Teachers-Retirement-Fund~~

~~Association,~~ the Minneapolis Employees Retirement Fund, and the St. Paul Teachers Retirement Fund Association, jointly, on behalf of the state, its employees, its taxpayers, and its various public pension plans, shall contract with an established actuarial consulting firm to conduct annual actuarial valuations and related services for the retirement plans named in paragraph (b). The principal from the actuarial consulting firm on the contract must be an approved actuary under section 356.215, subdivision 1, paragraph (c). Prior to becoming effective, the contract under this section is subject to a review and approval by the Legislative Commission on Pensions and Retirement.

(b) The contract for actuarial services must include the preparation of actuarial valuations and related actuarial work for the following retirement plans:

(1) the teachers retirement plan, Teachers Retirement Association;

(2) the general state employees retirement plan, Minnesota State Retirement System;

(3) the correctional employees retirement plan, Minnesota State Retirement System;

(4) the State Patrol retirement plan, Minnesota State Retirement System;

(5) the judges retirement plan, Minnesota State Retirement System;

(6) the Minneapolis employees retirement plan, Minneapolis Employees Retirement Fund;

(7) the public employees retirement plan, Public Employees Retirement Association;

(8) the public employees police and fire plan, Public Employees Retirement Association;

(9) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund Association;

(10) the ~~Minneapolis teachers retirement plan, Minneapolis Teachers Retirement Fund Association,~~

~~(11) the~~ St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund Association;

~~(12)~~ (11) the legislators retirement plan, Minnesota State Retirement System;

~~(13)~~ (12) the elective state officers retirement plan, Minnesota State Retirement System; and

~~(14)~~ (13) local government correctional service retirement plan, Public Employees Retirement Association.

(c) The contract must require completion of the annual actuarial valuation calculations on a fiscal year basis, with the contents of the actuarial valuation calculations as specified in section 356.215, and in conformity with the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

The contract must require completion of annual experience data collection and processing and a quadrennial published experience study for the plans listed in paragraph (b), clauses (1), (2), and (7), as provided for in the standards for actuarial work adopted by the commission. The experience data collection, processing, and analysis must evaluate the following:

(1) individual salary progression;

(2) the rate of return on investments based on the current asset value;

(3) payroll growth;

(4) mortality;

(5) retirement age;

(6) withdrawal; and

(7) disablement.

The contract must include provisions for the preparation of cost analyses by the jointly retained actuary for proposed legislation that include changes in benefit provisions or funding policies prior to their consideration by the Legislative Commission on Pensions and Retirement.

(d) The actuary retained by the joint retirement systems shall annually prepare a report to the legislature, including a commentary on the actuarial valuation calculations for the plans named in paragraph (b) and summarizing the results of the actuarial valuation calculations. The actuary shall include with the report the actuary's recommendations to the legislature concerning the appropriateness of the support rates to achieve proper funding of the retirement plans by the required funding dates. The actuary shall, as part of the quadrennial experience study, include recommendations to the legislature on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

(e) If the actuarial gain and loss analysis in the actuarial valuation calculations indicates a persistent pattern of sizable gains or losses, as directed by the joint retirement systems or as requested by the chair of the Legislative Commission on Pensions and Retirement, the actuary shall prepare a special experience study for a plan listed in paragraph (b), clause (3), (4), (5), (6), (8), (9), (10), (11), (12), ~~(13),~~ or ~~(14)~~ (13), in the manner provided for in the standards for actuarial work adopted by the commission.

(f) The term of the contract between the joint retirement systems and the actuary retained may not exceed five years. The joint retirement system administrative officers shall establish procedures for the consideration and selection of contract bidders and the requirements for the contents of an actuarial services contract under this section. The procedures and requirements must be submitted to the Legislative Commission on Pensions and Retirement for review and comment prior to final approval by the joint administrators. The contract is subject to the procurement procedures under chapter 16C. The consideration of bids and the selection of a consulting actuarial firm by the chief administrative officers must occur at a meeting that is open to the public and reasonable timely public notice of the date and the time of the meeting and its subject matter must be given.

(g) The actuarial services contract may not limit the ability of the Minnesota legislature and its standing committees and commissions to rely on the actuarial results of the work prepared under the contract.

(h) The joint retirement systems shall designate one of the retirement system executive directors as the actuarial services contract manager.

Sec. 33. Minnesota Statutes 2004, section 356.215, subdivision 8, is amended to read:

Subd. 8. [INTEREST AND SALARY ASSUMPTIONS.] (a) The actuarial valuation must use the applicable following preretirement interest assumption and the applicable following postretirement interest assumption:

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0
elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Minneapolis employees retirement plan	6.0	5.0
Duluth teachers retirement plan	8.5	8.5
~~Minneapolis teachers retirement plan~~	~~8.5~~	~~8.5~~
St. Paul teachers retirement plan	8.5	8.5
Minneapolis Police Relief Association	6.0	6.0
Fairmont Police Relief Association	5.0	5.0
Minneapolis Fire Department Relief Association	6.0	6.0
Virginia Fire Department Relief Association	5.0	5.0
local monthly benefit volunteer firefighters relief associations	5.0	5.0

(b) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
elective state officers retirement plan	5.0
judges retirement plan	5.0

Minneapolis Police Relief Association	4.0
Fairmont Police Relief Association	3.5
Minneapolis Fire Department Relief Association	4.0
Virginia Fire Department Relief Association	3.5

(2) modified single rate future salary increase assumption

plan	future salary increase assumption
Minneapolis employees retirement plan	the prior calendar year amount increased first by 1.0198 percent to prior fiscal year date and then increased by 4.0 percent annually for each future year

(3) select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
general state employees retirement plan	select calculation and assumption A
correctional state employees retirement plan	assumption ~~H~~ G
State Patrol retirement plan	assumption ~~H~~ G
general public employees retirement plan	select calculation and assumption B
public employees police and fire fund retirement plan	assumption C
local government correctional service retirement plan	assumption ~~H~~ G
teachers retirement plan	assumption D
Duluth teachers retirement plan	assumption E
~~Minneapolis teachers retirement plan~~	~~assumption F~~
St. Paul teachers retirement plan	assumption ~~G~~ F

The select calculation is:
during the ten-year select period, a designated percent is multiplied by the result of ten minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated percent is 0.2 percent for the correctional state employees retirement plan, the State Patrol retirement plan, the public employees police and fire plan, and the local government correctional service plan; 0.3 percent for the general state employees retirement plan, the general public employees retirement plan, the teachers retirement plan, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association; and 0.4 percent for the Minneapolis Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B	C	D	E	~~F~~	~~G~~ F	~~H~~ G
16	6.95%	6.95%	11.50%	8.20%	8.00%	~~6.50%~~	6.90%	7.7500
17	6.90	6.90	11.50	8.15	8.00	~~6.50~~	6.90	7.7500
18	6.85	6.85	11.50	8.10	8.00	~~6.50~~	6.90	7.7500
19	6.80	6.80	11.50	8.05	8.00	~~6.50~~	6.90	7.7500
20	6.75	6.40	11.50	6.00	6.90	~~6.50~~	6.90	7.7500
21	6.75	6.40	11.50	6.00	6.90	~~6.50~~	6.90	7.1454
22	6.75	6.40	11.00	6.00	6.90	~~6.50~~	6.90	7.0725
23	6.75	6.40	10.50	6.00	6.85	~~6.50~~	6.85	7.0544
24	6.75	6.40	10.00	6.00	6.80	~~6.50~~	6.80	7.0363
25	6.75	6.40	9.50	6.00	6.75	~~6.50~~	6.75	7.0000

26	6.75	6.36	9.20	6.00	6.70	~~6.50~~	6.70	7.0000
27	6.75	6.32	8.90	6.00	6.65	~~6.50~~	6.65	7.0000
28	6.75	6.28	8.60	6.00	6.60	~~6.50~~	6.60	7.0000
29	6.75	6.24	8.30	6.00	6.55	~~6.50~~	6.55	7.0000
30	6.75	6.20	8.00	6.00	6.50	~~6.50~~	6.50	7.0000
31	6.75	6.16	7.80	6.00	6.45	~~6.50~~	6.45	7.0000
32	6.75	6.12	7.60	6.00	6.40	~~6.50~~	6.40	7.0000
33	6.75	6.08	7.40	6.00	6.35	~~6.50~~	6.35	7.0000
34	6.75	6.04	7.20	6.00	6.30	~~6.50~~	6.30	7.0000
35	6.75	6.00	7.00	6.00	6.25	~~6.50~~	6.25	7.0000
36	6.75	5.96	6.80	6.00	6.20	~~6.50~~	6.20	6.9019
37	6.75	5.92	6.60	6.00	6.15	~~6.50~~	6.15	6.8074
38	6.75	5.88	6.40	5.90	6.10	~~6.50~~	6.10	6.7125
39	6.75	5.84	6.20	5.80	6.05	~~6.50~~	6.05	6.6054
40	6.75	5.80	6.00	5.70	6.00	~~6.50~~	6.00	6.5000
41	6.75	5.76	5.90	5.60	5.90	~~6.50~~	5.95	6.3540
42	6.75	5.72	5.80	5.50	5.80	~~6.50~~	5.90	6.2087
43	6.65	5.68	5.70	5.40	5.70	~~6.50~~	5.85	6.0622
44	6.55	5.64	5.60	5.30	5.60	~~6.50~~	5.80	5.9048
45	6.45	5.60	5.50	5.20	5.50	~~6.50~~	5.75	5.7500
46	6.35	5.56	5.45	5.10	5.40	~~6.40~~	5.70	5.6940
47	6.25	5.52	5.40	5.00	5.30	~~6.30~~	5.65	5.6375
48	6.15	5.48	5.35	5.00	5.20	~~6.20~~	5.60	5.5822
49	6.05	5.44	5.30	5.00	5.10	~~6.10~~	5.55	5.5404
50	5.95	5.40	5.25	5.00	5.00	~~6.00~~	5.50	5.5000
51	5.85	5.36	5.25	5.00	5.00	~~5.90~~	5.45	5.4384
52	5.75	5.32	5.25	5.00	5.00	~~5.80~~	5.40	5.3776
53	5.65	5.28	5.25	5.00	5.00	~~5.70~~	5.35	5.3167
54	5.55	5.24	5.25	5.00	5.00	~~5.60~~	5.30	5.2826
55	5.45	5.20	5.25	5.00	5.00	~~5.50~~	5.25	5.2500
56	5.35	5.16	5.25	5.00	5.00	~~5.40~~	5.20	5.2500
57	5.25	5.12	5.25	5.00	5.00	~~5.30~~	5.15	5.2500
58	5.25	5.08	5.25	5.10	5.00	~~5.20~~	5.10	5.2500
59	5.25	5.04	5.25	5.20	5.00	~~5.10~~	5.05	5.2500
60	5.25	5.00	5.25	5.30	5.00	~~5.00~~	5.00	5.2500
61	5.25	5.00	5.25	5.40	5.00	~~5.00~~	5.00	5.2500
62	5.25	5.00	5.25	5.50	5.00	~~5.00~~	5.00	5.2500
63	5.25	5.00	5.25	5.60	5.00	~~5.00~~	5.00	5.2500
64	5.25	5.00	5.25	5.70	5.00	~~5.00~~	5.00	5.2500
65	5.25	5.00	5.25	5.70	5.00	~~5.00~~	5.00	5.2500
66	5.25	5.00	5.25	5.70	5.00	~~5.00~~	5.00	5.2500
67	5.25	5.00	5.25	5.70	5.00	~~5.00~~	5.00	5.2500
68	5.25	5.00	5.25	5.70	5.00	~~5.00~~	5.00	5.2500
69	5.25	5.00	5.25	5.70	5.00	~~5.00~~	5.00	5.2500
70	5.25	5.00	5.25	5.70	5.00	~~5.00~~	5.00	5.2500
71	5.25	5.00		5.70				

(c) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan	5.00%
correctional state employees retirement plan	5.00
State Patrol retirement plan	5.00
legislators retirement plan	5.00
elective state officers retirement plan	5.00
judges retirement plan	5.00
general public employees retirement plan	6.00
public employees police and fire retirement plan	6.00
local government correctional service retirement plan	6.00
teachers retirement plan	5.00

Duluth teachers retirement plan	5.00
~~Minneapolis teachers retirement plan~~	~~5.00~~
St. Paul teachers retirement plan	5.00

Sec. 34. Minnesota Statutes 2004, section 356.30, subdivision 3, is amended to read:

Subd. 3. [COVERED PLANS.] This section applies to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(3) the unclassified employees retirement program, established under chapter 352D;

(4) the State Patrol retirement plan, established under chapter 352B;

(5) the legislators retirement plan, established under chapter 3A;

(6) the elective state officers' retirement plan, established under chapter 352C;

(7) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353;

(8) the public employees police and fire retirement plan of the Public Employees Retirement Association, established under chapter 353;

(9) the local government correctional service retirement plan of the Public Employees Retirement Association, established under chapter 353E;

(10) the Teachers Retirement Association, established under chapter 354;

(11) the Minneapolis Employees Retirement Fund, established under chapter 422A;

(12) the ~~Minneapolis Teachers Retirement Fund Association, established under chapter 354A;~~

~~(13) the~~ St. Paul Teachers Retirement Fund Association, established under chapter 354A;

~~(14)~~ (13) the Duluth Teachers Retirement Fund Association, established under chapter 354A; and

~~(15)~~ (14) the judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 35. Minnesota Statutes 2004, section 356.302, subdivision 7, is amended to read:

Subd. 7. [COVERED RETIREMENT PLANS.] This section applies to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(2) the unclassified state employees retirement program of the Minnesota State Retirement System, established by chapter 352D;

(3) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353;

(4) the Teachers Retirement Association, established by chapter 354;

(5) the Duluth Teachers Retirement Fund Association, established by chapter 354A;

(6) the ~~Minneapolis Teachers Retirement Fund Association, established by chapter 354A;~~

~~(7) the~~ St. Paul Teachers Retirement Fund Association, established by chapter 354A;

~~(8)~~ (7) the Minneapolis Employees Retirement Fund, established by chapter 422A;

~~(9)~~ (8) the state correctional employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

~~(10)~~ (9) the State Patrol retirement plan, established by chapter 352B;

~~(11)~~ (10) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;

~~(12)~~ (11) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E; and

~~(13)~~ (12) the judges' retirement plan, established by sections 490.121 to 490.132.

Sec. 36. Minnesota Statutes 2004, section 356.303, subdivision 4, is amended to read:

Subd. 4. [COVERED RETIREMENT PLANS.] This section applies to the following retirement plans:

(1) the legislators retirement plan, established by chapter 3A;

(2) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(3) the correctional state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;

(4) the State Patrol retirement plan, established by chapter 352B;

(5) the elective state officers retirement plan, established by chapter 352C;

(6) the unclassified state employees retirement program, established by chapter 352D;

(7) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353;

(8) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;

(9) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E;

(10) the Teachers Retirement Association, established by chapter 354;

(11) the Duluth Teachers Retirement Fund Association, established by chapter 354A;

(12) the ~~Minneapolis-Teachers-Retirement-Fund-Association, established-by-chapter-354A;~~

~~(13)-the~~ St. Paul Teachers Retirement Fund Association, established by chapter 354A;

~~(14)~~ (13) the Minneapolis Employees Retirement Fund, established by chapter 422A; and

~~(15)~~ (14) the judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 37. Minnesota Statutes 2004, section 356.315, is amended by adding a subdivision to read:

Subd. 1a. [COORDINATED PLAN MEMBERS.] The applicable benefit accrual rate is 1.5 percent.

Sec. 38. Minnesota Statutes 2004, section 356.42, subdivision 3, is amended to read:

Subd. 3. [COVERED RETIREMENT PLANS.] The postretirement adjustment provided in this section applies to the following retirement funds:

(1) the general employees retirement plans of the Public Employees Retirement Association;

(2) the public employees police and fire plan of the Public Employees Retirement Association;

(3) the teachers retirement association;

(4) the State Patrol retirement plan;

(5) the state employees retirement plan of the Minnesota State Retirement System;

(6) the ~~Minneapolis-Teachers-Retirement-Fund-Association established-under-chapter-354A;~~

~~(7)-the~~ St. Paul Teachers Retirement Fund Association established under chapter 354A; and

~~(8)~~ (7) the Duluth Teachers Retirement Fund Association established under chapter 354A.

Sec. 39. Minnesota Statutes 2004, section 356.465, subdivision 3, is amended to read:

Subd. 3. [COVERED RETIREMENT PLANS.] The provisions of this section apply to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(3) the State Patrol retirement plan established under chapter 352B;

(4) the legislators retirement plan established under chapter 3A;

(5) the judges retirement plan established under chapter 490;

(6) the general employees retirement plan of the Public Employees Retirement Association established under chapter 353;

(7) the public employees police and fire plan of the Public Employees Retirement Association established under chapter 353;

(8) the teachers retirement plan established under chapter 354;

(9) the Duluth Teachers Retirement Fund Association established under chapter 354A;

(10) the St. Paul Teachers Retirement Fund Association established under chapter 354A;

(11) the ~~Minneapolis-Teachers-Retirement-Fund-Association established-under-chapter-354A;~~

~~(12)-the~~ Minneapolis employees retirement plan established under chapter 422A;

~~(13)~~ (12) the Minneapolis Firefighters Relief Association established under chapter 423C;

~~(14)~~ (13) the Minneapolis Police Relief Association established under chapter 423B; and

~~(15)~~ (14) the local government correctional service retirement plan of the Public Employees Retirement Association established under chapter 353E.

Sec. 40. Minnesota Statutes 2004, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. [ADDITIONAL AMORTIZATION STATE AID.] (a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:

(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;

(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the

executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and

(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8, for the duration of the required additional contribution.

(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.

(c) Beginning October 1, 2000, and annually thereafter, the commissioner shall allocate the state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;

(2) 34.2 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and

(3) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association.

If there is no unfunded actuarial accrued liability in both the Minneapolis Police Relief Association and the Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that 34.2 percent of the aid as follows: 49 percent to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no unfunded actuarial accrued liability in the Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the ~~Minneapolis~~ Teachers Retirement ~~Fund~~ Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. The allocation must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3. With respect to the ~~Minneapolis-Teachers-Retirement-Fund-Association-or-the~~ St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to that retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are annually appropriated to the commissioner of revenue.

Sec. 41. [FULL FUNDING DATE.]

<u>Notwithstanding any other law to the contrary, for the</u>

Teachers Retirement Association, the established date for full funding is 2035.

Sec. 42. [MTRFA EMPLOYEE JOB PREFERENCE.]

An employee of the Minneapolis Teachers Retirement Fund Association on the date of enactment has an employment preference for subsequent employment by the Teachers Retirement Association, the Minnesota State Retirement System, or the Public Employees Retirement Association equivalent to the preference provided to armed forces veterans under state law and Department of Employee Relations practice.

Sec. 43. [MTRFA ARTICLES AND BYLAWS; REPEAL; APPLICABILITY.]

(a) The articles of incorporation and bylaws of the Minneapolis Teachers Retirement Fund Association are repealed and have application only as provided in section 6, subdivision 6, and paragraph (b).

(b) The articles of incorporation and bylaws of the Minneapolis Teachers Retirement Fund Association only apply to members of the former Minneapolis Teachers Retirement Fund Association with service credit in the plan on or before June 30, 2005, and apply solely for purposes of determining the retirement annuity for or benefit on behalf of a member of the basic program of that retirement plan.

(c) No annuity adjustment or increase under article 30 of the articles of incorporation of the Minneapolis Teachers Retirement Fund Association is applicable or payable after June 30, 2005.

Sec. 44. [REPEALER.]

Minnesota Statutes 2004, sections 354A.051; 354A.105; 354A.23, subdivision 1; and 354A.28, are repealed.

Sec. 45. [EFFECTIVE DATE.]

(a) Sections 1, 2, 3, 21, and 22 are effective on the day following final enactment.

(b) Sections 4 to 20 and 23 to 44 are effective on the day following final enactment.

ARTICLE 3

PRE-1969 TEACHER SPECIAL POSTRETIREMENT ADJUSTMENT

Section 1. [354.551] [ADDITIONAL BENEFIT FOR CERTAIN TEACHERS.]

Subdivision 1. [ADDITIONAL BENEFIT ENTITLEMENT.] If there is an appropriation for this purpose and to the extent of that appropriation, eligible retired teachers as defined in subdivision 2 are entitled to receive the additional benefit amount determined under subdivision 3 unless the applicable person files a written notification with the executive director of the Teachers Retirement Association that the additional benefit not be paid.

Subd. 2. [ELIGIBILITY.] An eligible person for purposes of this section is a person who:

(1) was a teacher as defined in section 354.05, subdivision 2;

(2) rendered teaching service as defined in section 354.05, subdivision 3, either during the 1968-1969 school year, but was not covered by the improved money purchase program savings clause in section 354.55, subdivision 17, or before the 1968-1969 school year, did not take a refund of member contributions upon the termination of teacher service, and was eligible to make an election under Minnesota Statutes 1971, section 354.55, subdivision 8.

Subd. 3. [DETERMINATION OF ADDITIONAL BENEFIT AMOUNT.] (a) By July 1, annually, the executive director of the Teachers Retirement Association shall determine which retired teachers are eligible to receive an additional benefit amount under this section and the amount of each person's additional benefit amount.

If the applicable appropriation permits, as determined by the executive director of the Teachers Retirement Association, the increase amount is 45 percent of the difference, if a positive number, obtained by subtracting the single life annuity amount initially payable upon retirement under section 354.44, subdivision 6, from a comparable single life annuity amount computed as of the same date under section 354.44, subdivision 2. If the applicable appropriation does not permit the full postretirement adjustment payment amount as determined by the executive director of the Teachers Retirement Association, the increase amount is that portion of the full increase amount that bears the same relationship to the full increase amount that the appropriation bears to the full required funding for the full increase amount.

(b) The additional retirement benefit is payable beginning July 1, 2005, for persons who were receiving a retirement annuity on June 1, 2005, or with the initial retirement annuity payment for persons who were active, deferred, or inactive members on June 1, 2005.

Subd. 4. [DURATION OF ADDITIONAL BENEFIT.] If the appropriations permit, the additional benefit amount is payable for life or for the duration of the selected optional annuity form, whichever applies.

Subd. 5. [NO PAYMENT TO ESTATE; NO RETROACTIVITY.] (a) Nothing in this section authorizes the payment of an additional benefit amount under this section to an estate or to a survivor or beneficiary other than under an optional annuity form.

(b) Nothing in this section authorizes the payment of an additional benefit amount for any period before July 1, 2005.

(c) Nothing in this section authorizes the payment of an additional benefit amount to a person who was or is entitled to have their retirement annuity calculated under section 354.44, subdivision 2.

Sec. 2. [APPROPRIATION.]

There is appropriated from the general fund to the executive director of the Teachers Retirement Association for the purposes of the special postretirement adjustment under section 1 $11,000,000 for the year ending June 30, 2006, and $11,000,000 for the year ending June 30, 2007.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective on July 1, 2005.

ARTICLE 4

PENSION DEFAULT INSURANCE POOL

Sec. 1. Minnesota Statutes 2004, section 352.04, subdivision 12, is amended to read:

Subd. 12. [FUND DISBURSEMENT RESTRICTED.] (a) The state employees retirement fund and the participation in the Minnesota postretirement investment fund must be disbursed only for the purposes provided by law.

(b) The expenses of the system, the pension default insurance pool charge under section 356.95, and any benefits provided by law, other than benefits payable from the Minnesota postretirement investment fund, must be paid from the state employees retirement fund.

(c) The retirement allowances, retirement annuities, and disability benefits, as well as refunds of any sum remaining to the credit of a deceased retired employee or a disabled employee must be paid only from the state employees retirement fund after the needs have been certified and the amounts withdrawn from the participation in the Minnesota postretirement investment fund under section 11A.18.

(d) The amounts necessary to make the payments from the state employees retirement fund and the participation in the Minnesota postretirement investment fund are annually appropriated from these funds for those purposes.

Sec. 2. Minnesota Statutes 2004, section 352.911, subdivision 5, is amended to read:

Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The correctional employees retirement fund and its share of participation in the Minnesota postretirement investment fund shall be disbursed only for the purposes provided for in the applicable provisions in this chapter.

(b) The proportional share of the expenses of the system, the pension default insurance pool charge under section 356.95, and any benefits provided in sections 352.90 to 352.951, other than benefits payable from the Minnesota postretirement investment fund, shall be paid from the correctional employees retirement fund.

<u>(c)</u> The retirement allowances, retirement annuities, the disability benefits, the survivorship benefits, and any refunds of accumulated deductions shall be paid only from the correctional employees retirement fund after those needs have been certified by the executive director and the amounts withdrawn from the share of participation in the Minnesota postretirement fund under section 11A.18.

<u>(d)</u> The amounts necessary to make the payments from the correctional employees retirement fund and the participation in the Minnesota postretirement investment fund are annually appropriated from those funds for those purposes.

Sec. 3. Minnesota Statutes 2004, section 352B.02, subdivision 1d, is amended to read:

Subd. 1d. [FUND REVENUE AND EXPENSES.] The amounts provided for in this section must be credited to the State Patrol retirement fund. All money received must be deposited by the commissioner of finance in the State Patrol retirement fund. The fund must be used to pay the administrative expenses of the retirement fund, <u>the pension default insurance pool charge under section 356.95,</u> and the benefits and annuities provided in this chapter. Appropriate amounts shall be transferred to or withdrawn from the Minnesota postretirement investment fund as provided in section 352B.26.

Sec. 4. Minnesota Statutes 2004, section 352D.09, subdivision 7, is amended to read:

Subd. 7. [ADMINISTRATIVE FEES.] The board of directors shall establish a budget and charge participants a fee to pay the administrative expenses of the unclassified program <u>and the pension default insurance pool charge under section 356.95</u>. Fees cannot be charged on contributions and investment returns attributable to contributions made before July 1, 1992. Annual total fees charged for plan administration cannot exceed 10/100 of one percent of the contributions and investment returns attributable to contributions made on or after July 1, 1992.

Sec. 5. Minnesota Statutes 2004, section 353.27, subdivision 1, is amended to read:

Subdivision 1. [INCOME; DISBURSEMENTS.] There is a special fund known as the "public employees retirement fund," the "retirement fund," or the "fund," which shall include all the assets of the association. This fund shall be credited with all contributions, all interest and all other income authorized by law. From this fund there is appropriated the payments authorized by this chapter in the amounts and at such time provided herein, including the expenses of administering the fund, <u>including the pension default insurance pool charge under section 356.95,</u> and including the proper share of the Minnesota postretirement investment fund.

Sec. 6. Minnesota Statutes 2004, section 353.65, subdivision 6, is amended to read:

Subd. 6. [FUND.] All contributions other than the excess contribution established by section 69.031, subdivision 5, paragraphs (2), clauses (b) and (c), and (3) shall be credited to the fund and all interest and other income of the fund shall be credited to said fund. The retirement fund shall be disbursed only for the purposes herein provided. The expenses of said fund<u>, the pension default insurance pool charge,</u> and the annuities herein provided upon retirement shall be paid from said fund.

Sec. 7. Minnesota Statutes 2004, section 353E.01, subdivision 5, is amended to read:

Subd. 5. [FUND DISBURSEMENT RESTRICTED.] (a) The public employees local government correctional service retirement fund and its share of participation in the Minnesota postretirement investment fund may be disbursed only for the purposes provided for in this chapter.

(b) The proportional share of the necessary and reasonable administrative expenses of the association<u>, the pension default insurance pool charge under section 356.95,</u> and any benefits provided in this chapter, other than benefits payable from the Minnesota postretirement investment fund, must be paid from the public employees local government correctional service retirement fund. Retirement annuities, disability benefits, survivorship benefits, and any refunds of accumulated deductions may be paid only from the correctional service retirement fund after those needs have been certified by the executive director and any applicable amounts withdrawn from the share of participation in the Minnesota postretirement fund under section 11A.18.

(c) The amounts necessary to make the payments from the public employees local government correctional service retirement fund and its participation in the Minnesota postretirement investment fund are annually appropriated from those funds for those purposes.

Sec. 8. Minnesota Statutes 2004, section 354.42, is amended by adding a subdivision to read:

Subd. 8. [PENSION DEFAULT CHARGE.] The pension default insurance pool charge under section 356.95 must be paid from the Teachers Retirement Association.

Sec. 9. Minnesota Statutes 2004, section 354A.021, subdivision 4, is amended to read:

Subd. 4. [FUND DISBURSEMENT RESTRICTED.] The assets of the special retirement fund shall be disbursed only for the purposes provided for in this chapter, the articles of incorporation or bylaws in effect as of March 31, 1975, and the articles of incorporation or bylaws adopted subsequent to March 31, 1975 in accordance with the provisions of section 354A.12. The pension default insurance pool charge under section 356.95 and all appropriate expenses of and any authorized benefits provided by the teachers retirement fund association shall be paid from the special retirement fund. Amounts necessary to make payments from the special retirement fund of a teachers retirement fund association are hereby appropriated.

Sec 10. [356.95] [PENSION DEFAULT INSURANCE POOL.]

Subdivision 1. [DEFAULT INSURANCE; LEGISLATIVE FINDINGS.] The legislature finds that some Minnesota public pension plans have periodic funding difficulties and could default on the payment of retirement benefits in the future. The legislature further finds that a potential default may occur at a time when timely corrective legislative responses may not be possible, causing significant potential economic harm to affected benefit recipients. To provide emergency funding resources for a Minnesota public pension plan facing a default in the payment of retirement benefits, the legislature is establishing an insurance pool to have resources for a temporary remedy for a defaulting pension plan.

Subd. 2. [DEFAULT INSURANCE CHARGE.] (a) In fiscal year 2006, the pension default insurance charge is $0.10 per month per active member and benefit recipient of a covered retirement plan.

(b) The pension default insurance charge must be reassessed by the commissioner of finance, who shall revise the charge upward or downward based on an assessment of the potential risk of a future retirement plan default. The consulting actuary retained under section 356.214 shall provide an assessment of the relative probability of future retirement plan defaults as part of the actuarial valuation reports performed annually.

Subd. 3. [RECEIPT OF CHARGES; INVESTMENT.] The pension default insurance charge is payable to the commissioner of finance for deposit in a special pension default insurance pool fund in the state treasury. The special default insurance pool fund must be invested by the State Board of Investment in investments authorized under section 11A.24.

Subd. 4. [DISBURSEMENTS.] (a) The chief administrative officer of a covered retirement plan facing imminent default in the payment of retirement annuities and benefits is authorized to apply to the commissioner of finance for the transfer of assets to forestall the default.

(b) If the commissioner of finance finds that a covered retirement plan is facing an imminent default, the commissioner may transfer the necessary amount of assets to avert the expected default from the pension default insurance pool.

Subd. 5. [COVERED RETIREMENT PLANS.] The retirement plans covered by the pension default insurance pool are:

(1) the general state employees retirement plan of the

Minnesota State Retirement System, established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(3) the unclassified employees retirement program, established under chapter 352D;

(4) the State Patrol retirement plan, established under chapter 352B;

(5) the legislators retirement plan, established under chapter 3A;

(6) the elective state officers' retirement plan, established under chapter 352C;

(7) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353;

(8) the public employees police and fire retirement plan of the Public Employees Retirement Association, established under chapter 353;

(9) the local government correctional service retirement plan of the Public Employees Retirement Association, established under chapter 353E;

(10) the Teachers Retirement Association, established under chapter 354;

(11) the Minneapolis Employees Retirement Fund, established under chapter 422A;

(12) the Minneapolis Teachers Retirement Fund Association, established under chapter 354A;

(13) the St. Paul Teachers Retirement Fund Association, established under chapter 354A;

(14) the Duluth Teachers Retirement Fund Association, established under chapter 354A; and

(15) the judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 11. [EFFECTIVE DATE.]

Sections 1 to 10 are effective on the day following final 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<u>, 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</u>.

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.

<u>(b) If the employee became an employee before July 1, 2005,</u> 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

determined as of the date the benefit begins to accrue and augmented by interest compounded annually from the first day of the month following the month in which the employee ceased to be a state employee, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue. The rates of interest used for this purpose must be five percent compounded annually until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former employee attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually. If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented by interest under this subdivision. The sum of the augmented required reserves so determined is the present value of the annuity. "Uninterrupted service" for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from state service for more than two years. If a person repays a refund, the service restored by the repayment must be considered continuous with the next period of service for which the employee has credit with this system. The formula percentages used for each period of uninterrupted service must be those applicable to a new employee. The mortality table and interest assumption used to compute the annuity must be those in effect when the employee files application for annuity. This section does not reduce the annuity otherwise payable under this chapter.

(c) If the employee initially became an employee after June 30, 2005, no augmentation is payable on a deferred annuity.

~~(b)~~ (d) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former state employee who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and the tables adopted by the board and approved by the actuary retained by the Legislative Commission on Pensions and Retirement.

Sec. 3. Minnesota Statutes 2004, section 352B.30, subdivision 2, is amended to read:

Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) Deferred annuities must be computed according to this chapter on the basis of allowable service before termination of service and augmented as provided in this chapter.

(b) If the member became a member before July 1, 2005, the required reserves applicable to a deferred annuity must be augmented by interest compounded annually from the first day of the month following the month in which the member terminated service, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue. The rates of interest used for this purpose shall be five percent per year compounded annually until January 1, 1981, and after that date three percent per year compounded annually. The mortality table and interest assumption used to compute the annuity shall be those in effect when the member files application for annuity.

(c) If the member initially became a member after June 30, 2005, no augmentation is payable on a deferred annuity.

Sec. 4. Minnesota Statutes 2004, section 353.30, subdivision 5, is amended to read:

Subd. 5. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This subdivision applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under section 353.29, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 353.29, subdivision 3, paragraph (a), in conjunction with subdivision 1, 1a, 1b, or 1c. An employee who retires before normal retirement age shall be paid the retirement annuity provided in section 353.29, subdivision 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 member became a member before July 1, 2005, and is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity if the member initially became a member after June 30, 2005.

Sec. 5. Minnesota Statutes 2004, section 353.71, subdivision 2, is amended to read:

Subd. 2. [DEFERRED ANNUITY COMPUTATION; AUGMENTATION.] (a) The deferred annuity accruing under subdivision 1, or under sections 353.34, subdivision 3, and 353.68, subdivision 4, must be computed on the basis of allowable service prior to the termination of public service and augmented as provided in this paragraph.

(b) The required reserves applicable to a deferred annuity, or to any deferred segment of an annuity must be determined as of the first day of the month following the month in which the former member ceased to be a public employee, or July 1, 1971, whichever is later. If the member became a member before July 1, 2005, these required reserves must be augmented at the rate of five percent annually compounded annually until January 1, 1981, and at the rate of three percent thereafter until January 1 of the year following the year in which the former member attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually. If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented as specified in this paragraph. The sum of the augmented required reserves is the present value of the annuity. Uninterrupted service for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from public service for more than two years. If a person repays a refund, the restored service must be considered as continuous with the next period of service for which the employee has credit with this association. This section must not reduce the annuity otherwise payable under this chapter. This paragraph applies to individuals who become deferred annuitants on or after July 1, 1971. For a member who became a deferred annuitant before July 1, 1971, the paragraph applies from July 1, 1971, if the former active member applies for an annuity after July 1, 1973.

(c) If the member initially became a member after June 30, 2005, no augmentation is payable on a deferred annuity.

~~(b)~~ (d) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, or the survivor benefit payable on behalf of a basic or police and fire member who was receiving disability benefits before July 1, 1997, which is first payable after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained by the Legislative Commission on Pensions and Retirement.

Sec. 6. Minnesota Statutes 2004, section 353E.05, is amended to read:

353E.05 [AUGMENTATION IN CERTAIN CASES.]

Unless prior service has been transferred or unless a combined service annuity under section 356.30 has been elected, an employee who becomes a local government correctional employee after being a member of the Public Employees Retirement Association or the public employees police and fire fund is covered under section 353.71, subdivision 2, with respect to that prior service. An employee who became an employee before July 1, 2005, and who becomes a member of the Public Employees Retirement Association or the public employees police and fire plan after being a local government correctional employee is also covered under section 353.71, subdivision 2, with respect to that prior service, unless calculated under section 356.30.

Sec. 7. Minnesota Statutes 2004, section 354.44, subdivision 6, is amended to read:

Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT ANNUITY.] (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary for the period of the member's formula service credit.

For all years of formula service credit, "average salary," for the purpose of determining the member's retirement annuity, means the average salary upon which contributions were made and upon which payments were made to increase the salary limitation provided in Minnesota Statutes 1971, section 354.511, for the highest five successive years of formula service credit provided, however, that such "average salary" shall not include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of formula service credit if this service credit is less than five years.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in paragraph (a), multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in section 356.315, subdivision 1, per year	the percent specified in section 356.315, subdivision 3, per year
Each year of service thereafter	the percent specified in section 356.315,	the percent specified in section 356.315,

	subdivision 2, per year	subdivision 4, per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). The average salary, as defined in paragraph (a) multiplied by the percent specified by section 356.315, subdivision 4, for each year of service for a basic member and by the percent specified in section 356.315, subdivision 2, for each year of service for a coordinated member shall determine the amount of the retirement annuity to which the member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) 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 <u>if the employee became an employee before July 1, 2005, and is the actuarial equivalent of the annuity that would be payable to the employee if the employee initially became a member after June 30, 2005</u>.

(f) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

Sec. 8. Minnesota Statutes 2004, section 354.55, subdivision 11, is amended to read:

Subd. 11. [DEFERRED ANNUITY; AUGMENTATION.] (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement. Eligibility for an annuity under this subdivision is governed pursuant to section 354.44, subdivision 1, or 354.60.

(b) The amount of the deferred retirement annuity is determined by section 354.44, subdivision 6, and augmented as provided in this subdivision. The required reserves related to that portion of the annuity which had accrued when the member ceased to render teaching service must be augmented by interest compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There shall be no augmentation if this period is less than three months or if this period commences prior to July 1, 1971. <u>If the member became a member before July 1, 2005,</u> the rates of interest used for this purpose must be five percent compounded annually commencing July 1, 1971, until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former member attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period must be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the basis for purchasing the deferred annuity. If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with this fund. If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service must be those applicable to new members. The mortality table and interest assumption used to compute the annuity must be the applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purposes of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

(c) In no case shall the annuity payable under this subdivision be less than the amount of annuity payable pursuant to section 354.44, subdivision 6. If the member initially became a member after June 30, 2005, no augmentation is payable on a deferred annuity.

(d) The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, clause (3) or (5), shall also apply to an employee fulfilling the requirements with a combination of service as provided in section 354.60.

(e) The augmentation provided by this subdivision applies to the benefit provided in section 354.46, subdivision 2.

(f) The augmentation provided by this subdivision shall not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

(g) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained by the Legislative Commission on Pensions and Retirement.

Sec. 9. Minnesota Statutes 2004, section 354A.31, subdivision 7, is amended to read:

Subd. 7. [ACTUARIAL REDUCTION FOR EARLY RETIREMENT.] This subdivision applies to a person who has become at least 55 years old and first becomes a coordinated member after June 30, 1989, and to any other coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), and subdivision 4a, paragraph (d), in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6. A coordinated member who retires before the full benefit age shall be paid the retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity 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 <u>if the member became a member before July 1, 2005, and is the actuarial equivalent of the annuity that would be payable to the member if the member initially became a member after June 30, 2005</u>.

Sec. 10. Minnesota Statutes 2004, section 354A.37, subdivision 2, is amended to read:

Subd. 2. [ELIGIBILITY FOR DEFERRED RETIREMENT ANNUITY.] <u>(a)</u> Any coordinated member who ceases to render teaching services for the school district in which the teachers retirement fund association is located, with sufficient allowable service credit to meet the minimum service requirements specified in section 354A.31, subdivision 1, shall be entitled to a deferred retirement annuity in lieu of a refund pursuant to subdivision 1. The deferred retirement annuity shall be computed pursuant to section 354A.31 and shall be augmented as provided in this subdivision. The deferred annuity shall commence upon application after the person on deferred status attains at least the minimum age specified in section 354A.31, subdivision 1.

<u>(b) If the coordinated member became a member before July 1, 2005,</u> the monthly annuity amount that had accrued when the member ceased to render teaching service must be augmented from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There is no augmentation if this period is less than three months. The rate of augmentation is three percent compounded annually until January 1 of the year following the

year in which the former member attains age 55, and five percent compounded annually after that date to the effective date of retirement. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354A.31 must be used for each period, and the monthly annuity amount related to each period must be augmented as provided in this subdivision. The sum of the augmented monthly annuity amounts determines the total deferred annuity payable. If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with the fund. If a person does not render teaching services in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of resumption of teaching service are those applicable to new members. The mortality table and interest assumption used to compute the annuity are the table established by the fund to compute other annuities, and the interest assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purpose of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year. The augmentation provided by this subdivision applies to the benefit provided in section 354A.35, subdivision 2. The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit.

<u>(c) If the coordinated member initially became a member after June 30, 2005, no augmentation is payable on a deferred annuity.</u>

Sec. 11. Minnesota Statutes 2004, section 356.30, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY; COMPUTATION OF ANNUITY.] (a) Notwithstanding any provisions of the laws governing the retirement plans enumerated in subdivision 3, a person who has met the qualifications of paragraph (b) may elect to receive a year, with each of the plans, each plan must apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all plans for the period.

(h) If the period of duplicated service credit is less than one-half year, or when added to other service credit with that plan is less than one-half year, the service credit must be ignored and a refund of contributions made to the person in accord with that plan's refund provisions.

Sec. 12. [EFFECTIVE DATE.]

Sections 1 to 11 are effective on July 1, 2005.

ARTICLE 6

MAXIMUM RETIREMENT PLAN

COVERED SALARY

Section 1. Minnesota Statutes 2004, section 356.611, subdivision 1, is amended to read:

Subdivision 1. [STATE SALARY LIMITATIONS.] (a) Notwithstanding any provision of law, bylaws, articles of incorporation, retirement and disability allowance plan agreements, or retirement plan contracts to the contrary, the covered salary for pension purposes for a plan participant of a covered retirement fund enumerated in section 356.30, subdivision 3, may not exceed ~~95~~ 110 percent of the salary established for the governor under section 15A.082 at the time the person received the salary.

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

(1) to the governor or to a judge;

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

(3) to a state employee as defined under section 43A.02, subdivision 21;

(4) to an employee of Gillette Hospital who is covered by the general state employees retirement plan of the Minnesota State Retirement System;

(5) to an employee of the Minnesota Crop Improvement Council; ~~or~~

(6) to an employee of the Minnesota Historical Society; or

(7) to an employee of the Southern Minnesota Municipal Power Association.

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

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective on July 1, 2005.

ARTICLE 7

EARLY RETIREMENT INCENTIVES

Section 1. [EARLY RETIREMENT INCENTIVE.]

Subdivision 1. [ELIGIBILITY.] An appointing authority in the executive or legislative branch of state government or the Board of Public Defense or any school district may offer the early retirement incentive in this section to an employee who:

(1) has at least five years of allowable service in one or more of the funds listed in Minnesota Statutes, section 356.30, subdivision 3, or has at least five years of coverage by the individual retirement account plan governed by Minnesota Statutes, chapter 354b, and upon retirement is immediately eligible for a retirement annuity or benefit from one or more of these funds; and

(2) terminates state or teaching service after the effective date of this section and before September 1, 2005.

Subd. 2. [INCENTIVE.] (a) For an employee eligible under subdivision 1, the employer may provide an amount up to $17,000, to be used:

(1) for an employee who terminates state service after the effective date of this section and on or before July 15, 2005, for deposit in the employee's account in the health care savings plan established by Minnesota Statutes, section 352.98; or

(2) for an employee who terminates state service after July

15, 2005, and before September 1, 2005:

(i) notwithstanding Minnesota Statutes, section 352.01, subdivision 11, or 354.05, subdivision 13, whichever applies, for purchase of service credit for unperformed service sufficient to enable the employee to retire under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b); 353.30; or 354.44, subdivision 6, paragraph (b), whichever applies; or

(ii) for purchase of a lifetime annuity or annuity for a specific number of years from the state unclassified retirement program to provide additional benefits under Minnesota Statutes, section 352D.06, subdivision 1.

(b) An employee is eligible for the payment under paragraph (a), clause (2), item (i), if the employee uses money from a deferred compensation account that, combined with the payment under paragraph (a), clause (2), item (i), would be sufficient to purchase enough service credit to qualify for retirement under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b); 353.30, subdivision 1a; or 354.44, subdivision 6, paragraph (b), whichever applies.

Subd. 3. [DESIGNATION OF POSITIONS; EMPLOYER DISCRETION.] Before offering an incentive under this section, an appointing authority must designate the job classifications or positions within job classifications that qualify for the incentive. The appointing authority may modify this designation at any time. Designation of positions eligible for the incentive under this section, participation of individual employees, and the amount of the payment under this section are at the sole discretion of the appointing authority. Unilateral implementation of this section by the employer is not an unfair labor practice under Minnesota Statutes, chapter 179A.

Sec. 2. [POSTRETIREMENT EMPLOYMENT.]

(a) This section applies to a state employee who:

(1) on the effective date of this section is regularly scheduled to work 1,044 or more hours a year in a position covered by the Minnesota state retirement system general employees retirement plan, correctional plan, or unclassified

plan;

(2) enters into an agreement with the appointing authority to work a reduced schedule that is both (i) a reduction of at least 25 percent from the number of regularly scheduled work hours; and (ii) 1,044 hours or less in the covered position; and

(3) at the time of entering into the agreement under clause (2), meets the age and service requirements necessary to receive an unreduced retirement benefit from the plan.

(b) Notwithstanding any law to the contrary, for service under an agreement entered into under paragraph (a), an employee:

(1) may receive a retirement annuity from the plan without separating from state service; and

(2) is not subject to the cessation of annuity provisions in Minnesota Statutes, section 352.115, subdivision 10.

(c) The amount of hours worked, the work schedule, and the duration of the phased retirement employment must be mutually agreed to by the employee and the appointing authority. The appointing authority may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section. The appointing authority has sole discretion to determine if and the extent to which phased retirement under this section is available to an employee. Upon expiration of an agreement entered into under this section, the appointing authority must restore the position to its status prior to the agreement.

(d) Notwithstanding any law to the contrary, a person may not earn service credit in the Minnesota state retirement system for employment covered under this section, and employer contributions and payroll deductions for the retirement fund must not be made based on earnings of a person working under this section. No change shall be made to a monthly annuity or retirement allowance based on employment under this section.

(e) A person who works under this section is a member of the appropriate bargaining unit; is covered by the appropriate collective bargaining contract or compensation plan; and is eligible for health care coverage as provided in the collective bargaining contract or compensation plan.

(f) An agreement under this section may apply only to work through June 30, 2007.

Sec. 3. [VOLUNTARY HOUR REDUCTION PLAN.]

(a) This section applies to a state employee who:

(1) on the effective date of this section is regularly scheduled to work 1,044 or more hours a year in a position covered by a pension plan administered by the Minnesota state retirement system; and

(2) enters into an agreement with the appointing authority to work a reduced schedule of 1,044 hours or less in the covered position.

(b) Notwithstanding any law to the contrary, for service under an agreement entered into under paragraph (a), contributions may be made to the applicable plan of the Minnesota state retirement system as if the employee had not reduced hours. The employee must pay the additional employee contributions and the employer must pay the additional employer contributions necessary to bring the service credit and salary up to the level prior to the voluntary reduction in hours. Contributions must be made in a time and manner prescribed by the executive director of the Minnesota state retirement system.

(c) The amount of hours worked, the work schedule, and the duration of the voluntary hour reduction must be mutually agreed to by the employee and the appointing authority. The appointing authority may not require a person to waive any rights under a collective bargaining agreement as a condition of participation under this section. The appointing authority has sole discretion to determine if and the extent to which voluntary hour reduction under this section is available to an employee.

(d) A person who works under this section is a member of the appropriate bargaining unit; is covered by the appropriate collective bargaining contract or compensation plan; and is eligible for health care coverage as provided in the collective bargaining contract or compensation plan.

(e) An agreement under this section may apply only to work through June 30, 2007.

Sec. 4. [VOLUNTARY UNPAID LEAVE OF ABSENCE.]

Appointing authorities in state government may allow each employee to take unpaid leaves of absence for up to 1,044 hours between June 1, 2005, and June 30, 2007. Each appointing authority approving such a leave shall allow the employee to continue accruing vacation and sick leave, be eligible for paid holidays and insurance benefits, accrue seniority, and accrue service credit and credited salary in the state retirement plans as if the employee had actually been employed during the time of leave. An employee covered by the unclassified plan may voluntarily make both the employee and employer contributions to the unclassified plan during the leave of absence. For employees covered by another retirement plan administered by the Minnesota State Retirement System, the employee must pay the additional employee contributions and the employer must pay the additional employer contributions necessary to bring the service credit and salary credit up to the level prior to the voluntary reduction in hours. Contributions must be made at a time and in a manner prescribed by the executive director of the Minnesota State Retirement System. If the leave of absence is for one full pay period or longer, any holiday pay shall be included in the first payroll warrant after return from the leave of absence. The appointing authority shall attempt to grant requests for the unpaid leaves of absence consistent with the need to continue efficient operation of the agency. However, each appointing authority shall retain discretion to grant or refuse to grant requests for leaves of absence and to schedule and cancel leaves, subject to the applicable provisions of collective bargaining agreements and compensation plans.

Sec. 5. [RELATIONSHIP OF SECTIONS.]

(a) An employee covered by a phased retirement agreement under section 2 may not be covered by the voluntary hour reduction provisions of section 3 or by a voluntary unpaid leave of absence agreement under section 4 during the same time period or any later time period.

(b) An employee covered by the voluntary hour reduction provisions of section 3:

(1) may not be covered by a phased retirement agreement under section 2 during the same time period, but may be covered by a phased retirement agreement under section 2 during a later time period; and

(2) may be covered by the voluntary leave of absence provision of section 4 during an earlier or later time period.

(c) An employee may receive the early retirement incentive in section 1 after being covered under section 2, 3, or 4. An employee who receives an incentive under section 1 may not later be covered by section 2, 3, or 4.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective the day following final enactment.

ARTICLE 8

APPROPRIATION

Section 1. [APPROPRIATION.]

There is appropriated from the general fund to the commissioner of finance for the purposes of offsetting the impact of the changes in article .., sections .. to .., $....... for the year ending June 30, 2006, and $...... for the year ending June 30, 2007.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective on July 1, 2005."

Delete the title and insert:

"A bill for an act

relating to retirement; statewide and major local retirement plans; providing for various member and employer contribution rate increases; restructuring the statewide Teachers Retirement Association fund and benefit plan; providing a special postretirement adjustment to certain pre-1969 teachers; changing deferred annuities augmentation for new retirement plan members; creating a public pension plan default insurance pool; increasing the maximum retirement plan covered salary figure; providing certain early retirement incentives; appropriating money; amending Minnesota Statutes 2004, sections 352.04, subdivisions 2, 3, 12; 352.116, subdivision 1a; 352.72, subdivision 2; 352.911, subdivision 5; 352.92, subdivisions 1, 2; 352B.02, subdivisions 1a, 1c, 1d; 352B.30, subdivision 2; 352D.04, subdivision 2; 352D.09, subdivision 7; 353.27, subdivisions 1, 2, 3, 3a, by adding a subdivision; 353.30, subdivision 5; 353.65, subdivisions 2, 3, 6; 353.71, subdivision 2; 353E.01, subdivision 5; 353E.05; 354.05, subdivisions 2, 13; 354.42, subdivisions 2, 3, by adding a subdivision; 354.44, subdivisions 6, 6; 354.55, subdivision 11; 354A.011, subdivisions 15a, 27; 354A.021, subdivisions 1, 4; 354A.092; 354A.093, subdivision 1; 354A.095; 354A.096; 354A.12, subdivisions 1, 2, 2a, 3a, 3b, 3c, 3d; 354A.30; 354A.31, subdivisions 4, 7; 354A.32, subdivision 1; 354A.37, subdivision 2; 354A.39; 354A.40, subdivision 1; 354A.41; 356.20, subdivision 2; 356.214, subdivision 1; 356.215, subdivision 8; 356.30, subdivisions 1, 3; 356.302, subdivision 7; 356.303, subdivision 4; 356.315, by adding a subdivision; 356.42, subdivision 3; 356.465, subdivision 3; 356.611, subdivision 1; 423A.02, subdivision 1b; proposing coding for new law in/as Minnesota Statutes, chapters 126C; 128D; 354; 356; repealing Minnesota Statutes 2004, sections 354A.051; 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 Equivalents					
-- 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 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:

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

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 Equivalents					
-- 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 Equivalents					
-- 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.

annual

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 **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:

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

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 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 **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 Equivalents					
-- 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 Equivalents					
-- 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 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 **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

Teachers Retirement Association

60 Empire Drive • Suite 400 • St Paul MN 55103-4000

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

May 2005

Exhil

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 Salary Rank 50 states + DC	Contributions Employee	Contributions 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