

THIRTY-THIRD LEGISLATIVE DAY

St. Paul, Minnesota, Thursday, May 8, 2025

The Senate met at 1:00 p.m. and was called to order by the President.

CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. Joseph Johnson.

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

The roll was called, and the following Senators were present:

Abeler	Duckworth	Johnson	Mathews	Rarick
Anderson	Farnsworth	Johnson Stewart	Maye Quade	Rasmusson
Bahr	Fateh	Klein	McEwen	Rest
Boldon	Frentz	Koran	Miller	Seeberger
Carlson	Green	Kreun	Mitchell	Utke
Champion	Gruenhagen	Kunesh	Mohamed	Weber
Clark	Gustafson	Kupec	Murphy	Wesenberg
Coleman	Hauschild	Lang	Nelson	Westlin
Cwodzinski	Hawj	Latz	Oumou Verbeten	Westrom
Dahms	Heintzeman	Lieske	Pappas	Wiklund
Dibble	Hoffman	Limmer	Pha	Xiong
Dornink	Housley	Lucero	Port	
Draheim	Howe	Mann	Pratt	
Drazkowski	Jasinski	Marty	Putnam	

The President declared a quorum present.

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

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12.5, Senator Port moved that the following members be excused for a Conference Committee on S.F. No. 2298 at 1:00 p.m.:

Senators Port, Boldon, and Lucero. The motion prevailed.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12.5, Senator Dibble moved that the following members be excused for a Conference Committee on H.F. No. 2438 at 2:00 p.m.:

Senators Dibble, Carlson, Jasinski, Johnson Stewart, and Clark. The motion prevailed.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communication was received.

April 11, 2025

The Honorable Bobby Joe Champion
President of the Senate

Dear Senator Champion:

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

LEGISLATIVE-CITIZEN COMMISSION ON MINNESOTA RESOURCES

Rita Albrecht, of Bemidji, in the county of Beltrami, effective April 16, 2025, for a term expiring on December 31, 2029.

Michelle Beeman, of Saint Paul, in the county of Ramsey, effective April 16, 2025, for a term expiring on December 31, 2029.

Monica Hedstrom, of Mahanomen, in the county of Mahanomen, effective April 16, 2025, for a term expiring on December 31, 2029.

(Referred to the Committee on Environment, Climate, and Legacy.)

Sincerely,
Tim Walz, Governor

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 6 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 2077: A bill for an act relating to state government; appropriating money for environment and natural resources; appropriating money from environment and natural resources trust fund; modifying prior appropriations; modifying fees and surcharges; modifying disposition of certain funds; modifying and establishing duties, authorities, and prohibitions regarding environment and natural resources; modifying and creating environment and natural resources

programs; modifying and creating grant programs; providing civil and criminal penalties; authorizing rulemaking; modifying state trail, state forest, and state park provisions; authorizing sales, conveyances, and leases of certain state lands; modifying forestry provisions; modifying game and fish provisions; making technical changes; requiring reports; amending Minnesota Statutes 2024, sections 84.027, by adding a subdivision; 86B.415, subdivision 7; 97A.223, subdivision 1; 97A.421, by adding a subdivision; 97A.465, by adding a subdivision; 97A.475, subdivisions 2, 6; 103G.271, subdivision 6; 103G.301, subdivision 2; 115B.421; 116.07, by adding a subdivision; 116.073, subdivisions 1, 2; Laws 2023, chapter 60, article 1, sections 2, subdivisions 2, 7, 10; 3, subdivision 6; Laws 2024, chapter 83, section 2, subdivisions 3, 8; proposing coding for new law in Minnesota Statutes, chapters 84; 86B; 325F.

There has been appointed as such committee on the part of the House:

Heintzeman, Schultz, Nelson, Fischer, Pursell and Finke.

Senate File No. 2077 is herewith returned to the Senate.

Patrick Duffy Murphy, Chief Clerk, House of Representatives

Returned May 6, 2025

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 4 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 2370: A bill for an act relating to cannabis; including the Office of Cannabis Management as an agency for the purpose of having a government-to-government relationship with Tribal governments; modifying provisions regarding the sale of cannabinoids derived from hemp; modifying medical cannabis provisions; modifying hemp-derived topical product provisions; modifying cannabis license application requirements; modifying the limits of delta-9 tetrahydrocannabinol in edible cannabinoid products and lower-potency hemp edibles when intended to be consumed as beverages; allowing samples at cannabis events; modifying expungement and resentencing provisions for felony cannabis offenses; amending Minnesota Statutes 2024, sections 10.65, subdivision 2; 151.72, subdivisions 3, 5a; 152.22, subdivisions 4, 7, 10, 13; 152.24; 152.25; 152.26; 152.261; 152.27, subdivisions 2, 7; 152.28, subdivisions 1, 3; 152.29, subdivisions 1, 2, 3a, 4; 152.31; 152.32, subdivision 2; 152.33, subdivisions 1a, 4; 152.35; 152.37; 342.01, subdivisions 9, 47, 50, 71, by adding subdivisions; 342.02, subdivision 3; 342.09, subdivision 2; 342.12; 342.14, subdivisions 1, 3, 6; 342.151, subdivisions 2, 3; 342.22, subdivision 3; 342.28, subdivisions 1, 8; 342.29, subdivisions 1, 7; 342.30, subdivision 1; 342.32, subdivisions 4, 5; 342.33, subdivision 1; 342.40, subdivision 7, by adding a subdivision; 342.43, by adding a subdivision; 342.44, subdivision 1; 342.45, by adding a subdivision; 342.46, subdivision 6; 342.51, subdivision 2, by adding a subdivision; 342.52, subdivision 9, by adding a subdivision; 342.56, subdivision 2; 342.57; 342.59, subdivision 2; 342.61, subdivision 4; 342.63, subdivisions 2, 3, 5, 6; 342.66, subdivision 6; 609A.06, subdivisions 3, 7, 10, 12; repealing Minnesota Statutes 2024, sections 152.22, subdivision 2; 342.151, subdivision 1.

There has been appointed as such committee on the part of the House:

Stephenson; Hanson, J.; West and Allen.

Senate File No. 2370 is herewith returned to the Senate.

Patrick Duffy Murphy, Chief Clerk, House of Representatives

Returned May 6, 2025

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2115:

H.F. No. 2115: A bill for an act relating to human services; modifying policy provisions relating to aging and disability services, the Department of Health, Direct Care and Treatment, behavioral health, and the Department of Human Services Office of Inspector General; recodifying statutory language relating to assertive community treatment and intensive residential treatment services; modifying children's mental health terminology; codifying requirement for notification of federal approval; making conforming changes; amending Minnesota Statutes 2024, sections 3.757, subdivision 1; 13.46, subdivisions 3, 4; 15.471, subdivision 6; 43A.241; 62J.495, subdivision 2; 62Q.527, subdivisions 1, 2, 3; 97A.441, subdivision 3; 121A.61, subdivision 3; 128C.02, subdivision 5; 142E.51, subdivisions 5, 6, by adding a subdivision; 142G.02, subdivision 56; 142G.27, subdivision 4; 142G.42, subdivision 3; 144.0724, subdivisions 2, 3a, 4, 9; 144.53; 144.651, subdivisions 2, 4, 10a, 20, 31, 32; 144A.07; 144A.61, by adding subdivisions; 144A.70, subdivisions 3, 7, by adding subdivisions; 144G.10, subdivisions 1, 1a, 5; 144G.16, subdivision 3; 144G.19, by adding a subdivision; 144G.52, by adding a subdivision; 144G.53; 144G.70, subdivision 2; 144G.81, subdivision 1; 144G.91, by adding a subdivision; 146A.08, subdivision 4; 147.091, subdivision 6; 147A.13, subdivision 6; 148.10, subdivision 1; 148.235, subdivision 10; 148.261, subdivision 5; 148.754; 148B.5905; 148F.09, subdivision 6; 148F.11, subdivision 1; 150A.08, subdivision 6; 151.071, subdivision 10; 153.21, subdivision 2; 153B.70; 169A.284; 244.052, subdivision 4; 245.462, subdivision 4; 245.4662, subdivision 1; 245.4682, subdivision 3; 245.469; 245.481; 245.4835, subdivision 2; 245.4863; 245.487, subdivision 2; 245.4871, subdivisions 3, 4, 6, 13, 15, 17, 19, 21, 22, 28, 29, 31, 32, 34, by adding a subdivision; 245.4873, subdivision 2; 245.4874, subdivision 1; 245.4875, subdivision 5; 245.4876, subdivisions 4, 5; 245.4877; 245.488, subdivisions 1, 3; 245.4881, subdivisions 1, 3, 4; 245.4882, subdivisions 1, 5; 245.4884; 245.4885, subdivision 1; 245.4889, subdivision 1; 245.4901, subdivision 3; 245.4906, subdivision 2; 245.4907, subdivisions 2, 3; 245.491, subdivision 2; 245.492, subdivision 3; 245.50, subdivision 2; 245.52; 245.697, subdivision 2a; 245.735, subdivision 3b; 245.814, subdivision 3; 245.826; 245.91, subdivisions 2, 4; 245.92; 245.94, subdivision 1; 245A.03, subdivision 2; 245A.04, subdivisions 1, 7; 245A.16, subdivision 1; 245A.242, subdivision 2; 245A.26, subdivisions 1, 2; 245C.05, by adding a subdivision; 245C.08, subdivision 3; 245C.22, subdivision 5; 245D.02, subdivision 4a; 245D.091, subdivision 3; 245F.06, subdivision 2; 245G.05, subdivision 1; 245G.06, subdivisions 1, 2a, 3a; 245G.07, subdivision 2; 245G.08, subdivision 6; 245G.09, subdivision 3; 245G.11, subdivisions 7, 11; 245G.18, subdivision 2; 245G.19, subdivision 4, by adding a subdivision; 245G.22, subdivisions 1, 14, 15; 245I.05, subdivisions 3, 5; 245I.06, subdivision 3; 245I.11, subdivision 5; 245I.12, subdivision 5; 246.585; 246C.06, subdivision 11; 246C.12, subdivisions 4, 6; 246C.20; 252.27, subdivision 1; 252.291, subdivision 3; 252.43; 252.46, subdivision 1a; 252.50, subdivision 5; 253B.07, subdivision 2b; 253B.09, subdivision 3a; 253B.10, subdivision 1; 253B.141, subdivision 2; 253B.18, subdivision

6; 253B.19, subdivision 2; 253D.14, subdivision 3; 253D.27, subdivision 2; 253D.28; 253D.29, subdivisions 1, 2, 3; 253D.30, subdivisions 3, 4, 5, 6; 253D.31; 254A.19, subdivision 6; 254B.04, subdivision 1a; 254B.05, subdivisions 1, 1a, 5; 256.01, subdivisions 2, 5, by adding a subdivision; 256.019, subdivision 1; 256.0281; 256.0451, subdivisions 1, 3, 6, 8, 9, 18, 22, 23, 24; 256.478, subdivision 2; 256.4825; 256.93, subdivision 1; 256.98, subdivisions 1, 7; 256B.02, subdivision 11; 256B.055, subdivision 12; 256B.0615, subdivisions 1, 3, 4; 256B.0616, subdivisions 1, 4, 5; 256B.0622, subdivisions 1, 3a, 7a, 8, 11, 12; 256B.064, subdivision 1a; 256B.0757, subdivision 2; 256B.092, subdivisions 1a, 10, 11a; 256B.0943, subdivisions 1, 3, 9, 12, 13; 256B.0945, subdivision 1; 256B.0946, subdivision 6; 256B.0947, subdivision 3a; 256B.49, subdivisions 13, 29; 256B.4911, subdivision 6; 256B.4914, subdivisions 10a, 10d; 256B.69, subdivision 23; 256B.77, subdivision 7a; 256B.82; 256D.44, subdivision 5; 256G.09, subdivisions 4, 5; 256I.04, subdivision 2c; 256L.03, subdivision 5; 256R.38; 256R.40, subdivision 5; 260B.157, subdivision 3; 260C.007, subdivisions 16, 26d, 27b; 260C.157, subdivision 3; 260C.201, subdivisions 1, 2; 260C.301, subdivision 4; 260D.01; 260D.02, subdivisions 5, 9; 260D.03, subdivision 1; 260D.04; 260D.06, subdivision 2; 260D.07; 260E.11, subdivision 3; 295.50, subdivision 9b; 299F.77, subdivision 2; 342.04; 352.91, subdivision 3f; 401.17, subdivision 1; 480.40, subdivision 1; 507.071, subdivision 1; 611.57, subdivisions 2, 4; 624.7131, subdivisions 1, 2; 624.7132, subdivisions 1, 2; 624.714, subdivisions 3, 4; 631.40, subdivision 3; Laws 2023, chapter 70, article 7, section 34; proposing coding for new law in Minnesota Statutes, chapters 245; 246C; 256B; 256G; 609; repealing Minnesota Statutes 2024, sections 144G.9999, subdivisions 1, 2, 3; 245.4862; 245A.042, subdivisions 2, 3, 4; 245A.11, subdivision 8; 246.015, subdivision 3; 246.50, subdivision 2; 246B.04, subdivision 1a; 256B.0622, subdivision 4; Laws 2024, chapter 79, article 1, sections 15; 16; 17; Minnesota Rules, part 9505.0250, subparts 1, 2, 3.

The House respectfully requests that a Conference Committee of 4 members be appointed thereon.

Schomacker, Gander, Noor and Frederick have been appointed as such committee on the part of the House.

House File No. 2115 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Patrick Duffy Murphy, Chief Clerk, House of Representatives

Transmitted May 7, 2025

Senator Murphy, for Senator Hoffman, moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 2115, and that a Conference Committee of 5 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2434:

H.F. No. 2434: A bill for an act relating to human services; modifying provisions relating to aging services, disability services, health care services, behavioral health services, background

studies, Department of Human Services program integrity, direct care and treatment services, and housing supports; establishing a patient driven payment model phase-in, the Minnesota Caregiver Defined Contribution Retirement Fund Trust, early intensive developmental and behavioral intervention provisional licensure, and recovery residence certification; adjusting rates for nursing home wage standards; establishing an advisory task force and workgroups; creating a civil cause of action; creating grants; requiring reports; making forecast adjustments; appropriating money; amending Minnesota Statutes 2024, sections 13.46, subdivisions 2, 3; 142A.02, subdivision 1; 142A.09, subdivision 1; 144.0724, subdivisions 2, 11, by adding a subdivision; 179A.54, by adding a subdivision; 245.095, subdivision 5, by adding a subdivision; 245.462, subdivision 20; 245.4661, subdivisions 2, 6, 7; 245.467, subdivision 4; 245.4711, subdivisions 1, 4; 245.4712, subdivisions 1, 3; 245.4871, subdivision 5; 245.735, subdivision 3; 245.91, subdivision 4; 245A.03, by adding a subdivision; 245A.04, subdivisions 1, 7; 245A.042, by adding a subdivision; 245A.043, by adding a subdivision; 245A.05; 245A.07, subdivision 2; 245A.10, subdivisions 2, 3, 4, 8; 245C.02, subdivision 7; 245C.03, subdivisions 6, 13, 15; 245C.04, subdivision 6, by adding a subdivision; 245C.08, subdivision 5; 245C.10, by adding a subdivision; 245C.13, subdivision 2; 245C.14, by adding subdivisions; 245C.15, subdivisions 1, 4a; 245C.16, subdivision 1; 245C.22, subdivisions 3, 8; 245D.091, subdivisions 2, 3; 245F.08, subdivision 3; 245G.01, subdivision 13b, by adding subdivisions; 245G.02, subdivision 2; 245G.07, subdivisions 1, 3, 4, by adding subdivisions; 245G.11, subdivision 6, by adding a subdivision; 245G.22, subdivisions 11, 15; 246.54, subdivisions 1a, 1b; 246B.10; 246C.091, subdivision 3; 252.27, by adding subdivisions; 254A.19, subdivision 4; 254B.01, subdivisions 10, 11; 254B.02, subdivision 5; 254B.03, subdivisions 1, 3, 4; 254B.04, subdivisions 1a, 5, 6, 6a; 254B.05, subdivisions 1, 1a, 5, by adding a subdivision; 254B.052, by adding a subdivision; 254B.06, subdivision 2, by adding a subdivision; 254B.09, subdivision 2; 254B.19, subdivision 1; 256.01, subdivisions 29, 34; 256.043, subdivision 3; 256.9657, subdivisions 1, 7a; 256.9752, subdivision 3; 256.983, subdivision 4; 256B.051, subdivision 6, by adding a subdivision; 256B.0625, subdivisions 5m, 20; 256B.0659, subdivisions 17a, 21; 256B.0757, subdivision 4c; 256B.0761, subdivision 4; 256B.0911, subdivisions 1, 10, 13, 14, 17, 24, 26, 30, by adding subdivisions; 256B.0922, subdivision 1, by adding a subdivision; 256B.0924, subdivision 6; 256B.0949, subdivisions 15, 16, 16a, by adding a subdivision; 256B.14, subdivision 2; 256B.19, subdivision 1; 256B.434, subdivision 4k; 256B.4912, subdivision 1; 256B.4914, subdivisions 3, 5, 5a, 5b, 6a, 6b, 6c, 8, 9, by adding subdivisions; 256B.766; 256B.85, subdivisions 7a, 8, 12, 16; 256B.851, subdivisions 5, 6, 7, by adding subdivisions; 256G.08, subdivisions 1, 2; 256G.09, subdivisions 1, 2; 256I.03, subdivision 11a; 256I.04, subdivision 2a; 256I.05, subdivisions 1d, 1e, 1f, 1g, 1h, 1i, 1j, 1k, 1l, 1m, 1n, 1p, 1q, 1r, 1s, 1t, 1u, 2; 256R.02, subdivision 19, by adding subdivisions; 256R.23, subdivisions 2, 3; 256R.24, subdivision 1; 256R.25; 260E.14, subdivision 1; 325F.725; 609A.015, subdivision 4; 609A.055, subdivision 3; 611.43, by adding a subdivision; 611.46, subdivision 1; 611.55, by adding a subdivision; 626.5572, subdivision 13; Laws 2021, First Special Session chapter 7, article 13, sections 73; 75, subdivision 4, as amended; Laws 2023, chapter 61, article 1, sections 5; 27; 30; 32; 47; 61, subdivision 4; 85; article 9, section 2, subdivisions 13, 14, as amended; Laws 2024, chapter 125, article 8, section 2, subdivision 19; proposing coding for new law in Minnesota Statutes, chapters 245A; 245D; 254B; 256; 256K; 256R; repealing Minnesota Statutes 2024, sections 245G.01, subdivision 20d; 245G.07, subdivision 2; 254B.01, subdivision 5; 254B.04, subdivision 2a; 254B.181; Laws 2021, First Special Session chapter 7, article 13, section 75, subdivisions 3, as amended, 6, as amended.

The House respectfully requests that a Conference Committee of 6 members be appointed thereon.

Schomacker, Gillman, Jacob, Noor, Keeler and Curran have been appointed as such committee on the part of the House.

House File No. 2434 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Patrick Duffy Murphy, Chief Clerk, House of Representatives

Transmitted May 7, 2025

Senator Hoffman moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 2434, and that a Conference Committee of 5 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

REPORTS OF COMMITTEES

Senator Murphy moved that the Committee Report at the Desk be now adopted. The motion prevailed.

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

H.F. No. 2442: A bill for an act relating to energy; appropriating money for energy and renewable development account programs and activities.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

CLIMATE AND ENERGY FINANCE

Section 1. **APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2026" and "2027" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2026, or June 30, 2027, respectively. "The first year" is fiscal year 2026. "The second year" is fiscal year 2027. "The biennium" is fiscal years 2026 and 2027. If an appropriation in this article is enacted more than once in the 2025 regular or a special legislative session, the appropriation must be given effect only once.

APPROPRIATIONS

Available for the Year

Ending June 30

2026

2027

Sec. 2. **DEPARTMENT OF COMMERCE**

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>12,644,000</u>	<u>\$</u>	<u>12,644,000</u>
---	-----------	-------------------	-----------	-------------------

		<u>Appropriations by Fund</u>		
--	--	-------------------------------	--	--

	<u>2026</u>		<u>2027</u>	
<u>General</u>	11,047,000		11,047,000	
<u>Petroleum Tank</u>	1,597,000		1,597,000	

The amounts that may be spent for each purpose are specified in the following subdivisions.

<u>Subd. 2. Energy Resources</u>		<u>11,047,000</u>		<u>11,047,000</u>
----------------------------------	--	-------------------	--	-------------------

(a) \$150,000 the first year and \$150,000 the second year are to remediate vermiculite insulation from households that are eligible for weatherization assistance under Minnesota's weatherization assistance program state plan under Minnesota Statutes, section 216C.264. Remediation must be performed in conjunction with federal weatherization assistance program services.

(b) \$189,000 each year is for activities associated with a utility's implementation of a natural gas innovation plan under Minnesota Statutes, section 216B.2427.

(c) \$500,000 each year is for a grant to the clean energy resource teams under Minnesota Statutes, section 216C.385, subdivision 2, to provide additional capacity to perform the duties specified under Minnesota Statutes, section 216C.385, subdivision 3. This appropriation may be used to reimburse reasonable costs incurred by the Department of Commerce to administer the grant.

(d) \$301,000 each year is to implement energy benchmarking under Minnesota Statutes, section 216C.331.

(e) \$164,000 each year is for activities associated with a public utility's transportation electrification plan filing under Minnesota Statutes, section 216B.1615.

(f) \$77,000 each year is for activities associated with appeals of consumer complaints to the commission under Minnesota Statutes, section 216B.172.

(g) \$961,000 each year is for activities required under Minnesota Statutes, section 216B.1641, for community solar gardens. This appropriation must be assessed directly to the public utility subject to Minnesota Statutes, section 116C.779.

(h) \$46,000 each year is for work to align energy transmission and distribution planning activities with opportunities along trunk highway rights-of-way.

(i) \$265,000 each year is to (1) participate in a Public Utilities Commission proceeding to review electric transmission line owners' plans to deploy grid-enhancing technologies, and (2) issue an order to implement the plans. The base in fiscal year 2028 is \$0.

The general fund base is \$10,782,000 in fiscal year 2028 and \$10,782,000 in fiscal year 2029.

Subd. 3. Petroleum Tank Release Compensation Board

1,597,000

1,597,000

This appropriation is from the petroleum tank fund.

Sec. 3. PUBLIC UTILITIES COMMISSION

\$

13,330,000

\$

13,417,000

The general fund base is \$13,183,000 in fiscal year 2028 and later.

Sec. 4. TRANSFERS.

\$1,199,000 in fiscal year 2026 and \$1,199,000 in fiscal year 2027 are transferred from the general fund to the preweatherization account in the special revenue fund under Minnesota Statutes, section 216C.264, subdivision 1c. The commissioner of management and budget must include a transfer of \$1,199,000 each year from the general fund to the preweatherization account in the special revenue fund in each forecast prepared under Minnesota Statutes, section 16A.103, from the effective date of this section through the February 2027 forecast.

Sec. 5. APPROPRIATION EXTENSION.

The availability of the appropriation for the Tribal Advocacy Council on Energy in Laws 2023, chapter 60, article 10, section 2, subdivision 2, paragraph (i), is extended to June 30, 2026.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 2

RENEWABLE DEVELOPMENT ACCOUNT APPROPRIATIONS

Section 1. **RENEWABLE DEVELOPMENT FINANCE.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j), the appropriations are from the renewable development account in the special revenue fund established in Minnesota Statutes, section 116C.779, subdivision 1, and are available for the fiscal years indicated for each purpose. The figures "2026" and "2027" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2026, or June 30, 2027, respectively. "The first year" is fiscal year 2026. "The second year" is fiscal year 2027. "The biennium" is fiscal years 2026 and 2027. If an appropriation in this article is enacted more than once in the 2025 regular or special legislative session, the appropriation must be given effect only once.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2026</u>	<u>2027</u>

Sec. 2. **DEPARTMENT OF COMMERCE**

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>10,500,000</u>	<u>\$</u>	<u>100,000</u>
--	------------------	--------------------------	------------------	-----------------------

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **"Made in Minnesota" Administration**

\$100,000 each year is to administer the "Made in Minnesota" solar energy production incentive program under Minnesota Statutes, section 216C.417. Any unobligated amount remaining on June 30, 2027, cancels to the renewable development account.

Subd. 3. Microgrid Research and Application

\$1,200,000 the first year is for a grant to the University of St. Thomas Center for Microgrid Research, which must be used to:

(1) increase the center's capacity to provide industry partners with opportunities to test near-commercial microgrid products on a real-world scale and to multiply opportunities for innovative research;

(2) procure advanced equipment and controls to enable the extension of the university's microgrid to additional buildings; and

(3) expand (i) hands-on educational opportunities for undergraduate and graduate electrical engineering students to increase understanding of microgrid operations, and (ii) partnerships with community colleges. This is a onetime appropriation and is available until June 30, 2028.

Subd. 4. Green Hydrogen Project

\$2,000,000 the first year is for a grant to the city of St. Cloud for the Green Hydrogen Project to incorporate a battery and renewable energy system. This is a onetime appropriation and is available until June 30, 2028.

Subd. 5. Anaerobic Digester Energy System

\$4,000,000 the first year is for a grant to Ramsey/Washington Recycling and Energy, in partnership with Dem-Con HZI Bioenergy, LLC, to construct an anaerobic digester energy system in Louisville Township. For the purposes of this subdivision, "anaerobic digester energy system" means a facility that uses diverted food and organic waste to create renewable natural gas and biochar. This is a onetime appropriation and is available until June 30, 2028.

Subd. 6. Como Zoo Geothermal Energy System

\$2,200,000 the first year is for a grant to Como Zoo in the city of St. Paul to construct a geothermal energy system that provides space heating and cooling to the large cats building. For the purposes of this subdivision, "geothermal energy system" means a system composed of a heat pump that moves a heat-transferring fluid through piping embedded in the earth and absorbs the earth's constant temperature, a heat exchanger, and ductwork to distribute heated and cooled air to a building. This is a onetime appropriation and is available until June 30, 2028.

Subd. 7. Minnesota Energy Alley

(a) \$1,000,000 the first year for a grant to Clean Energy Economy Minnesota for the Minnesota Energy Alley initiative. The initiative is designed to promote energy innovation through supporting energy entrepreneurs and emerging businesses to commercialize energy solutions by matching promising innovators with established and trustworthy Minnesota-based public and private partners to demonstrate emerging technologies in real-world applications. The grant may be used to provide seed funding for businesses, develop a training and development program, support recruitment of entrepreneurs to Minnesota, and secure funding from federal programs and corporate partners to establish a self-sustaining, long-term revenue model. This is a onetime appropriation and is available until June 30, 2027.

(b) By January 15, 2027, the commissioner of commerce must submit a written report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over energy finance and policy on the activities and accomplishments of the Minnesota Energy Alley initiative during the previous fiscal year and the disposition of this appropriation,

including a separate statement of the amount of administrative costs.

Subd. 8. Grant Administration

Notwithstanding Minnesota Statutes, section 16B.98, subdivision 14, the commissioner may use up to \$100,000 of the amount in this section for the administrative costs of the grants in this section.

Sec. 3. <u>DEPARTMENT OF ADMINISTRATION</u>	<u>\$</u>	<u>92,000</u>	<u>\$</u>	<u>92,000</u>
--	------------------	----------------------	------------------	----------------------

\$92,000 each year is for software and administrative costs associated with the state building energy conservation improvement revolving loan program under Minnesota Statutes, section 16B.87.

Sec. 4. <u>UNIVERSITY OF MINNESOTA</u>	<u>\$</u>	<u>5,000,000</u>	<u>\$</u>	<u>-0-</u>
---	------------------	-------------------------	------------------	-------------------

\$5,000,000 the first year is for research, development, outreach, and demonstration of energy systems that use hydrogen and ammonia production from renewable energy resources and other sources of clean energy as a means of storing and generating electricity. This is a onetime appropriation and is available until June 30, 2028.

Sec. 5. <u>POLLUTION CONTROL AGENCY</u>	<u>\$</u>	<u>3,000,000</u>	<u>\$</u>	<u>-0-</u>
--	------------------	-------------------------	------------------	-------------------

\$3,000,000 the first year is for a grant to the owner of a biomass energy generation plant in Shakopee that uses waste heat from the generation of electricity in the malting process to purchase equipment to facilitate the disposal of wood that is infested by emerald ash borer. This is a onetime appropriation and is available until June 30, 2028. Notwithstanding Minnesota Statutes, section 16B.98, subdivision 14, the commissioner of the Pollution Control Agency may use up to \$25,000 of the amount in this section for the administrative costs of this grant.

Sec. 6. **TRANSFER.**

\$2,000,000 in fiscal year 2026 is transferred from the renewable development account in the special revenue fund to the geothermal planning grant account under Minnesota Statutes, section 216C.47, subdivision 3.

Sec. 7. **APPROPRIATION EXTENSION.**

Notwithstanding Minnesota Statutes, section 16A.28, and Laws 2023, chapter 60, article 11, section 2, subdivision 3, paragraph (c), the availability of the fiscal year 2024 and fiscal year 2025 appropriations for grants to the University of St. Thomas Center for Microgrid Research in Laws 2023, chapter 60, article 11, section 2, subdivision 3, are extended to June 30, 2028.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 3

ENERGY POLICY

Section 1. Minnesota Statutes 2024, section 116C.7792, is amended to read:

116C.7792 SOLAR ENERGY PRODUCTION INCENTIVE PROGRAM.

(a) The utility subject to section 116C.779 shall operate a program to provide solar energy production incentives for solar energy systems of no more than a total aggregate nameplate capacity of 40 kilowatts alternating current per premise. The owner of a solar energy system installed before June 1, 2018, is eligible to receive a production incentive under this section for any additional solar energy systems constructed at the same customer location, provided that the aggregate capacity of all systems at the customer location does not exceed 40 kilowatts.

(b) The program is funded by money withheld from transfer to the renewable development account under section 116C.779, subdivision 1, paragraphs (b) and (e). Program funds must be placed in a separate account for the purpose of the solar energy production incentive program operated by the utility and not for any other program or purpose.

(c) Funds allocated to the solar energy production incentive program in 2019 and 2020 remain available to the solar energy production incentive program.

(d) The following amounts are allocated to the solar energy production incentive program:

(1) \$10,000,000 in 2021;

(2) \$10,000,000 in 2022;

(3) \$5,000,000 in 2023;

(4) \$11,250,000 in 2024;

(5) \$6,250,000 in 2025; and

(6) \$5,000,000 each year, beginning in 2026 through 2035.

(e) Notwithstanding the Department of Commerce's November 14, 2018, decision in Docket No. E002/M-13-1015 regarding operation of the utility's solar energy production incentive program, half of the amounts allocated each year under paragraph (d), clauses (3), (4), ~~and (5)~~, and (6), must be reserved for solar energy systems whose installation meets the eligibility standards for the low-income program established in the November 14, 2018, decision or successor decisions of the department. All other program operations of the solar energy production incentive program are governed by the provisions of the November 14, 2018, decision or successor decisions of the department.

(f) Funds allocated to the solar energy production incentive program that have not been committed to a specific project at the end of a program year remain available to the solar energy production incentive program.

(g) Any unspent amount remaining on January 1, ~~2028~~ 2038, must be transferred to the renewable development account.

(h) A solar energy system receiving a production incentive under this section must be sized to less than 120 percent of the customer's on-site annual energy consumption when combined with other distributed generation resources and subscriptions provided under section 216B.1641 associated with the premise. The production incentive must be paid for ten years commencing with the commissioning of the system.

(i) The utility must file a plan to operate the program with the commissioner of commerce. The utility may not operate the program until it is approved by the commissioner. A change to the program to include projects up to a nameplate capacity of 40 kilowatts or less does not require the utility to file a plan with the commissioner. Any plan approved by the commissioner of commerce must not provide an increased incentive scale over prior years unless the commissioner demonstrates that changes in the market for solar energy facilities require an increase.

Sec. 2. Minnesota Statutes 2024, section 216B.16, is amended by adding a subdivision to read:

Subd. 1b. **Definitions.** For the purposes of this section, "low-income" means a household:

(1) that is approved as qualified for energy assistance from the low-income home energy assistance program;

(2) with a household income that is 50 percent or less of the state median income; or

(3) that meets another qualification established by the commission.

Sec. 3. Minnesota Statutes 2024, section 216B.16, subdivision 14, is amended to read:

Subd. 14. **Low-income electric rate discount.** A public utility shall fund an affordability program for low-income customers at a base annual funding level of \$8,000,000. The annual funding level shall increase in the calendar years subsequent to each commission approval of a rate increase for the public utility's residential customers by the same percentage as the approved residential rate increase. Costs for the program shall be included in the utility's base rate. ~~For the purposes of this subdivision, "low income" describes a customer who is receiving assistance from the federal low-income home energy assistance program.~~ The affordability program must be designed to target

participating customers with the lowest incomes and highest energy costs in order to lower the percentage of income they devote to energy bills, increase their payments, lower utility service disconnections, and decrease costs associated with collection activities on their accounts. For low-income customers who are 62 years of age or older or disabled, the program must include a \$15 discount in each billing period. For the purposes of this subdivision, "public utility" includes only those public utilities with more than 200,000 residential electric service customers. The commission may issue orders necessary to implement, administer, and recover the costs of the program on a timely basis.

Sec. 4. Minnesota Statutes 2024, section 216B.16, subdivision 15, is amended to read:

Subd. 15. **Low-income affordability programs.** (a) The commission must consider ability to pay as a factor in setting utility rates and may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission. ~~For purposes of this subdivision, "low income residential ratepayers" means ratepayers who receive energy assistance from the low income home energy assistance program (LIHEAP).~~

(b) Any affordability program the commission orders a utility to implement must:

(1) lower the percentage of income that participating low-income households devote to energy bills;

(2) increase participating customer payments over time by increasing the frequency of payments;

(3) decrease or eliminate participating customer arrears;

(4) lower the utility costs associated with customer account collection activities; and

(5) coordinate the program with other available low-income bill payment assistance and conservation resources.

(c) In ordering affordability programs, the commission may require public utilities to file program evaluations that measure the effect of the affordability program on:

(1) the percentage of income that participating households devote to energy bills;

(2) service disconnections; and

(3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

(d) The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding start-up costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

(e) Public utilities may use information collected or created for the purpose of administering energy assistance to administer affordability programs.

Sec. 5. Minnesota Statutes 2024, section 216B.1641, is amended by adding a subdivision to read:

Subd. 15. **Sunset.** This section expires July 31, 2030.

Sec. 6. Minnesota Statutes 2024, section 216B.2402, subdivision 16, is amended to read:

Subd. 16. **Low-income household.** "Low-income household" means a household whose household income:

(1) is 80 percent or less of the area median household income for the geographic area in which the low-income household is located, as calculated by ~~the United States Department of Housing and Urban Development~~ a body of the state or federal government; or

(2) meets the income eligibility standards, as determined by the commissioner, required for a household to receive financial assistance from a federal, state, municipal, or utility program administered or approved by the department.

Sec. 7. Minnesota Statutes 2024, section 216B.2421, subdivision 2, is amended to read:

Subd. 2. **Large energy facility.** "Large energy facility" means:

(1) any electric power generating plant or combination of plants at a single site with a combined capacity of 50,000 kilowatts or more and transmission lines directly associated with the plant that are necessary to interconnect the plant to the transmission system;

(2) any high-voltage transmission line with a capacity of 300 kilovolts or more and greater than one mile in length in Minnesota;

(3) any high-voltage transmission line with a capacity of 100 kilovolts or more with more than ten miles of its length in Minnesota;

(4) any pipeline greater than six inches in diameter and having more than 50 miles of its length in Minnesota used for the transportation of coal, crude petroleum or petroleum fuels or oil, or their derivatives;

(5) any pipeline for transporting natural or synthetic gas at pressures in excess of 200 pounds per square inch with more than 50 miles of its length in Minnesota;

(6) any facility designed for or capable of storing on a single site more than ~~100,000~~ 1,000,000 gallons of liquefied natural gas or synthetic gas;

(7) any underground gas storage facility requiring a permit pursuant to section 103I.681;

(8) any nuclear fuel processing or nuclear waste storage or disposal facility; and

(9) any facility intended to convert any material into any other combustible fuel and having the capacity to process in excess of 75 tons of the material per hour.

Sec. 8. Minnesota Statutes 2024, section 216C.09, is amended to read:

216C.09 COMMISSIONER DUTIES.

(a) The commissioner shall:

(1) manage the department as the central repository within the state government for the collection of data on energy;

(2) prepare and adopt an emergency allocation plan specifying actions to be taken in the event of an impending serious shortage of energy, or a threat to public health, safety, or welfare;

(3) undertake a continuing assessment of trends in the consumption of all forms of energy and analyze the social, economic, and environmental consequences of these trends;

(4) carry out energy conservation and efficiency measures as specified by the legislature and recommend to the governor and the legislature additional energy policies and energy conservation measures and efficiency programming as required to meet the objectives of this chapter;

(5) collect and analyze data relating to present and future demands and resources for all sources of energy;

(6) evaluate policies governing the establishment of rates and prices for energy as related to energy conservation and energy efficiency, and other goals and policies of this chapter, and make recommendations for changes in energy pricing policies and rate schedules;

(7) study the impact and relationship of the state energy policies to international, national, and regional energy policies;

(8) design and implement a state program for the energy conservation of energy and efficiency; ~~this the program shall must~~ include but ~~is not be~~ limited to; general commercial, industrial, ~~and~~ residential, and transportation areas; ~~such the program shall must~~ also provide for the evaluation of energy systems as they relate to lighting, heating, refrigeration, air conditioning, building design and operation, and appliance manufacturing and operation;

(9) inform and educate the public about the sources and uses of energy and the ways in which ~~persons~~ Minnesotans can transition to a clean energy future, conserve energy, and save money;

(10) dispense funds made available for the purpose of research studies and projects ~~of professional and civic orientation~~, which are related to either energy conservation, resource recovery, or the development of alternative energy technologies which conserve nonrenewable energy resources while creating minimum environmental impact;

(11) charge other governmental departments and agencies involved in energy-related activities with specific information gathering goals and require that those goals be met;

(12) design a comprehensive program for the development of ~~indigenous~~ energy resources. The program shall include, but not be limited to, providing technical, informational, educational, and financial services and materials to persons, businesses, municipalities, and organizations involved in the development of primary and emerging energy sources, including but not limited to solar, wind, hydropower, peat, fiber fuels, biomass, and other alternative energy resources. The program shall be evaluated by the alternative energy technical activity; and

(13) dispense loans, grants, or other financial ~~aid~~ resources from money received from litigation or a ~~settlement of alleged violations of federal petroleum pricing regulations~~ made available to the department for that purpose.

(b) Further, the commissioner may participate fully in hearings before the Public Utilities Commission on matters pertaining to rate design, cost allocation, efficient resource utilization, utility conservation investments, small power production, cogeneration, and other rate issues. The commissioner shall support the policies stated in section 216C.05 and shall prepare and defend testimony proposed to encourage energy conservation improvements as defined in section 216B.241.

Sec. 9. Minnesota Statutes 2024, section 216C.10, is amended to read:

216C.10 COMMISSIONER POWERS.

(a) The commissioner may:

(1) adopt rules under chapter 14 as necessary to carry out the purposes of this chapter;

(2) make all contracts under this chapter and do all things necessary to cooperate with the United States government, and to qualify for, accept, and disburse any grant intended to administer this chapter;

(3) provide on-site technical assistance to units of local government in order to enhance local capabilities ~~for dealing with energy problems~~ to provide energy-related financial resources, planning, outreach, and engagement;

(4) administer for the state, energy programs under federal law, regulations, or guidelines, and coordinate the programs and activities with other state agencies, units of local government, and educational institutions;

(5) develop a state energy investment plan with yearly energy conservation and alternative energy development goals, investment targets, and marketing strategies;

(6) perform market analysis studies relating to conservation, alternative and renewable energy resources, and energy recovery;

(7) assist with the preparation of proposals for innovative conservation, renewable, alternative, or energy recovery projects;

(8) manage and disburse funds made available for the purpose of research studies or demonstration projects related to energy conservation or other activities deemed appropriate by the commissioner;

(9) intervene in certificate of need proceedings before the Public Utilities Commission;

(10) collect fees from recipients of loans, grants, or other financial aid from money received from litigation or settlement of alleged violations of federal petroleum-pricing regulations, which fees must be used to pay the department's costs in administering those financial aids; and

(11) collect fees from proposers and operators of conservation and other energy-related programs that are reviewed, evaluated, or approved by the department, other than proposers that are political subdivisions or community or nonprofit organizations, to cover the department's cost in making the review, evaluation, or approval and in developing additional programs for others to operate.

(b) Notwithstanding any other law, the commissioner is designated the state agent to apply for, receive, and accept federal or other funds made available to the state for the purposes of this chapter.

Sec. 10. Minnesota Statutes 2024, section 216C.11, is amended to read:

216C.11 ENERGY CONSERVATION INFORMATION CENTER.

(a) ~~The commissioner shall~~ must establish an Energy Information Center in the ~~department's offices in St. Paul~~ department. ~~The information center shall~~ must maintain a ~~toll-free telephone information service and disseminate printed materials on energy conservation topics, including but not limited to, availability of loans and other public and private financing methods for energy conservation physical improvements, the techniques and materials used to conserve energy in buildings, including retrofitting or upgrading insulation and installing weatherstripping, the projected prices and availability of different sources of energy, and alternative sources of energy physical,~~ virtual, and mobile information service that collects, analyzes, and disseminates energy resources, data, technical assistance and expertise, financial assistance, connections, and information on a variety of energy topics relevant to Minnesota consumers, businesses, Tribal and local governments, and community organizations. The information center must be accessible and responsive to public inquiries and must conduct proactive outreach.

~~The Energy Information Center shall serve as the official Minnesota Alcohol Fuels Information Center and shall disseminate information, printed, by the toll-free telephone information service, or otherwise on the applicability and technology of alcohol fuels.~~

~~The information center shall include information on the potential hazards of energy conservation techniques and improvements in the printed materials disseminated. The commissioner shall not be liable for damages arising from the installation or operation of equipment or materials recommended by the information center.~~

(b) The information center ~~shall~~ must use the information collected under section 216C.02, subdivision 1, to maintain a central source of information on energy conservation, energy efficiency, and other energy-related programs, including ~~both~~ programs required by law or rule and programs developed and carried on voluntarily.

Sec. 11. Minnesota Statutes 2024, section 216C.12, is amended to read:

216C.12 ENERGY CONSERVATION PUBLICITY LITERACY.

(a) The commissioner, in consultation with other affected agencies or departments shall, must develop informational materials, pamphlets and radio and television messages and messaging on energy conservation and housing energy efficiency programs available in Minnesota, renewable energy resources, and energy supply and demand. The printed materials shall include information on available tax credits for residential energy conservation measures, residential retrofitting loan and grant programs, and data on the economies of energy conservation and renewable resource measures. Copies of printed materials shall be distributed to members of the appropriate standing committees of the legislature. The commissioner must use modern and current outreach strategies and media to distribute the informational materials and messaging to the widest possible audience.

(b) The informational materials must promote energy literacy for individuals and communities to help individuals and communities make informed decisions on topics ranging from smart energy use at home and consumer choices to national and international energy policy. The informational materials must include but are not limited to information on energy sources, energy generation, energy use, energy conservation strategies, the energy workforce sector, and state and federal energy-related programs administered by the department.

Sec. 12. Minnesota Statutes 2024, section 216C.391, subdivision 1, is amended to read:

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

(b) "Competitive funds" means federal funds awarded to selected applicants based on the grantor's evaluation of the strength of an application measured against all other applications.

(c) "Disadvantaged community" has the meaning given by the federal agency disbursing federal funds.

(d) "Eligible entity" means an entity located in Minnesota that is eligible to receive federal funds, tax credits, loans, or an entity that has at least one Minnesota-based partner, as determined by the grantor of the federal funds, tax credits, or loans.

(e) "Federal funds" means federal formula or competitive funds available for award to applicants for energy projects under the Infrastructure Investment and Jobs Act, Public Law 117-58, or the Inflation Reduction Act of 2022, Public Law 117-169.

(f) "Formula funds" means federal funds awarded to all eligible applicants on a noncompetitive basis.

(g) "Loans" means federal loans from loan funds authorized or funded in the Inflation Reduction Act of 2022, Public Law 117-169.

(h) "Match" means the amount of state nonfederal money a successful grantee in Minnesota is required to contribute to a project as a condition of receiving federal funds.

(i) "Political subdivision" has the meaning given in section 331A.01, subdivision 3.

(j) "Project" means the activities proposed to be undertaken by an eligible entity awarded federal funds and are located in Minnesota or will directly benefit Minnesotans.

(k) "Tax credits" means federal tax credits authorized in the Inflation Reduction Act of 2022, Public Law 117-169.

(l) "Tribal government" has the meaning given in section 116J.64, subdivision 4.

Sec. 13. Minnesota Statutes 2024, section 216C.391, subdivision 3, is amended to read:

Subd. 3. **Grant awards; eligible entities; priorities.** (a) Grants may be awarded under this section to eligible entities in accordance with the following order of priorities:

(1) federal formula funds directed to the state that require a match;

(2) federal funds directed to a political subdivision or a Tribal government that require a match;

(3) federal funds directed to an institution of higher education, a consumer-owned utility, a business, or a nonprofit organization that require a match;

(4) federal funds directed to investor-owned utilities that require a match;

(5) federal funds directed to an eligible entity not included in clauses (1) to (4) that require a match; and

(6) all other grant opportunities directed to eligible entities that do not require a match but for which the commissioner determines that a grant made under this section is likely to enhance the likelihood of an applicant receiving federal funds, or to increase the potential amount of federal funds received.

(b) By November 15, 2023, the commissioner must develop and publicly post, and report to the chairs and ranking minority members of the legislative committees with jurisdiction over energy finance, the federal energy grant funds that are eligible for state matching funds under this section.

(c) Notwithstanding section 16B.98, subdivision 5, paragraph (b), a grant made under this section may exceed five years.

Sec. 14. Minnesota Statutes 2024, section 216C.47, subdivision 1, is amended to read:

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

(b) "Eligible applicant" means a county, city, town, Tribal government, or the Metropolitan Council.

(c) "Geothermal energy system" means a system that heats and cools one or more buildings by using the constant temperature of the earth as both a heat source and heat sink, and a heat exchanger consisting of an underground closed loop system of piping containing a liquid to absorb and relinquish heat within the earth. Geothermal energy system includes:

(1) a bored geothermal heat exchanger, as defined in section 103I.005;

(2) a groundwater thermal exchange device, as defined in section 103I.005; and

(3) a submerged closed loop heat exchanger, as defined in section 103I.005.

(d) "Tribal government" means the elected government of a federally recognized Indian Tribe located in Minnesota.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 4

SECURITIZATION

Section 1. **[216B.491] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of sections 216B.491 to 216B.499, the terms defined in this section have the meanings given.

Subd. 2. **Ancillary agreement.** "Ancillary agreement" means a bond, insurance policy, letter of credit, reserve account, surety bond, interest rate lock or swap arrangement, liquidity or credit support arrangement, or other financial arrangement entered into in connection with extraordinary event bonds that is designed to promote the credit quality and marketability of extraordinary event bonds or to mitigate the risk of an increase in interest rates.

Subd. 3. **Assignee.** "Assignee" means a person to which an interest in extraordinary event property is sold, assigned, transferred, or conveyed, other than as security, and any successor to or subsequent assignee of the person.

Subd. 4. **Bondholder.** "Bondholder" means a holder or owner of extraordinary event bonds.

Subd. 5. **Customer.** "Customer" means a person who purchases natural gas or natural gas transportation services from a utility in Minnesota. Customer does not include a person who:

(1) purchases natural gas transportation services from a utility in Minnesota that serves fewer than 350,000 natural gas customers in Minnesota; and

(2) does not purchase natural gas from a utility in Minnesota.

Subd. 6. **Extraordinary event.** (a) "Extraordinary event" means an event arising from unforeseen circumstances of sufficient magnitude, as determined by the commission:

(1) to impose significant costs on customers; and

(2) for which the issuance of extraordinary event bonds in response to the event meets the conditions of section 216B.492, subdivision 2.

(b) Extraordinary event includes but is not limited to a storm event or other natural disaster, an act of God, war, terrorism, sabotage, vandalism, a cybersecurity attack, or a temporary significant increase in the wholesale price of natural gas.

Subd. 7. **Extraordinary event activity.** "Extraordinary event activity" means an activity undertaken by or on behalf of a utility to restore or maintain the utility's ability to provide natural

gas service following one or more extraordinary events, including but not limited to activities related to mobilizing, staging, constructing, reconstructing, replacing, or repairing natural gas transmission, distribution, storage, or general facilities.

Subd. 8. **Extraordinary event bonds.** "Extraordinary event bonds" means debt securities, including but not limited to senior secured bonds, debentures, notes, certificates of participation, certificates of beneficial interest, certificates of ownership, or other evidences of indebtedness or ownership, that: (1) have a scheduled maturity of no longer than 30 years and a final legal maturity date that is not later than 32 years from the issue date; (2) are rated AA, Aa2, or higher by a major independent credit rating agency at the time of issuance; and (3) are issued by a utility or an assignee under a financing order.

Subd. 9. **Extraordinary event charge.** "Extraordinary event charge" means a nonbypassable charge that:

(1) a utility that is the subject of a financing order or the utility's successor or assignee imposes on all of the utility's customers;

(2) is separate from the utility's base rates; and

(3) provides a source of revenue used only to repay, finance, or refinance extraordinary event costs.

Subd. 10. **Extraordinary event costs.** "Extraordinary event costs":

(1) means all incremental costs of extraordinary event activities that are approved by the commission in a financing order issued under section 216B.492 as being:

(i) necessary to enable the utility to restore or maintain natural gas service to customers after the utility experiences an extraordinary event; and

(ii) prudent and reasonable;

(2) includes costs to repurchase equity or retire any indebtedness relating to extraordinary event activities;

(3) are net of applicable insurance proceeds, tax benefits, and any other amounts intended to reimburse the utility for extraordinary event activities, including government grants or aid of any kind;

(4) do not include any monetary penalty, fine, or forfeiture assessed against a utility by a government agency or court under a federal or state environmental statute, rule, or regulation; and

(5) must be adjusted to reflect:

(i) the difference, as determined by the commission, between extraordinary event costs that the utility expects to incur and actual, reasonable, and prudent costs incurred; or

(ii) a more fair or reasonable allocation of extraordinary event costs to customers over time, as expressed in a commission order, provided that after the issuance of extraordinary event bonds

relating to the extraordinary event costs, the adjustment must not (A) reduce or impair the extraordinary event property relating to the extraordinary event bonds, or (B) reduce, impair, postpone, or terminate extraordinary event charges relating to the extraordinary event bonds until all principal, interest, and redemption premium, if any, payable on the extraordinary event bonds, all financing costs for the extraordinary event bonds, and all amounts that must be paid to an assignee or financing party under an ancillary agreement relating to the extraordinary event bonds are paid in full.

Subd. 11. Extraordinary event property. "Extraordinary event property" means:

(1) all rights and interests that a utility or the utility's successor or assignee possess under a financing order to impose, bill, collect, receive, and obtain periodic adjustments to extraordinary event charges authorized under a financing order issued by the commission; and

(2) all revenue, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in clause (1), regardless of whether any are commingled with other revenue, collections, rights to payment, payments, money, or proceeds.

Subd. 12. Extraordinary event revenue. "Extraordinary event revenue" means revenue, receipts, collections, payments, money, claims, or other proceeds arising from extraordinary event property.

Subd. 13. Financing costs. "Financing costs" means:

(1) principal, interest, and redemption premiums, if any, that are payable on extraordinary event bonds;

(2) payments required under an ancillary agreement and amounts required to fund or replenish a reserve account or other accounts established under the terms of any indenture, ancillary agreement, or other financing document pertaining to extraordinary event bonds;

(3) other demonstrable costs related to issuing, supporting, repaying, refunding, and servicing extraordinary event bonds, including but not limited to servicing fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, financial adviser fees, administrative fees, placement and underwriting fees, capitalized interest, rating agency fees, stock exchange listing and compliance fees, security registration fees, filing fees, information technology programming costs, and any other demonstrable costs necessary to otherwise ensure and guarantee the timely payment of extraordinary event bonds, other amounts payable in connection with extraordinary event bonds, or other extraordinary event charges payable in connection with extraordinary event bonds;

(4) taxes and license fees imposed on the revenue generated from collecting an extraordinary event charge;

(5) state and local taxes, including franchise, sales and use, and other taxes or similar charges, including but not limited to regulatory assessment fees, whether paid, payable, or accrued; and

(6) costs incurred by the commission to (i) hire and compensate additional temporary staff needed to perform the commission's responsibilities under this section, and (ii) engage specialized counsel and expert consultants experienced in securitized utility ratepayer-backed bond financings similar to extraordinary event bonds financings, as provided under section 216B.494.

Subd. 14. **Financing order.** "Financing order" means an order issued by the commission under section 216B.492 that authorizes an applicant to:

- (1) issue extraordinary event bonds in one or more series;
- (2) impose, charge, and collect extraordinary event charges; and
- (3) create extraordinary event property.

Subd. 15. **Financing party.** "Financing party" means a holder of extraordinary event bonds and a trustee, a collateral agent, a party under an ancillary agreement, or any other person acting for the benefit of extraordinary event bondholders.

Subd. 16. **Natural gas facility.** "Natural gas facility" means natural gas pipelines, including distribution lines, underground storage areas, liquefied natural gas facilities, propane storage tanks, and other facilities the commission determines are used and useful to provide natural gas service to retail and transportation customers in Minnesota.

Subd. 17. **Nonbypassable.** "Nonbypassable" means an extraordinary event charge that a retail customer located within a utility service area cannot avoid and must pay.

Subd. 18. **Pretax costs.** "Pretax costs" means costs incurred by a utility and approved by the commission, including but not limited to:

- (1) unrecovered capitalized costs of replaced natural gas facilities damaged or destroyed by an extraordinary event;
- (2) costs to decommission and restore the site of a natural gas facility damaged or destroyed by an extraordinary event;
- (3) other applicable capital and operating costs, accrued carrying charges, deferred expenses, reductions for applicable insurance, and salvage proceeds; and
- (4) costs to retire any existing indebtedness, fees, costs, and expenses to modify existing debt agreements, or for waivers or consents related to existing debt agreements.

Subd. 19. **Storm event.** "Storm event" means a tornado, derecho, ice or snow storm, wildfire, flood, earthquake, or other significant weather or natural disaster that causes substantial damage to a utility's infrastructure.

Subd. 20. **Successor.** "Successor" means a legal entity that succeeds by operation of law to the rights and obligations of another legal entity as a result of bankruptcy, reorganization, restructuring, other insolvency proceeding, merger, acquisition, consolidation, or sale or transfer of assets.

Subd. 21. **Utility.** "Utility" means a public utility, as defined in section 216B.02, subdivision 4, that provides natural gas service to Minnesota customers. Utility includes the utility's successors or assignees.

Sec. 2. **[216B.492] FINANCING ORDER.**

Subdivision 1. **Application.** (a) A utility may file an application with the commission requesting a financing order to enable the utility to recover extraordinary event costs by issuing extraordinary event bonds under this section.

(b) The application must include the following information, as applicable:

(1) a description of each natural gas facility to be repaired or replaced;

(2) the undepreciated value remaining in each natural gas facility under clause (1) that the utility proposes to repair or replace using financing obtained by issuing extraordinary event bonds under sections 216B.491 to 216B.499, and the method used to calculate the undepreciated value remaining;

(3) the estimated costs imposed on customers resulting from an extraordinary event that involves no physical damage to natural gas facilities;

(4) the estimated savings or estimated mitigation of rate impacts to utility customers if the financing order is issued as requested in the application, calculated by comparing the costs to customers that are expected to result from implementing the financing order and the estimated costs associated with implementing traditional utility financing mechanisms with respect to the same undepreciated balance, expressed in net present value terms;

(5) a description of (i) the nonbypassable extraordinary event charge utility customers must pay in order to fully recover financing costs, and (ii) the method and assumptions used to calculate the nonbypassable extraordinary event charge;

(6) a proposed methodology to allocate the revenue requirement for the extraordinary event charge among the utility's customer classes;

(7) a description of a proposed adjustment mechanism that is implemented when necessary to correct any overcollection or undercollection of extraordinary event charges, in order to complete payment of scheduled principal and interest on extraordinary event bonds and other financing costs in a timely fashion;

(8) a memorandum with supporting exhibits, developed by a securities firm that is experienced in the marketing of securitized utility ratepayer-backed bonds, indicating the proposed issuance satisfies: (i) the current published AA, Aa2, or higher rating; or (ii) equivalent rating criteria of at least one nationally recognized securities rating organization for issuances similar to the proposed extraordinary event bonds;

(9) an estimate of: (i) the timing of the extraordinary event bonds issuance; and (ii) the term of the extraordinary event bonds or series of bonds, provided that the scheduled final maturity for each bond issuance does not exceed 30 years;

(10) identification of plans to sell, assign, transfer, or convey, other than as a security, interest in extraordinary event property, including identification of an assignee and demonstration that the assignee is a financing entity that is wholly owned, directly or indirectly, by the utility;

(11) identification of ancillary agreements that may be necessary or appropriate;

(12) one or more alternative financing scenarios in addition to the preferred scenario contained in the application;

(13) the extent of damage to the utility's natural gas facility caused by an extraordinary event and the estimated costs to repair or replace the damaged natural gas facility;

(14) a schedule of the proposed repairs to and replacement of the damaged natural gas facility;

(15) a description of the steps taken to provide customers interim natural gas service while the damaged natural gas facility is being repaired or replaced; and

(16) a description of the impacts on the utility's current workforce resulting from implementing a repair or replacement plan following an extraordinary event.

Subd. 2. **Findings.** After providing notice and holding a public hearing on an application filed under subdivision 1, the commission may issue a financing order if the commission finds that:

(1) the extraordinary event costs described in the application are reasonable;

(2) the proposed issuance of extraordinary event bonds and the imposition and collection of extraordinary event charges:

(i) are just and reasonable;

(ii) are consistent with the public interest;

(iii) constitute a prudent and reasonable mechanism to finance the extraordinary event costs; and

(iv) provide tangible and quantifiable benefits to customers, either by providing lower overall costs or mitigating rate impacts relative to traditional methods of financing, that exceed the benefits achieved absent the issuance of extraordinary event bonds; and

(3) the proposed structuring, marketing, and pricing of the extraordinary event bonds:

(i) lower overall costs to customers or mitigate rate impacts to customers relative to traditional methods of financing; and

(ii) achieve customer savings or mitigate rate impacts to customers, as determined by the commission in a financing order, consistent with market conditions at the time of sale and the terms of the financing order.

Subd. 3. **Contents.** (a) A financing order issued under this section must:

(1) determine the maximum amount of extraordinary event costs that may be financed from proceeds of extraordinary event bonds issued pursuant to the financing order;

(2) describe the proposed customer billing mechanism for extraordinary event charges and include a finding that the mechanism is just and reasonable;

(3) describe the financing costs that may be recovered through extraordinary event charges and the period over which the costs may be recovered, which must end no earlier than the date of final legal maturity of the extraordinary event bonds;

(4) describe the extraordinary event property that is created and that may be used to pay, and secure the payment of, principal and interest on the extraordinary event bonds and other financing costs authorized in the financing order;

(5) authorize the utility to finance extraordinary event costs by issuing one or more series of extraordinary event bonds. A utility is not required to secure a separate financing order for each extraordinary event bonds issuance or for each scheduled phase to replace natural gas facilities approved in the financing order;

(6) include a formula-based mechanism that must be used to make expeditious periodic adjustments to the extraordinary event charges authorized by the financing order that are necessary to (i) correct for any overcollection or undercollection, or (ii) otherwise provide for the timely payment of extraordinary event bonds, other financing costs, and other required amounts and charges payable in connection with extraordinary event bonds;

(7) specify the degree of flexibility afforded to the utility to establish the terms and conditions of the extraordinary event bonds, including but not limited to repayment schedules, expected interest rates, and other financing costs;

(8) specify that the extraordinary event bonds must be issued, subject to market conditions and the financing order's terms, as soon as feasible following the financing order's issuance;

(9) require the utility, at the same time extraordinary event charges are initially collected and independent of the schedule to close and decommission any natural gas facility replaced as the result of an extraordinary event, if any, to remove the natural gas facility from the utility's rate base and commensurately reduce the utility's base rates;

(10) specify a future ratemaking process to reconcile any difference between the projected pretax costs included in the amount financed by extraordinary event bonds and the final actual pretax costs incurred by the utility to retire or replace the natural gas facility, if any;

(11) specify information regarding extraordinary event bonds issuance and repayments, financing costs, energy transaction charges, extraordinary event property, and related matters that the natural gas utility is required to provide to the commission on a schedule determined by the commission;

(12) allow or require the creation of a utility's extraordinary event property to be conditioned on, and occur simultaneously with, the sale or other transfer of the extraordinary event property to an assignee and the pledge of the extraordinary event property to secure the extraordinary event bonds;

(13) ensure that the structuring, marketing, and pricing of extraordinary event bonds result in reasonable extraordinary event charges and customer savings or rate impact mitigation, consistent with market conditions and the financing order's terms; and

(14) specify that a utility that finances the replacement of one or more natural gas facilities after the natural gas facilities that are subject to the finance order are removed from the utility's rate base is prohibited from:

(i) operating the natural gas facilities; or

(ii) selling the natural gas facilities to another entity to operate as natural gas facilities.

(b) A financing order issued under this section may:

(1) include conditions different from those requested in the application that the commission determines are necessary to:

(i) promote the public interest; and

(ii) maximize the financial benefits or minimize the financial risks of the transaction to customers and to directly impacted Minnesota workers and communities; and

(2) select one or more underwriters for the extraordinary event bonds.

Subd. 4. **Duration; irrevocability; subsequent order.** (a) A financing order remains effective until the extraordinary event bonds issued under the financing order and all financing costs related to the extraordinary event bonds have been paid in full.

(b) A financing order remains effective and unabated notwithstanding the bankruptcy, reorganization, or insolvency of the utility to which the financing order applies or any affiliate, successor, or assignee of the utility to which the financing order applies.

(c) Subject to judicial review under section 216B.52, a financing order is irrevocable and is not reviewable by a future commission. The commission must not: (1) reduce, impair, postpone, or terminate extraordinary event charges approved in a financing order; (2) reduce or impair the extraordinary event property approved in a financing order or impair the collection or recovery of extraordinary event charges and extraordinary event revenue; or (3) change the customers required to pay extraordinary event charges.

(d) Notwithstanding paragraph (c), the commission may, on the commission's own motion or at the request of a utility or any other person, commence a proceeding and issue a subsequent financing order that provides for refinancing, retiring, or refunding extraordinary event bonds issued under the original financing order if:

(1) the commission makes all of the findings specified in subdivision 2 with respect to the subsequent financing order; and

(2) the modification contained in the subsequent financing order does not in any way impair the covenants and terms of the extraordinary event bonds being refinanced, retired, or refunded.

Subd. 5. **Effect on commission jurisdiction.** (a) Except as provided in paragraph (b), the commission, in exercising the powers and carrying out the duties under this section, is prohibited from:

(1) considering extraordinary event bonds issued under this section to be debt of the utility other than for income tax purposes, unless considering the extraordinary event bonds to be debt is necessary to achieve consistency with prevailing utility debt rating methodologies;

(2) considering the extraordinary event charges paid under the financing order to be revenue of the utility;

(3) considering the extraordinary event costs or financing costs specified in the financing order to be the regulated costs or assets of the utility; or

(4) determining that any prudent action taken by a utility that is consistent with the financing order is unjust or unreasonable.

(b) Nothing in this subdivision:

(1) affects the authority of the commission to apply or modify a billing mechanism designed to recover extraordinary event charges;

(2) prevents or precludes the commission from (i) investigating a utility's compliance with the financing order's terms and conditions, and (ii) requiring compliance with the financing order; or

(3) prevents or precludes the commission from imposing regulatory sanctions against a utility for failure to comply with (i) the financing order's terms and conditions, or (ii) the requirements of this section.

(c) The commission is prohibited from refusing to allow a utility to recover any costs associated with the replacement of natural gas facilities solely because the utility has elected to finance the natural gas facility replacement through a financing mechanism other than extraordinary event bonds.

Sec. 3. [216B.493] POSTORDER COMMISSION DUTIES.

Subdivision 1. Financing costs review. Within 120 days after the date extraordinary event bonds are issued, a utility subject to a financing order must file with the commission the actual initial and ongoing financing costs, the final structure and pricing of the extraordinary event bonds, and the actual extraordinary event charge. The commission must review the prudence of the natural gas utility's actions to determine whether the actual financing costs were the lowest that could reasonably be achieved given the financing order's terms and market conditions prevailing at the time of the extraordinary event bond's issuance.

Subd. 2. Enforcement. If the commission determines that a utility's actions under this section are not prudent or are inconsistent with the financing order, the commission may apply remedies deemed appropriate for utility actions, provided that any remedy applied must not directly or indirectly: (1) reduce or impair the extraordinary event property approved in the financing order or impair the collection or recovery of extraordinary event charges and extraordinary event revenue; (2) reduce, impair, postpone, or terminate extraordinary event charges approved in the financing order until all principal, interest, and redemption premium, if any, payable on the extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or financing party under

an ancillary agreement are paid in full; or (3) change the customers required to pay extraordinary event charges.

Sec. 4. **[216B.494] USE OF OUTSIDE EXPERTS.**

(a) To carry out the duties under this section, the commission may:

(1) contract with outside consultants and counsel experienced in securitized utility customer-backed bond financing similar to extraordinary event bonds; and

(2) hire and compensate additional temporary staff as needed.

Expenses incurred by the commission under this paragraph must be treated as financing costs paid by the extraordinary event revenue. The costs incurred under clause (1) are not an obligation of the state and are assigned solely to the transaction.

(b) A utility presented with a written request from the commission to reimburse the commission's expenses incurred under paragraph (a), accompanied by a detailed account of the subject expenses, must provide the issuer of the extraordinary event bonds and the indenture trustee for the extraordinary event bonds with such documentation. The indenture trustee must remit full payment of the expenses to the commission on the next interest payment date of the extraordinary event bonds after the payment of interest and scheduled principal of the extraordinary event bonds in accordance with the payment waterfall included in the indenture governing the extraordinary event bonds.

(c) If a utility's application for a financing order is denied or withdrawn for any reason and extraordinary event bonds are not issued, the commission's costs to retain expert consultants under this section must be paid by the applicant utility and are deemed a prudent deferred expense eligible for recovery in the utility's future rates.

Sec. 5. **[216B.495] EXTRAORDINARY EVENT CHARGE; BILLING TREATMENT.**

(a) A utility that obtains a financing order and issues extraordinary event bonds must:

(1) include on each customer's monthly natural gas bill:

(i) a statement that a portion of the charges represents extraordinary event charges approved in a financing order;

(ii) the amount and rate of the extraordinary event charge as a separate line item titled "extraordinary event charge"; and

(iii) if extraordinary event property has been transferred to an assignee, a statement that the assignee is the owner of the rights to extraordinary event charges and that the utility or other entity, if applicable, is acting as a collection agent or servicer for the assignee; and

(2) file annually with the commission:

(i) a calculation that identifies the impact financing the retirement or replacement of natural gas facilities has on customer rates, itemized by customer class; and

(ii) evidence demonstrating that extraordinary event revenues are applied solely to pay (A) principal and interest on extraordinary event bonds, and (B) other financing costs.

(b) Extraordinary event charges are nonbypassable and must be paid by all existing and future customers receiving service from the utility or the utility's successors or assignees under commission-approved rate schedules or special contracts.

(c) A utility's failure to comply with this section does not invalidate, impair, or affect any financing order, extraordinary event property, extraordinary event charge, or extraordinary event bonds, but does subject the utility to penalties under applicable commission rules provided that any penalty applied must not directly or indirectly: (1) reduce or impair the extraordinary event property approved in the financing order or impair the collection or recovery of extraordinary event charges and extraordinary event revenue; (2) reduce, impair, postpone, or terminate extraordinary event charges approved in the financing order until all principal, interest, and redemption premium, if any, payable on the extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid in full; or (3) change the customers required to pay extraordinary event charges.

Sec. 6. [216B.496] EXTRAORDINARY EVENT PROPERTY.

Subdivision 1. **General.** (a) Extraordinary event property is an existing present property right or interest in a property right, even though the imposition and collection of extraordinary event charges depend on the utility collecting extraordinary event charges and on future natural gas consumption. The property right or interest exists regardless of whether the revenues or proceeds arising from the extraordinary event property have been billed, have accrued, or have been collected.

(b) Extraordinary event property exists until all extraordinary event bonds issued under a financing order are paid in full and all financing costs and other extraordinary event bonds costs have been recovered in full.

(c) All or any portion of extraordinary event property described in a financing order issued to a utility may be transferred, sold, conveyed, or assigned to a successor or assignee that is wholly owned, directly or indirectly, by the utility and created for the limited purpose of acquiring, owning, or administering extraordinary event property or issuing extraordinary event bonds authorized by the financing order. All or any portion of extraordinary event property may be pledged to secure extraordinary event bonds issued under a financing order, amounts payable to financing parties and to counterparties under any ancillary agreements, and other financing costs. Each transfer, sale, conveyance, assignment, or pledge by a utility or an affiliate of extraordinary event property is a transaction in the ordinary course of business.

(d) If a utility defaults on any required payment of charges arising from extraordinary event property described in a financing order, a court, upon petition by an interested party and without limiting any other remedies available to the petitioner, must order the sequestration and payment of the revenues arising from the extraordinary event property to the financing parties.

(e) The interest of a transferee, purchaser, acquirer, assignee, or pledgee in extraordinary event property specified in a financing order issued to a utility, and in the revenue and collections arising from the property, is not subject to setoff, counterclaim, surcharge, or defense by the utility or any

other person, or in connection with the reorganization, bankruptcy, or other insolvency of the utility or any other entity.

(f) A successor to a utility, whether resulting from a reorganization, bankruptcy, or other insolvency proceeding, merger or acquisition, sale, other business combination, transfer by operation of law, utility restructuring, or otherwise: (1) must perform and satisfy all obligations of, and has the same duties and rights under, a financing order as the utility to which the financing order applies; and (2) must perform the duties and exercise the rights in the same manner and to the same extent as the utility, including (i) collecting extraordinary event bonds revenues, collections, payments, or proceeds, and (ii) paying a person entitled to receive extraordinary event bonds revenues, collections, payments, or proceeds.

Subd. 2. **Security interests in extraordinary event property.** (a) The creation, perfection, and enforcement of any security interest in extraordinary event property to secure the repayment of the principal and interest on extraordinary event bonds, amounts payable under any ancillary agreement, and other financing costs are governed by this section only.

(b) A security interest in extraordinary event property is created, valid, and binding when:

(1) the financing order that describes the extraordinary event property is issued;

(2) a security agreement is executed and delivered; and

(3) value is received for the extraordinary event bonds.

(c) Once a security interest in extraordinary event property is created, the security interest attaches without any physical delivery of collateral or any other act. The lien of the security interest is valid, binding, and perfected against all parties having claims of any kind in tort, in contract, or otherwise against the person granting the security interest, regardless of whether the parties have notice of the lien, upon the filing of a financing statement with the secretary of state.

(d) The description or indication of extraordinary event property in a transfer or security agreement and a financing statement is sufficient only if the description or indication refers to this section and the financing order creating the extraordinary event property.

(e) A security interest in extraordinary event property is a continuously perfected security interest and has priority over any other lien, created by operation of law or otherwise, that may subsequently attach to the extraordinary event property unless the person that holds the security interest has agreed otherwise in writing.

(f) The priority of a security interest in extraordinary event property is not affected by the commingling of extraordinary event property or extraordinary event revenue with other money. An assignee, bondholder, or financing party has a perfected security interest in the amount of all extraordinary event property or extraordinary event revenue that is pledged to pay extraordinary event bonds even if the extraordinary event property or extraordinary event revenue is deposited in a cash or deposit account owned by the utility in which the extraordinary event revenue is commingled with other money. Any other security interest that applies to the other money does not apply to the extraordinary event revenue.

(g) A subsequent commission order amending a financing order under section 216B.492, subdivision 4, or the application of an adjustment mechanism authorized by a financing order under section 216B.492, subdivision 3, does not affect the validity, perfection, or priority of a security interest in or transfer of extraordinary event property.

Subd. 3. Sales of extraordinary event property. (a) A sale, assignment, or transfer of extraordinary event property is an absolute transfer and true sale of, and not a pledge of or secured transaction relating to, the seller's right, title, and interest in, to, and under the extraordinary event property if the documents governing the transaction expressly state that the transaction is a sale or other absolute transfer. A transfer of an interest in extraordinary event property may be created when:

(1) the financing order creating and describing the extraordinary event property is effective;

(2) the documents evidencing the transfer of the extraordinary event property are executed and delivered to the assignee; and

(3) value is received.

(b) The characterization of a sale, assignment, or transfer as an absolute transfer and true sale, and the corresponding characterization of the property interest of the assignee, is not affected or impaired by:

(1) commingling extraordinary event revenue with other money;

(2) the seller retaining:

(i) a partial or residual interest, including an equity interest, in the extraordinary event property, whether (A) direct or indirect, or (B) subordinate or otherwise; or

(ii) the right to recover costs associated with taxes, franchise fees, or license fees imposed on the collection of extraordinary event revenue;

(3) any recourse that the extraordinary event property purchaser may have against the seller;

(4) any indemnification rights, obligations, or repurchase rights made or provided by the extraordinary event property seller;

(5) the extraordinary event property seller's obligation to collect extraordinary event revenues on behalf of an assignee;

(6) the treatment of the sale, assignment, or transfer for tax, financial reporting, or other purposes;

(7) any subsequent financing order amending a financing order under section 216B.492, subdivision 4, paragraph (d); or

(8) any application of an adjustment mechanism under section 216B.492, subdivision 3, paragraph (a), clause (6).

Sec. 7. [216B.497] EXTRAORDINARY EVENT BONDS.

(a) A bank, trust company, savings and loan association, insurance company, executor, administrator, guardian, trustee, or other fiduciary may legally invest any money within the individual's or entity's control in extraordinary event bonds.

(b) Extraordinary event bonds issued under a financing order are not debt of or a pledge of the faith and credit or taxing power of the state, any agency of the state, or any political subdivision. An extraordinary event bonds holder does not possess the ability to compel taxes to be levied by the state or a political subdivision in order to pay the principal or interest on extraordinary event bonds. The issuance of extraordinary event bonds does not directly, indirectly, or contingently obligate the state or a political subdivision to levy any tax or make any appropriation to pay principal or interest on the extraordinary event bonds.

(c) The state pledges to and agrees with an extraordinary event bonds holder, assignee, and financing party that the state and state agencies, including the commission, are prohibited from:

(1) taking or permitting an action that reduces or impairs the extraordinary event property approved in the financing order or impairs the collection or recovery of extraordinary event charges or extraordinary event revenue;

(2) reducing, impairing, postponing, or terminating extraordinary event charges approved in the financing order that are imposed, collected, and remitted for the benefit of an extraordinary event bonds holder, assignee, and financing party until all principal, interest, and redemption premium, if any, payable on extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid in full; or

(3) changing the customers required to pay the extraordinary event charges.

(d) The commission may include a pledge in the financing order similar to the pledge included in paragraph (c).

(e) A person who issues extraordinary event bonds may include the pledge specified in paragraphs (c) and (d) in the extraordinary event bonds, ancillary agreements, and documentation related to the issuance and marketing of the extraordinary event bonds.

Sec. 8. [216B.498] ASSIGNEE OF FINANCING PARTY NOT SUBJECT TO COMMISSION REGULATION.

An assignee or financing party that is not already regulated by the commission does not become subject to commission regulation solely as a result of engaging in any transaction authorized by or described in sections 216B.491 to 216B.499.

Sec. 9. [216B.499] EFFECT ON OTHER LAWS.

(a) If a provision of sections 216B.491 to 216B.499 conflicts with other law regarding the attachment, assignment, perfection, effect of perfection, or priority of a security interest in or transfer of extraordinary event property, sections 216B.491 to 216B.499 govern.

(b) Nothing in this section precludes a utility for which the commission has initially issued a financing order from applying to the commission for:

(1) a subsequent financing order amending the financing order under section 216B.492, subdivision 4, paragraph (d); or

(2) approval to issue extraordinary event bonds to refund all or a portion of an outstanding series of extraordinary event bonds.

Sec. 10. Minnesota Statutes 2024, section 216B.62, subdivision 3, is amended to read:

Subd. 3. **Assessing all public utilities.** The department and commission shall quarterly, at least 30 days before the start of each quarter, estimate the total of their expenditures in the performance of their duties relating to public utilities under sections 216B.01 to 216B.67, other than amounts chargeable to public utilities under subdivision 2, 6, 7, ~~or 8,~~ or 9. The remainder shall be assessed by the commission and department to the several public utilities in proportion to their respective gross operating revenues from retail sales of gas or electric service within the state during the last calendar year. The assessment shall be paid into the state treasury within 30 days after the bill has been transmitted via mail, personal delivery, or electronic service to the several public utilities, which shall constitute notice of the assessment and demand of payment thereof. The total amount which may be assessed to the public utilities, under authority of this subdivision, shall not exceed one-sixth of one percent of the total gross operating revenues of the public utilities during the calendar year from retail sales of gas or electric service within the state. The assessment for the third quarter of each fiscal year shall be adjusted to compensate for the amount by which actual expenditures by the commission and department for the preceding fiscal year were more or less than the estimated expenditures previously assessed.

Sec. 11. Minnesota Statutes 2024, section 216B.62, is amended by adding a subdivision to read:

Subd. 9. **Administrative costs for extraordinary event bonds.** The commission and the department may assess gas utilities for the actual commission and department costs incurred to administer extraordinary event bonds under sections 216B.491 to 216B.499. The money received from the assessment must be deposited into an account in the special revenue fund. All money deposited in the account is appropriated to the commission or the department for the purposes of this subdivision. The commission and department may initially assess for estimated costs under sections 216B.491 to 216B.499, then must adjust subsequent assessments for actual costs incurred under sections 216B.491 to 216B.499. An assessment made under this subdivision is not subject to the cap on assessments provided in subdivision 3 or any other law."

Delete the title and insert:

"A bill for an act relating to energy; establishing a budget for energy, transmission, petroleum, and renewable energy purposes; adding and modifying provisions governing geothermal energy, solar energy, and other energy policy; authorizing natural gas utilities to sell extraordinary event bonds under certain circumstances; appropriating money; amending Minnesota Statutes 2024, sections 116C.7792; 216B.16, subdivisions 14, 15, by adding a subdivision; 216B.1641, by adding a subdivision; 216B.2402, subdivision 16; 216B.2421, subdivision 2; 216B.62, subdivision 3, by adding a subdivision; 216C.09; 216C.10; 216C.11; 216C.12; 216C.391, subdivisions 1, 3; 216C.47, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 216B."

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

SECOND READING OF HOUSE BILLS

H.F. No. 2442 was read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senator Mann introduced--

S.F. No. 3496: A bill for an act relating to public health; appropriating money for a Produce Rx pilot program.

Referred to the Committee on Health and Human Services.

Senators McEwen and Rarick introduced--

S.F. No. 3497: A bill for an act relating to capital investment; appropriating money for abatement, remediation, mitigation, and treatment of PFAS contamination at Lake Superior College; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Cwodzinski, Johnson Stewart, Pratt, and Coleman introduced--

S.F. No. 3498: A bill for an act relating to transportation; allocating a portion of regional transportation sales tax revenue to SouthWest Transit; amending Minnesota Statutes 2024, section 473.4465, subdivision 2.

Referred to the Committee on Transportation.

Senators Pratt, Utke, Klein, Abeler, and Hoffman introduced--

S.F. No. 3499: A bill for an act relating to health; authorizing the stockpiling of essential medications for emergencies; requiring a report; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 145.

Referred to the Committee on Health and Human Services.

Senators Maye Quade, Duckworth, Klein, Lieske, and Carlson introduced--

S.F. No. 3500: A bill for an act relating to economic development; appropriating money to the Dakota County Community Development Agency for Expo 2031.

Referred to the Committee on Jobs and Economic Development.

Senator Pappas introduced--

S.F. No. 3501: A bill for an act relating to capital investment; appropriating money for capital improvements at the Hallie Q. Brown Community Center in the city of St. Paul; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

MOTIONS AND RESOLUTIONS**Senators Mann, Klein, Abeler, Marty, and Wiklund introduced --**

Senate Resolution No. 42: A Senate resolution recognizing Dave Renner for his accomplishments over a decades-long career in advocacy, education, and service to the physicians and patients of Minnesota.

Referred to the Committee on Rules and Administration.

Senator Howe introduced --

Senate Resolution No. 43: A Senate resolution congratulating Brice Wolbeck for earning the rank of Eagle Scout.

Referred to the Committee on Rules and Administration.

SPECIAL ORDERS

Pursuant to Rule 26, Senator Murphy, Chair of the Committee on Rules and Administration, designated the following bills a Special Orders Calendar to be heard immediately:

S.F. Nos. 3446 and 856.

SPECIAL ORDER

S.F. No. 3446: A bill for an act relating to claims against the state; providing for the settlement of certain claims; appropriating money.

S.F. No. 3446 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 66 and nays 1, as follows:

Those who voted in the affirmative were:

Abeler	Clark	Draheim	Green	Hoffman
Anderson	Coleman	Drazkowski	Gruenhagen	Housley
Bahr	Cwodzinski	Duckworth	Gustafson	Howe
Boldon	Dahms	Farnsworth	Hauschild	Jasinski
Carlson	Dibble	Fateh	Hawj	Johnson
Champion	Dornink	Frentz	Heintzeman	Johnson Stewart

Klein	Limmer	Mitchell	Pratt	Westlin
Koran	Lucero	Mohamed	Putnam	Westrom
Kreun	Mann	Murphy	Rarick	Wiklund
Kunesh	Marty	Nelson	Rest	Xiong
Kupec	Mathews	Oumou Verbeten	Seeberger	
Lang	Maye Quade	Pappas	Utke	
Latz	McEwen	Pha	Weber	
Lieske	Miller	Port	Wesenberg	

Pursuant to Rule 40, Senator Westlin cast the affirmative vote on behalf of the following Senators: Boldon, Port, and Xiong.

Pursuant to Rule 40, Senator Jasinski cast the affirmative vote on behalf of the following Senators: Draheim and Lucero.

Those who voted in the negative were:

Rasmusson

So the bill passed and its title was agreed to.

SPECIAL ORDER

S.F. No. 856: A bill for an act relating to state government; creating the Office of the Inspector General; creating an advisory committee; requiring reports; transferring certain agency duties; appropriating money; amending Minnesota Statutes 2024, sections 3.971, by adding a subdivision; 15A.0815, subdivision 2; 142A.03, by adding a subdivision; 142A.12, subdivision 5; 144.05, by adding a subdivision; 245.095, subdivision 5; 256.01, by adding a subdivision; 609.456, subdivision 2; proposing coding for new law as Minnesota Statutes, chapter 15D; repealing Minnesota Statutes 2024, sections 13.321, subdivision 12; 127A.21.

Senator Gustafson moved to amend S.F. No. 856 as follows (A91):

Page 5, line 4, after the period, insert "An appointment to an additional term must be confirmed by a vote of three-fifths of the senate."

Page 7, after line 15, insert:

"(h) The Department of Information Technology Services shall provide services to the Office of the Inspector General, under a managed services contract, according to section 16E.016."

Page 11, line 17, before the period, insert ", or by the managerial plan under section 43A.18, subdivision 3, depending on the employee's job classification"

Page 16, after line 33, insert:

"(c) By December 31, 2026, the Office of the Inspector General must enter into an interagency agreement with the Department of Health. The interagency agreement must include a clause on cost-sharing for investigations that may require multiagency coordination and a clause that details what process will be followed if a joint investigation is required. The interagency agreement must not limit the inspector general's authority or authorized powers and responsibilities. The agency and the inspector general may coordinate investigative efforts as necessary or practical, but an interagency

agreement must not diminish, delay, or restrict the inspector general's ability to investigate fraud and misuse when an independent investigation is pursued."

Page 17, line 10, after "2026" insert "and fiscal year 2027"

The motion prevailed. So the amendment was adopted.

Senator Latz moved to amend S.F. No. 856 as follows (A85):

Page 6, line 5, after "to" insert "the Office of the Inspector General Anti-Fraud and Waste Bureau under section 15D.041,"

Page 8, after line 5, insert:

"Sec. 7. [15D.041] LAW ENFORCEMENT POWERS.

Subdivision 1. **Authorization.** (a) The inspector general may appoint peace officers, as defined in section 626.84, subdivision 1, paragraph (c), and establish a law enforcement agency, as defined in section 626.84, subdivision 1, paragraph (f), known as the Office of the Inspector General Anti-Fraud and Waste Bureau, to conduct statewide investigations, and to make statewide arrests under sections 629.30 and 629.34. The primary jurisdiction of the agency is limited to offenses involving fraud, abuse, and any other criminal conduct within the jurisdiction of the Office of the Inspector General as described in this chapter.

(b) Upon request and at the inspector general's discretion, the bureau may respond to a law enforcement agency's request to exercise law enforcement duties in cooperation with the law enforcement agency that has jurisdiction over the particular matter.

Subd. 2. **Arrests and investigations.** The initial processing of a person arrested by the bureau for an offense within its jurisdiction is the responsibility of the bureau unless otherwise directed by the law enforcement agency with primary jurisdiction. Subsequent investigation is the responsibility of the bureau unless otherwise directed by the law enforcement agency with primary jurisdiction. At the request of the primary jurisdiction, the bureau may assist in a subsequent investigation being carried out by the primary jurisdiction.

Subd. 3. **Policy for notice of investigations.** The bureau must develop a policy for notifying the law enforcement agency with primary jurisdiction when it has initiated investigation of any person within the jurisdiction of that agency.

Subd. 4. **Chief law enforcement officer.** If the inspector general establishes a law enforcement agency under this section, the inspector general shall appoint a peace officer employed full time to be the chief law enforcement officer and to be responsible for the management of the bureau. The chief law enforcement officer shall possess the necessary police and management experience to manage a law enforcement agency. The chief law enforcement officer may appoint, discipline, and discharge all employees of the bureau. All police managerial and supervisory personnel must be full-time employees of the bureau. Supervisory personnel must be on duty and available any time peace officers of the bureau are on duty.

Subd. 5. **Compliance; powers and duties.** (a) Except as otherwise provided in this section, the bureau shall comply with all statutes and administrative rules relating to the operation and management of a law enforcement agency.

(b) The bureau has the powers and duties of a law enforcement agency as provided by law, including this section. Other powers and duties provided to the inspector general or the Office of the Inspector General under this chapter do not apply to the bureau.

Subd. 6. **Evidence, documentation, and related materials.** If the bureau seeks evidence, documentation, and related materials pertinent to an investigation, and the matter is located outside of this state, the bureau may designate representatives, including officials of the state where the matter is located, to secure the matter or inspect the matter on its behalf.

Subd. 7. **Annual report on activities and cost-effectiveness.** The bureau shall maintain records and information in order to produce an annual report of its activities as may be prescribed by the inspector general. The inspector general shall report annually to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over the inspector general as to the activities and the cost-effectiveness of the bureau.

Subd. 8. **Assignment of peace officers.** Regardless of whether a law enforcement agency is established under this section, the inspector general may enter into memorandums of understanding with chief law enforcement officers of state and local law enforcement agencies to allow peace officers from those agencies to be assigned with the Office of the Inspector General to enforce criminal laws and investigate matters within the jurisdiction of the office. A peace officer assigned under this subdivision must be a licensed peace officer as defined in section 626.84, subdivision 1, paragraph (c). Participating officers remain employees of the same entity that employed them before being assigned under this subdivision. Participating officers are subject to annual performance reviews conducted by the entity's operational supervisor. Peace officers assigned under this subdivision have statewide jurisdiction to conduct criminal investigations and have the same powers of arrest as those possessed by a sheriff.

Subd. 9. **Data practices.** The Office of the Inspector General Anti-Fraud and Waste Bureau is subject to chapter 13.

EFFECTIVE DATE. This section is effective January 1, 2026."

Page 10, line 1, after "classifications" insert "; civil investigations" and delete "an" and insert "a civil"

Page 10, lines 3, 5, 17, 18, and 28, delete "an" and insert "a civil"

Page 10, line 23, after "Inactive" insert "civil"

Page 11, after line 3, insert:

"Subd. 7. **Criminal investigations.** This section does not apply to criminal investigations conducted by the Office of the Inspector General Anti-Fraud and Waste Bureau under section 15D.041."

Page 11, line 6, delete everything after the period

Page 11, delete lines 7 and 8

Page 11, line 9, delete everything before the period and insert "The inspector general must employ and manage at least one attorney to serve as legal counsel for the office and to advise the inspector general on all legal matters relating to the office"

Page 17, after line 13, insert:

"Section 1. Minnesota Statutes 2024, section 13.82, subdivision 1, is amended to read:

Subdivision 1. **Application.** This section shall apply to agencies which carry on a law enforcement function, including but not limited to municipal police departments, county sheriff departments, fire departments, the Bureau of Criminal Apprehension, the Minnesota State Patrol, the Board of Peace Officer Standards and Training, the Department of Commerce, the Office of the Inspector General Anti-Fraud and Waste Bureau, and county human service agency client and provider fraud investigation, prevention, and control units operated or supervised by the Department of Human Services.

EFFECTIVE DATE. This section is effective January 1, 2026."

Page 20, after line 25, insert:

"Sec. 7. Minnesota Statutes 2024, section 626.84, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of sections 626.84 to 626.863, the following terms have the meanings given them:

(a) "Board" means the Board of Peace Officer Standards and Training.

(b) "Director" means the executive director of the board.

(c) "Peace officer" means:

(1) an employee or an elected or appointed official of a political subdivision or law enforcement agency who is licensed by the board, charged with the prevention and detection of crime and the enforcement of the general criminal laws of the state and who has the full power of arrest, and shall also include the Minnesota State Patrol, agents of the Division of Alcohol and Gambling Enforcement, state conservation officers, Metropolitan Transit police officers, Department of Corrections Fugitive Apprehension Unit officers, Department of Commerce Fraud Bureau Unit officers, Office of the Inspector General Anti-Fraud and Waste Bureau officers, the statewide coordinator of the Violent Crime Coordinating Council, and railroad peace officers as authorized by section 219.995 and United States Code, title 49, section 28101; and

(2) a peace officer who is employed by a law enforcement agency of a federally recognized tribe, as defined in United States Code, title 25, section 450b(e), and who is licensed by the board.

(d) "Part-time peace officer" means an individual licensed by the board whose services are utilized by law enforcement agencies no more than an average of 20 hours per week, not including time spent on call when no call to active duty is received, calculated on an annual basis, who has either full powers of arrest or authorization to carry a firearm while on active duty. The term shall apply even though the individual receives no compensation for time spent on active duty, and shall apply irrespective of the title conferred upon the individual by any law enforcement agency.

(e) "Reserve officer" means an individual whose services are utilized by a law enforcement agency to provide supplementary assistance at special events, traffic or crowd control, and administrative or clerical assistance, and shall include reserve deputies, special deputies, mounted or unmounted patrols, and all other employees or volunteers performing reserve officer functions. A reserve officer's duties do not include enforcement of the general criminal laws of the state, and the officer does not have full powers of arrest or authorization to carry a firearm on duty.

(f) "Law enforcement agency" means:

(1) a unit of state or local government that is authorized by law to grant full powers of arrest and to charge a person with the duties of preventing and detecting crime and enforcing the general criminal laws of the state;

(2) subject to the limitations in section 626.93, a law enforcement agency of a federally recognized tribe, as defined in United States Code, title 25, section 450b(e); and

(3) subject to the limitation of section 219.995, a railroad company.

(g) "Professional peace officer education" means a postsecondary degree program, or a nondegree program for persons who already have a college degree, that is offered by a college or university in Minnesota, designed for persons seeking licensure as a peace officer, and approved by the board.

(h) "Railroad peace officer" means an individual as authorized under United States Code, title 49, section 28101:

(1) employed by a railroad for the purpose of aiding and supplementing law enforcement agencies in the protection of property owned by or in the care, custody, or control of a railroad and to protect the persons and property of railroad passengers and employees; and

(2) licensed by the board.

EFFECTIVE DATE. This section is effective January 1, 2026."

Page 20, line 29, after "Office of" insert "the"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 50 and nays 14, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Housley	Lang	Putnam
Anderson	Drazkowski	Howe	Latz	Rarick
Bahr	Duckworth	Jasinski	Lieske	Rasmusson
Carlson	Farnsworth	Johnson	Limmer	Seeberger
Clark	Frentz	Johnson Stewart	Lucero	Utke
Coleman	Green	Klein	Mathews	Weber
Cwodzinski	Gruenhagen	Koran	Miller	Wesenberg
Dahms	Gustafson	Kreun	Nelson	Westlin
Dibble	Hauschild	Kunesh	Pappas	Westrom
Dornink	Heintzeman	Kupec	Pratt	Xiong

Pursuant to Rule 40, Senator Westlin cast the affirmative vote on behalf of the following Senators: Klein, Kunesh, and Xiong.

Pursuant to Rule 40, Senator Jasinski cast the affirmative vote on behalf of the following Senators: Draheim, Johnson, and Lucero.

Those who voted in the negative were:

Boldon	Hawj	Marty	Mitchell	Rest
Champion	Hoffman	Maye Quade	Pha	Wiklund
Fateh	Mann	McEwen	Port	

Pursuant to Rule 40, Senator Westlin cast the negative vote on behalf of the following Senators: Boldon and Port.

The motion prevailed. So the amendment was adopted.

Senator Drazkowski moved to amend S.F. No. 856 as follows (A86):

Page 13, line 4, before "The" insert "(a)"

Page 13, after line 8, insert:

"(b) By January 1, 2026, the commission must conduct at least one hearing on, and provide recommendations to the chairs and ranking minority members of the committees in the senate and the house of representatives with jurisdiction over commerce and public safety on, merging the Financial Crimes and Fraud Section of the Department of Public Safety into the Office of the Inspector General. The recommendations should include proposed legislation to effectuate the merger."

The motion prevailed. So the amendment was adopted.

Senator Mathews moved to amend S.F. No. 856 as follows (A63):

Page 19, after line 6, insert:

"Sec. 4. Minnesota Statutes 2024, section 181.932, subdivision 1, is amended to read:

Subdivision 1. **Prohibited action.** An employer shall not discharge, discipline, penalize, interfere with, threaten, restrain, coerce, or otherwise retaliate or discriminate against an employee regarding the employee's compensation, terms, conditions, location, or privileges of employment because:

(1) the employee, or a person acting on behalf of an employee, in good faith, reports a violation, suspected violation, or planned violation of any federal or state law or common law or rule adopted pursuant to law to an employer or to any governmental body or law enforcement official;

(2) the employee is requested by a public body or office to participate in an investigation, hearing, inquiry;

(3) the employee refuses an employer's order to perform an action that the employee has an objective basis in fact to believe violates any state or federal law or rule or regulation adopted pursuant to law, and the employee informs the employer that the order is being refused for that reason;

(4) the employee, in good faith, reports a situation in which the quality of health care services provided by a health care facility, organization, or health care provider violates a standard established by federal or state law or a professionally recognized national clinical or ethical standard and potentially places the public at risk of harm;

(5) a public employee communicates the findings of a scientific or technical study that the employee, in good faith, believes to be truthful and accurate, including reports to a governmental body or law enforcement official; ~~or~~

(6) ~~an a public employee in the classified service of state government~~ communicates information that the public employee, in good faith, believes to be truthful and accurate, and that relates to ~~state~~ public services, including the financing of ~~state~~ public services, to:

(i) a legislator or the legislative auditor; or

(ii) a constitutional officer; or

(7) a public employee, in good faith, reports fraud or misuse in programs of a state agency or political subdivision to the employer, any governmental body, a law enforcement official, the legislative auditor, a member of the legislature, or a constitutional officer.

The disclosures protected pursuant to this section do not authorize the disclosure of data otherwise protected by law."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12.5, Senator Latz moved that the following members be excused for a Conference Committee on H.F. No. 2432 at 2:00 p.m.:

Senators Latz, Oumou Verbeten, Seeberger, Westlin, and Clark. The motion prevailed.

Senator Kreun moved to amend S.F. No. 856 as follows (A87):

Page 8, delete line 5 and insert:

"EFFECTIVE DATE. Subdivision 2, paragraph (c), and subdivision 3, paragraphs (b) and (c), are effective January 1, 2026, or upon federal approval from the Centers for Medicare and Medicaid Services, whichever is later. The commissioner of human services must notify the revisor of statutes when the Centers for Medicare and Medicaid Services approve or deny this section. The remainder of this section is effective January 1, 2026."

Page 16, after line 33, insert:

"EFFECTIVE DATE. Paragraph (a) is effective January 1, 2026, or upon federal approval from the Centers for Medicare and Medicaid Services, whichever is later. The commissioner of human services must notify the revisor of statutes when the Centers for Medicare and Medicaid Services approve or deny this section. The remainder of this section is effective January 1, 2026."

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 58 and nays 5, as follows:

Those who voted in the affirmative were:

Abeler	Drazkowski	Johnson	Marty	Putnam
Bahr	Duckworth	Johnson Stewart	Mathews	Rarick
Boldon	Farnsworth	Koran	Maye Quade	Rasmusson
Carlson	Frentz	Kreun	McEwen	Seeberger
Champion	Green	Kunesh	Miller	Utke
Clark	Gruenhagen	Kupec	Mitchell	Weber
Coleman	Gustafson	Lang	Nelson	Wesenberg
Cwodzinski	Hauschild	Latz	Oumou Verbeten	Westlin
Dahms	Heintzeman	Lieske	Pappas	Westrom
Dibble	Housley	Limmer	Pha	Xiong
Dornink	Howe	Lucero	Port	
Draheim	Jasinski	Mann	Pratt	

Pursuant to Rule 40, Senator Westlin cast the affirmative vote on behalf of the following Senators: Boldon, Kunesh, Port, and Xiong.

Pursuant to Rule 40, Senator Jasinski cast the affirmative vote on behalf of the following Senators: Draheim, Johnson, and Lucero.

Those who voted in the negative were:

Fatch	Hawj	Hoffman	Rest	Wiklund
-------	------	---------	------	---------

The motion prevailed. So the amendment was adopted.

Senator Kreun moved to amend S.F. No. 856 as follows (A89):

Page 16, after line 33, insert:

"(d) As soon as practicable after January 1, 2026, the Office of the Inspector General must enter into an interagency agreement with the Department of Education. The interagency agreement must not limit the inspector general's authority or authorized powers and responsibilities. Effective immediately, nothing in Minnesota Statutes, chapter 15D, authorizes any sanction by the

commissioner or inspector general that reduces, pauses, or otherwise interrupts state or federal aid to a school district; charter school; cooperative unit as defined by Minnesota Statutes, section 123A.24, subdivision 2; or any library, library system, or library district defined in Minnesota Statutes, section 134.001."

Page 17, after line 13, insert:

"Section 1. Minnesota Statutes 2024, section 127A.21, subdivision 1a, is amended to read:

Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

~~(b) "Abuse" means actions that may, directly or indirectly, result in unnecessary costs to department programs. Abuse may involve paying for items or services when there is no legal entitlement to that payment.~~

~~(e)~~ (b) "Department program" means a program funded by the Department of Education that involves the transfer or disbursement of public funds or other resources to a program participant. "Department program" includes state and federal aids or grants received by a school district or charter school or other program participant.

(c) "Inspector general" refers to the inspector general as defined in section 15D.01.

~~(d) "Fraud" means an intentional or deliberate act to deprive another of property or money or to acquire property or money by deception or other unfair means. Fraud includes intentionally submitting false information to the department for the purpose of obtaining a greater compensation or benefit than that to which the person is legally entitled. Fraud also includes failure to correct errors in the maintenance of records in a timely manner after a request by the department.~~

~~(e) "Investigation" means an audit, investigation, proceeding, or inquiry by the Office of the Inspector General related to a program participant in a department program.~~

~~(f)~~ (d) "Program participant" means any entity or person, including associated persons, that receives, disburses, or has custody of funds or other resources transferred or disbursed under a department program.

~~(g) "Waste" means practices that, directly or indirectly, result in unnecessary costs to department programs, such as misusing resources.~~

~~(h) For purposes of this section, neither "fraud," "waste," nor "abuse" includes decisions on instruction, curriculum, personnel, or other discretionary policy decisions made by a school district, charter school, cooperative unit as defined by section 123A.24, subdivision 2, or any library, library system, or library district defined in section 134.001.~~

Sec. 2. Minnesota Statutes 2024, section 127A.21, subdivision 5, is amended to read:

Subd. 5. **Sanctions; appeal.** (a) This subdivision does not authorize any sanction that reduces, pauses, or otherwise interrupts state or federal aid to a school district, charter school, cooperative unit as defined by section 123A.24, subdivision 2, or any library, library system, or library district defined in section 134.001.

(b) The inspector general may recommend that the commissioner impose appropriate ~~temporary~~ sanctions, ~~including withholding of payments under the department program, on a program participant pending an investigation by the Office of the Inspector General if:~~

~~(1) during the course of an investigation, the Office of the Inspector General finds credible indicia of fraud, waste, or abuse by the program participant;~~

~~(2) (1) there has been a criminal, civil, or administrative adjudication of fraud, waste, or abuse or misuse against the program participant in Minnesota or in another state or jurisdiction; or~~

~~(3) the program participant was receiving funds under any contract or registered in any program administered by another Minnesota state agency, a government agency in another state, or a federal agency, and was excluded from that contract or program for reasons credibly indicating fraud, waste, or abuse by the program participant; or~~

~~(4) (2) the program participant has a pattern of noncompliance with an investigation.~~

(c) If an investigation finds, by a preponderance of the evidence, fraud, ~~waste, or abuse~~ misuse by a program participant, the inspector general may, after reviewing all facts and evidence and when acting judiciously on a case-by-case basis, recommend that the commissioner impose appropriate sanctions on the program participant.

(d) Unless prohibited by law, the commissioner has the authority to implement recommendations by the inspector general, including imposing appropriate sanctions, temporarily or otherwise, on a program participant. Sanctions may include ending program participation, stopping disbursement of funds or resources, monetary recovery, and termination of department contracts with the participant for any current or future department program or contract. A sanction may be imposed for up to the longest period permitted by state or federal law. Sanctions authorized under this subdivision are in addition to other remedies and penalties available under law.

(e) If the commissioner imposes sanctions on a program participant under this subdivision, the commissioner must notify the participant in writing within seven business days of imposing the sanction, unless requested in writing by a law enforcement agency to temporarily delay issuing the notice to prevent disruption of an ongoing law enforcement agency investigation. A notice of sanction must state:

- (1) the sanction being imposed;
- (2) the general allegations that form the basis for the sanction;
- (3) the duration of the sanction;
- (4) the department programs to which the sanction applies; and
- (5) how the program participant may appeal the sanction pursuant to paragraph (e).

(f) A program participant sanctioned under this subdivision may, within 30 days after the date the notice of sanction was mailed to the participant, appeal the determination by requesting in writing that the commissioner initiate a contested case proceeding under chapter 14. The scope of any contested case hearing is limited to the sanction imposed under this subdivision. An appeal request

must specify with particularity each disputed item, the reason for the dispute, and must include the name and contact information of the person or entity that may be contacted regarding the appeal.

(g) The commissioner shall lift sanctions imposed under this subdivision if the Office of the Inspector General notifies the commissioner that it determines there is insufficient evidence of fraud, waste, or abuse misuse by the program participant. The commissioner must notify the participant in writing within seven business days of lifting the sanction.

Sec. 3. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to read:

Subd. 8. Limits on receiving public funds; prohibition. (a) This subdivision does not authorize any action that reduces, pauses, or otherwise interrupts state or federal aid to a school district; charter school; cooperative unit as defined in section 123A.24, subdivision 2; or any library, library system, or library district defined in section 134.001.

(b) For purposes of this subdivision, "program participant" includes individuals or persons who have an ownership interest in, control of, or the ability to control a program participant in a department program.

(c) If a program participant is excluded from a department program, the commissioner may:

(1) prohibit the excluded program participant from enrolling in, receiving grant money from, or registering in any other program administered by the commissioner; and

(2) disenroll or disqualify the excluded program participant from any other program administered by the commissioner.

(d) If a program participant enrolled, licensed, or receiving funds under any contract or program administered by a Minnesota state agency or federal agency is excluded from that program, the inspector general shall notify the commissioner, who may:

(1) prohibit the excluded program participant from enrolling in, becoming licensed, receiving grant money from, or registering in any other program administered by the commissioner; and

(2) disenroll or disqualify the excluded program participant from any other program administered by the commissioner.

(e) The duration of a prohibition, disenrollment, revocation, suspension, or disqualification under paragraph (c) must last for the longest applicable sanction or disqualifying period in effect for the program participant permitted by state or federal law. The duration of a prohibition, disenrollment, revocation, suspension, or disqualification under paragraph (d) may last up until the longest applicable sanction or disqualifying period in effect for the program participant as permitted by state or federal law.

Sec. 4. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to read:

Subd. 9. Notice. Within five days of taking an action against a program participant under subdivision 8, paragraph (c) or (d), the commissioner must send notice of the action to the program participant. The notice must state the:

- (1) basis for the action;
- (2) effective date of the action;
- (3) right to appeal the action; and
- (4) requirements and procedures for reinstatement.

Sec. 5. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to read:

Subd. 10. **Appeal.** (a) Upon receipt of a notice under subdivision 9, a program participant may request a contested case hearing, as defined in section 14.02, subdivision 3, by filing with the commissioner a written request of appeal. The appeal request must be received by the commissioner no later than 30 days after the date the notification was mailed to the program participant.

(b) The appeal request must specify:

- (1) each disputed item and the reason for the dispute;
- (2) the authority in statute or rule upon which the program participant relies for each disputed item;
- (3) the name and address of the person or entity with whom contacts may be made regarding the appeal; and
- (4) other information required by the commissioner.

(c) Unless a timely and proper appeal is received by the commissioner, the action of the commissioner shall be considered final and binding on the effective date of the action as stated in the notice under subdivision 9, clause (2).

Sec. 6. Minnesota Statutes 2024, section 127A.21, is amended by adding a subdivision to read:

Subd. 11. **Withholding of payments.** (a) This subdivision does not authorize withholding of payments that reduces, pauses, or otherwise interrupts state or federal aid to a school district; charter school; cooperative unit as defined in section 123A.24, subdivision 2; or any library, library system, or library district defined in section 134.001.

(b) Except as otherwise provided by state or federal law, the inspector general shall notify and recommend to the commissioner to withhold payments to a program participant in any program administered by the commissioner, who shall have the authority to withhold such payments to the extent permitted under federal law, if the inspector general determines there is a credible allegation of fraud or misuse for which an investigation is pending for a program administered by the department, a Minnesota state agency, or a federal agency.

(c) Allegations are considered credible when they have indicia of reliability and the inspector general has reviewed the evidence and acts on a case-by-case basis. A credible allegation of fraud is an allegation that has been verified by the commissioner from any source, including but not limited to:

(1) fraud hotline complaints;

(2) claims data mining; and

(3) patterns identified through provider audits, civil false claims cases, and investigations.

(d) The commissioner must send notice of the withholding of payments within five days of taking such action. The notice must:

(1) state that payments are being withheld according to this paragraph;

(2) set forth the general allegations as to the reasons for the withholding action, but need not disclose any specific information concerning an ongoing investigation;

(3) state that the withholding is for a temporary period and cite the circumstances under which withholding will be terminated; and

(4) inform the program participant of the right to submit written evidence for consideration by the commissioner.

(e) The withholding of payments shall not continue after the inspector general determines there is insufficient evidence of fraud by the program participant or after legal proceedings relating to the alleged fraud are completed, unless the commissioner has sent notice under subdivision 5 of the intention to take an additional action related to the program participant's participation in a program administered by the commissioner. If the inspector general determines there is insufficient evidence of fraud by the program participant or after legal proceedings relating to the alleged fraud are completed it shall notify the commissioner within ten days of the determination.

(f) The withholding of payments is a temporary action and shall not be subject to appeal under this subdivision or chapter 14."

Page 21, delete section 7 and insert:

"Sec. 13. **REPEALER.**

Minnesota Statutes 2024, sections 13.321, subdivision 12; and 127A.21, subdivisions 1, 2, 3, 4, 6, and 7, are repealed.

EFFECTIVE DATE. This section is effective the day after the inspector general under Minnesota Statutes, section 15D.01, notifies the revisor of statutes that the Office of the Inspector General under Minnesota Statutes, section 15D.01, has assumed responsibility for identifying and investigating fraud, misuse, and other unlawful use of public funds in the Department of Education."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Maye Quade moved to amend S.F. No. 856 as follows (A90):

Page 7, after line 34, insert:

"(d) If public funds are stopped or frozen pursuant to this subdivision, the inspector general, working with and through the applicable state agency, must ensure that any person whose public funds are interrupted and who is not implicated in the suspected fraud or misuse receive notice of their rights related to continued receipt of the public funds, services, or programs for which they are eligible."

The motion prevailed. So the amendment was adopted.

S.F. No. 856 was read the third time, as amended.

RECONSIDERATION

Senator Hoffman moved that the third reading of S.F. No. 856 be now reconsidered.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 19 and nays 45, as follows:

Those who voted in the affirmative were:

Abeler	Farnsworth	Lieske	McEwen	Rasmusson
Boldon	Fateh	Mann	Mitchell	Rest
Champion	Hawj	Marty	Port	Wiklund
Duckworth	Hoffman	Maye Quade	Putnam	

Pursuant to Rule 40, Senator Frentz cast the affirmative vote on behalf of the following Senators: Boldon, Marty, and Port.

Those who voted in the negative were:

Anderson	Draheim	Howe	Latz	Pratt
Bahr	Drazkowski	Jasinski	Limmer	Rarick
Carlson	Frentz	Johnson Stewart	Lucero	Seeberger
Clark	Green	Klein	Mathews	Utke
Coleman	Gruenhagen	Koran	Miller	Weber
Cwodzinski	Gustafson	Kreun	Nelson	Wesenberg
Dahms	Hauschild	Kunesh	Oumou Verbeten	Westlin
Dibble	Heintzeman	Kupec	Pappas	Westrom
Dornink	Housley	Lang	Pha	Xiong

Pursuant to Rule 40, Senator Frentz cast the negative vote on behalf of the following Senators: Carlson, Clark, Dibble, Johnson Stewart, Klein, Kunesh, Latz, Oumou Verbeten, Seeberger, Westlin, and Xiong.

Pursuant to Rule 40, Senator Jasinski cast the negative vote on behalf of the following Senators: Draheim and Lucero.

The motion did not prevail.

The question was taken on the final passage of S.F. No. 856, as amended.

The roll was called, and there were yeas 60 and nays 7, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Howe	Limmer	Port
Anderson	Drazkowski	Jasinski	Lucero	Pratt
Bahr	Duckworth	Johnson	Mann	Putnam
Boldon	Farnsworth	Johnson Stewart	Mathews	Rarick
Carlson	Frentz	Klein	Maye Quade	Rasmusson
Champion	Green	Koran	Miller	Seeberger
Clark	Gruenhagen	Kreun	Mohamed	Utke
Coleman	Gustafson	Kunesh	Murphy	Weber
Cwodzinski	Hauschild	Kupec	Nelson	Wesenberg
Dahms	Hawj	Lang	Oumou Verbeten	Westlin
Dibble	Heintzeman	Latz	Pappas	Westrom
Dornink	Housley	Lieske	Pha	Xiong

Pursuant to Rule 40, Senator Frentz cast the affirmative vote on behalf of the following Senators: Carlson, Clark, Dibble, Johnson Stewart, Klein, Kunesh, Latz, Oumou Verbeten, Seeberger, Westlin, and Xiong.

Pursuant to Rule 40, Senator Rasmusson cast the affirmative vote on behalf of the following Senators: Draheim, Jasinski, and Johnson.

Those who voted in the negative were:

Fateh	Marty	Mitchell	Wiklund
Hoffman	McEwen	Rest	

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

RECESS

Senator Murphy moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a recess, the President called the Senate to order.

APPOINTMENTS

Senator Murphy from the Subcommittee on Conference Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 2434: Senators Hoffman, Fateh, Maye Quade, Mohamed, and Abeler.

H.F. No. 2115: Senators Hoffman, Fateh, Maye Quade, Rasmusson, and Abeler.

Senator Murphy moved that the foregoing appointments be approved. The motion prevailed.

MEMBERS EXCUSED

Senator Anderson was excused from the Session of today from 1:50 to 2:00 p.m. Senator Johnson was excused from the Session of today from 2:00 to 2:20 p.m.

33RD DAY]

THURSDAY, MAY 8, 2025

4655

ADJOURNMENT

Senator Murphy moved that the Senate do now adjourn until 11:00 a.m., Friday, May 9, 2025.
The motion prevailed.

Thomas S. Bottern, Secretary of the Senate

