

STATE OF MINNESOTA

# Journal of the Senate

EIGHTY-SECOND LEGISLATURE

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NINETIETH DAY

St. Paul, Minnesota, Monday, March 25, 2002

The Senate met at 10:00 a.m. and was called to order by the President.

## CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. Luther Dale.

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 answered to their names:

Anderson	Higgins	Larson	Ourada	Scheevel
Bachmann	Hottinger	Lesewski	Pappas	Scheid
Belanger	Johnson, Dave	Lessard	Pariseau	Schwab
Berg	Johnson, Dean	Limmer	Pogemiller	Solon, Y.P.
Berglin	Johnson, Debbie	Lourey	Price	Stevens
Betzold	Johnson, Doug	Marty	Ranum	Stumpf
Chaudhary	Kelley, S.P.	Metzen	Reiter	Terwilliger
Cohen	Kierlin	Moe, R.D.	Rest	Tomassoni
Day	Kinkel	Moua	Ring	Vickerman
Dille	Kiscaden	Murphy	Robertson	Wiener
Fischbach	Kleis	Neuville	Robling	Wiger
Foley	Knutson	Oliver	Sabo	
Fowler	Krentz	Olson	Sams	
Frederickson	Langseth	Orfield	Samuelson	

The President declared a quorum present.

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

## RECESS

Senator Moe, R.D. moved that the Senate do now recess until 11:30 a.m. The motion prevailed.

The hour of 11:30 a.m. having arrived, the President called the Senate to order.

## CALL OF THE SENATE

Senator Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

**EXECUTIVE AND OFFICIAL COMMUNICATIONS**

The following communications were received.

March 22, 2002

The Honorable Don Samuelson  
President of the Senate

Dear President Samuelson:

It is my honor to inform you that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 2932, 2971, 1072, 2834, 3258, 2434, 2627, 3115, 3080, 3136 and 2590.

Sincerely,  
Jesse Ventura, Governor

March 22, 2002

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable Don Samuelson  
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 2002 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 2002	Date Filed 2002
	2531	252	2:05 p.m. March 22	March 22
2932		253	2:03 p.m. March 22	March 22
2971		254	2:01 p.m. March 22	March 22
1072		255	2:00 p.m. March 22	March 22
2834		256	2:10 p.m. March 22	March 22
3258		257	2:01 p.m. March 22	March 22
2434		258	2:11 p.m. March 22	March 22
2627		259	2:07 p.m. March 22	March 22
3115		260	2:02 p.m. March 22	March 22
3080		261	2:07 p.m. March 22	March 22
3136		262	2:12 p.m. March 22	March 22
2590		263	2:11 p.m. March 22	March 22
	2796	264	2:12 p.m. March 22	March 22
	2792	265	2:04 p.m. March 22	March 22

Sincerely,  
Mary Kiffmeyer  
Secretary of State

**MESSAGES FROM THE HOUSE**

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 2673, 2814 and 3278.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 2002

Mr. President:

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

**S.F. No. 3208:** A bill for an act relating to public employment; modifying procedures for legislative approval or disapproval of collective bargaining agreements and arbitration awards; amending Minnesota Statutes 2000, section 3.855, subdivision 2.

Senate File No. 3208 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 2002

Senator Moe, R.D. moved that the Senate do not concur in the amendments by the House to S.F. No. 3208, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House.

### CALL OF THE SENATE

Senator Kleis imposed a call of the Senate for the balance of the proceedings on S.F. No. 3208. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Moe, R.D. motion.

Senator Moe, R.D. moved that those not voting be excused from voting. The motion prevailed.

The roll was called, and there were yeas 35 and nays 28, as follows:

Those who voted in the affirmative were:

Anderson	Johnson, Dave	Lourey	Pappas	Samuelson
Berglin	Johnson, Doug	Marty	Pogemiller	Scheid
Betzold	Kelley, S.P.	Metzen	Price	Solon, Y.P.
Chaudhary	Kinkel	Moe, R.D.	Ranum	Stumpf
Foley	Krentz	Moua	Rest	Tomassoni
Higgins	Langseth	Murphy	Ring	Wiener
Hottinger	Lessard	Orfield	Sabo	Wiger

Those who voted in the negative were:

Bachmann	Fowler	Kleis	Olson	Scheevel
Belanger	Frederickson	Knutson	Ourada	Schwab
Berg	Johnson, Dean	Larson	Pariseau	Stevens
Day	Johnson, Debbie	Lesewski	Reiter	Vickerman
Dille	Kierlin	Limmer	Robling	
Fischbach	Kiscaden	Oliver	Sams	

The motion prevailed.

### MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

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

**S.F. No. 2697:** A bill for an act relating to real property; establishing disclosure requirements for sellers of residential real estate; proposing coding for new law in Minnesota Statutes, chapter 513.

Senate File No. 2697 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 2002

### CONCURRENCE AND REPASSAGE

Senator Rest moved that the Senate concur in the amendments by the House to S.F. No. 2697 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 2697 was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 61 and nays 2, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Langseth	Pappas	Scheid
Bachmann	Hottinger	Larson	Pariseau	Schwab
Belanger	Johnson, Dave	Lessard	Pogemiller	Solon, Y.P.
Berg	Johnson, Dean	Limmer	Price	Stevens
Berglin	Johnson, Debbie	Lourey	Ranum	Stumpf
Chaudhary	Johnson, Doug	Metzen	Reiter	Tomassoni
Cohen	Kelley, S.P.	Moe, R.D.	Rest	Vickerman
Day	Kierlin	Moua	Ring	Wiener
Dille	Kinkel	Murphy	Robling	Wiger
Fischbach	Kiscaden	Oliver	Sabo	
Foley	Kleis	Olson	Sams	
Fowler	Knutson	Orfield	Samuelson	
Frederickson	Krentz	Ourada	Scheevel	

Those who voted in the negative were:

Betzold                      Lesewski

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

### MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

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

**S.F. No. 3315:** A bill for an act relating to insurance; making certain changes involving the joint underwriting association's procedures; amending Minnesota Statutes 2000, section 62F.04, by adding a subdivision; repealing Minnesota Statutes 2000, section 62F.04, subdivision 1a.

Senate File No. 3315 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 2002

**CONCURRENCE AND REPASSAGE**

Senator Scheid moved that the Senate concur in the amendments by the House to S.F. No. 3315 and that the bill be placed on its repassage as amended. The motion prevailed.

**S.F. No. 3315:** A bill for an act relating to insurance; making certain changes involving the joint underwriting association's procedures; providing continuation coverage for certain life insurance; providing for health care administrative simplification; amending Minnesota Statutes 2000, sections 61A.092, subdivision 6; 62F.04, by adding a subdivision; 62J.51, subdivision 19; 62J.535, subdivision 2, by adding subdivisions; 62J.581; repealing Minnesota Statutes 2000, sections 62F.04, subdivision 1a; 62J.535, subdivision 1.

Was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Krentz	Olson	Sams
Bachmann	Higgins	Langseth	Orfield	Samuelson
Belanger	Hottinger	Larson	Ourada	Scheevel
Berg	Johnson, Dave	Lesewski	Pappas	Scheid
Berglin	Johnson, Dean	Lessard	Pariseau	Schwab
Betzold	Johnson, Debbie	Limmer	Pogemiller	Solon, Y.P.
Chaudhary	Johnson, Doug	Lourey	Price	Stevens
Cohen	Kelley, S.P.	Marty	Ranum	Stumpf
Day	Kierlin	Metzen	Reiter	Tomassoni
Dille	Kinkel	Moe, R.D.	Rest	Vickerman
Fischbach	Kiscaden	Moua	Ring	Wiener
Foley	Kleis	Murphy	Robling	Wiger
Fowler	Knutson	Oliver	Sabo	

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

**MESSAGES FROM THE HOUSE - CONTINUED**

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 2972, 3031, 3359 and 2473.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 22, 2002

**FIRST READING OF HOUSE BILLS**

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

**H.F. No. 2972:** A bill for an act relating to energy; decreasing regulatory requirements for small power lines; modifying provision for selecting reliability administrator; requiring department of administration to coordinate with department of commerce to develop comprehensive energy plan for public buildings by 2004; extending expiration by three years of certain procedural powers of public utilities commission; making technical corrections; amending Minnesota Statutes 2000, section 116C.63, subdivision 4; Minnesota Statutes 2001 Supplement, sections 216B.1691, subdivision 1; 216B.2425, subdivisions 3, 6; 216B.243, subdivision 8; 216C.052, subdivision 2; 216C.41, subdivision 5; 272.02, subdivision 22; Laws 1999, chapter 125, section 4; Laws 2001, chapter 212, article 1, section 3.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2740, now on General Orders.

**H.F. No. 3031:** A bill for an act relating to public health; establishing the Minnesota Emergency Health Powers Act; modifying provisions for declaring national security and peacetime emergencies; providing for declaration and termination of emergencies due to bioterrorism; granting certain emergency powers; providing for the isolation and quarantine of persons; requiring a study; amending Minnesota Statutes 2000, sections 12.03, by adding subdivisions; 12.31, subdivision 2; 12.32; 13.3806, by adding a subdivision; Minnesota Statutes 2001 Supplement, section 12.31, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 12; 144.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2669, now on General Orders.

**H.F. No. 3359:** A bill for an act relating to professions; modifying certain protocols for nurses; amending Minnesota Statutes 2000, sections 148.235, by adding subdivisions; 151.37, subdivision 2; Minnesota Statutes 2001 Supplement, section 148.284.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 3005, now on General Orders.

**H.F. No. 2473:** A bill for an act relating to drivers' licenses; specifying that organ donor designation on driver's license or Minnesota identification card establishes intent; amending Minnesota Statutes 2000, section 525.9211.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2807, now on General Orders.

### REPORTS OF COMMITTEES

Senator Moe, R.D. moved that the Committee Report at the Desk be now adopted. The motion prevailed.

**Senator Moe, R.D. from the Committee on Rules and Administration, to which was referred**

**H.F. No. 2780** for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
2780	2541				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 2780 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2780 and insert the language after the enacting clause of S.F. No. 2541, the first engrossment; further, delete the title of H.F. No. 2780 and insert the title of S.F. No. 2541, the first engrossment.

And when so amended H.F. No. 2780 will be identical to S.F. No. 2541, and further recommends that H.F. No. 2780 be given its second reading and substituted for S.F. No. 2541, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

## SECOND READING OF HOUSE BILLS

H.F. No. 2780 was read the second time.

### MOTIONS AND RESOLUTIONS

Senator Moe, R.D. moved that H.F. No. 3270 be taken from the table, given a second reading, and placed at the top of General Orders. The motion prevailed.

**H.F. No. 3270:** A bill for an act relating to state government; creating office of state treasurer and modifying related provisions; providing for governor's cabinet and organizing certain government agencies; modifying certain fund provisions; requiring the commissioner of finance to prepare a forecast of state revenues and expenditures in July in each even-numbered year; requiring certain payments; modifying provisions of constitutional officers' salaries; reducing certain appropriations; modifying consulting moratorium and hiring freeze provisions; amending Minnesota Statutes 2000, sections 4.06; 8.05; 10.01; 11A.08, subdivision 1; 16A.103, subdivision 1; 40A.151, subdivision 1; 40A.152, subdivisions 1, 3; 43A.18, subdivision 4; 168A.40, subdivision 4, as amended; 204B.11, subdivision 1; 204D.10, subdivision 2; 209.01, subdivision 2; 240A.08; 471.975; Minnesota Statutes 2001 Supplement, section 16E.09, subdivision 1; Laws 2001, First Special Session chapter 10, article 1, section 2, subdivision 4; Laws 2002, chapter 220, article 10, sections 2; 3; 7; 10, subdivision 3; 16; 36; 37; 38; proposing coding for new law in Minnesota Statutes, chapters 7; 15; 43A.

H.F. No. 3270 was read the second time.

### GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Senator Samuelson in the chair.

After some time spent therein, the committee arose, and Senator Samuelson reported that the committee had considered the following:

H.F. No. 3270, which the committee recommends to pass, subject to the following:

Senator Fischbach raised a point of order pursuant to Rule 22.3, as to whether H.F. No. 3270 was in order.

The Chair ruled the point of order not well taken, so H.F. No. 3270 was in order.

Senator Limmer appealed the decision of the Chair.

The question was taken on "Shall the decision of the Chair be the judgment of the Senate?"

The roll was called, and there were yeas 38 and nays 27, as follows:

Those who voted in the affirmative were:

Anderson	Hottinger	Marty	Price	Solon, Y.P.
Berglin	Johnson, Dean	Metzen	Ranum	Stumpf
Betzold	Johnson, Doug	Moe, R.D.	Rest	Tomassoni
Chaudhary	Kelley, S.P.	Moua	Ring	Vickerman
Cohen	Kinkel	Murphy	Sabo	Wiener
Foley	Krentz	Orfield	Sams	Wiger
Fowler	Langseth	Pappas	Samuelson	
Higgins	Lourey	Pogemiller	Scheid	

Those who voted in the negative were:

Bachmann	Day	Frederickson	Kiscaden	Larson
Belanger	Dille	Johnson, Debbie	Kleis	Lesewski
Berg	Fischbach	Kierlin	Knutson	Lessard

Limmer  
Oliver  
Olson

Ourada  
Pariseau  
Reiter

Robertson  
Robling

Scheevel  
Schwab

Stevens  
Terwilliger

So the decision of the Chair was sustained.

Senator Johnson, Doug moved to amend H.F. No. 3270 as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

EDUCATION AID PAYMENT DELAY

Section 1. Minnesota Statutes 2001 Supplement, section 124D.11, subdivision 9, is amended to read:

Subd. 9. [PAYMENT OF AIDS TO CHARTER SCHOOLS.] (a) Notwithstanding section 127A.45, subdivision 3, aid payments for the current fiscal year to a charter school not in its first year of operation shall be of an equal amount on each of the 23 payment dates. A charter school in its first year of operation shall receive, on its first payment date, ten percent of its cumulative amount guaranteed for the year and 22 payments of an equal amount thereafter the sum of which shall be 90 percent of the cumulative amount guaranteed.

(b) Notwithstanding paragraph (a), for a charter school ceasing operation prior to the end of a school year, 90 85 percent of the amount due for the school year may be paid to the school after audit of prior fiscal year and current fiscal year pupil counts.

(c) Notwithstanding section 127A.45, subdivision 3, and paragraph (a), 90 85 percent of the start-up cost aid under subdivision 8 shall be paid within 45 days after the first day of student attendance for that school year.

(d) In order to receive state aid payments under this subdivision, a charter school in its first three years of operation must submit a quarterly report to the department of children, families, and learning. The report must list each student by grade, show the student's start and end dates, if any, with the charter school, and for any student participating in a learning year program, the report must list the hours and times of learning year activities. The report must be submitted not more than two weeks after the end of the calendar quarter to the department. The department must develop a Web-based reporting form for charter schools to use when submitting enrollment reports. A charter school in its fourth and subsequent year of operation must submit enrollment information to the department in the form and manner requested by the department.

Sec. 2. Minnesota Statutes 2000, section 127A.45, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) The term "other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 127A.33, apportionments by the county auditor pursuant to section 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to chapter 298.

(b) The term "cumulative amount guaranteed" means the product of

(1) the cumulative disbursement percentage shown in subdivision 3; times

(2) the sum of

(i) 90 85 percent of the estimated aid and credit entitlements paid according to subdivision 13; plus

(ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

(iii) the other district receipts; plus



(iv) ~~the final adjustment payment according to subdivision 9.~~

(c) The term "payment date" means the date on which state payments to districts are made by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday, or a weekday which is a legal holiday, the payment shall be made on the immediately preceding business day. The commissioner may make payments on dates other than those listed in subdivision 3, but only for portions of payments from any preceding payment dates which could not be processed by the electronic funds transfer method due to documented extenuating circumstances.

Sec. 3. Minnesota Statutes 2000, section 127A.45, subdivision 3, is amended to read:

Subd. 3. [PAYMENT DATES AND PERCENTAGES.] (a) For fiscal year 2003, the commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (a) the district's other district receipts through the current payment, and (b) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	July 15:	4.6 <u>5.1</u>
Payment 2	July 30:	6.9 <u>7.7</u>
Payment 3	August 15: <del>the greater of (a) the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392, or (b) the amount needed to provide 15.2 percent</del> <u>16.9</u>	
Payment 4	August 30:	17.4 <u>19.3</u>
Payment 5	September 15:	19.6 <u>21.8</u>
Payment 6	September 30:	21.8 <u>24.3</u>
Payment 7	October 15: <del>the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 24 percent</del> <u>26.3</u>	
Payment 8	October 30: <del>the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 27.3 percent</del> <u>28.3</u>	
Payment 9	November 15:	33.3 <u>32.8</u>
Payment 10	November 30:	39.3 <u>39.1</u>
Payment 11	December 15:	42.3 <u>42.4</u>
Payment 12	December 30:	45.3 <u>45.6</u>
Payment 13	January 15:	49.5 <u>50.5</u>
Payment 14	January 30:	53.8 <u>55.0</u>
Payment 15	February 15:	58.3 <u>60.2</u>
Payment 16	February 28:	62.8 <u>65.0</u>
Payment 17	March 15:	67.6 <u>69.7</u>
Payment 18	March 30:	72.3 <u>74.3</u>
Payment 19	April 15:	75.3 <u>78.3</u>
Payment 20	April 30:	81.3 <u>84.2</u>
Payment 21	May 15:	84.3 <u>88.7</u>
Payment 22	May 30:	92.3 <u>93.3</u>
Payment 23	June 20:	<u>100.0</u>

(b) In addition to the amounts paid under paragraph (a), for fiscal year 2003, the commissioner shall pay to a district on the dates indicated an amount computed as follows:

<u>Payment 3</u>	<u>August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392</u>
<u>Payment 7</u>	<u>October 15: one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</u>
<u>Payment 8</u>	<u>October 30: one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</u>

(c) For fiscal year 2004 and later, the commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (a) the district's other district receipts through the current payment, and (b) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	<u>Payment date</u>	<u>Percentage</u>
<u>Payment 1</u>	<u>July 15:</u>	<u>5.1</u>
<u>Payment 2</u>	<u>July 30:</u>	<u>7.7</u>
<u>Payment 3</u>	<u>August 15:</u>	<u>16.9</u>
<u>Payment 4</u>	<u>August 30:</u>	<u>19.3</u>
<u>Payment 5</u>	<u>September 15:</u>	<u>21.8</u>
<u>Payment 6</u>	<u>September 30:</u>	<u>24.3</u>
<u>Payment 7</u>	<u>October 15:</u>	<u>26.3</u>
<u>Payment 8</u>	<u>October 30:</u>	<u>28.3</u>
<u>Payment 9</u>	<u>November 15:</u>	<u>30.3</u>
<u>Payment 10</u>	<u>November 30:</u>	<u>35.0</u>
<u>Payment 11</u>		<u>December 15: 40.0</u>
<u>Payment 12</u>	<u>December 30:</u>	<u>43.0</u>
<u>Payment 13</u>	<u>January 15:</u>	<u>48.0</u>
<u>Payment 14</u>	<u>January 30:</u>	<u>52.0</u>
<u>Payment 15</u>	<u>February 15:</u>	<u>56.0</u>
<u>Payment 16</u>	<u>February 28:</u>	<u>61.0</u>
<u>Payment 17</u>	<u>March 15:</u>	<u>66.0</u>
<u>Payment 18</u>	<u>March 30:</u>	<u>72.0</u>
<u>Payment 19</u>	<u>April 15:</u>	<u>76.0</u>
<u>Payment 20</u>	<u>April 30:</u>	<u>83.0</u>
<u>Payment 21</u>	<u>May 15:</u>	<u>88.0</u>
<u>Payment 22</u>	<u>May 30:</u>	<u>95.0</u>
<u>Payment 23</u>	<u>June 20:</u>	<u>100.0</u>

(d) In addition to the amounts paid under paragraph (c), for fiscal year 2004 and later, the commissioner shall pay to a district on the dates indicated an amount computed as follows:

<u>Payment 3</u>	<u>August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392</u>
<u>Payment 4</u>	<u>August 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits</u>
<u>Payment 7</u>	<u>October 15: one-third of the final adjustment</u>

for the prior fiscal year for all aid entitlements except state paid property tax credits

Payment 8 October 30: one-third of the final adjustment

for the prior fiscal year for all aid entitlements except state paid property tax credits

Sec. 4. Minnesota Statutes 2000, section 127A.45, is amended by adding a subdivision to read:

Subd. 7a. [ADVANCE FINAL PAYMENT.] (a) Notwithstanding subdivisions 3 and 7, a school district or a charter school exceeding its expenditure limitations under section 123B.83 as of June 30 of the prior fiscal year may receive a portion of its final payment for the current fiscal year on June 20, if requested by the district. The amount paid under this subdivision must not exceed the lesser of:

(1) five percent of the district or charter school's general education aid for the current fiscal year; or

(2) the amount by which the district or charter school's net negative unreserved general fund balance as of June 30 of the prior fiscal year exceeds 2.5 percent of the district or charter school's expenditures for that fiscal year.

(b) The state total advance final payment under this subdivision for any year must not exceed \$13,900,000. If the amount requested exceeds \$13,900,000, the advance final payment for each eligible district must be reduced proportionately.

Sec. 5. Minnesota Statutes 2000, section 127A.45, subdivision 10, is amended to read:

Subd. 10. [PAYMENTS TO SCHOOL NONOPERATING FUNDS.] Each fiscal year state general fund payments for a district nonoperating fund must be made at 90 85 percent of the estimated entitlement during the fiscal year of the entitlement. This amount shall be paid in 12 equal monthly installments. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement must be paid prior to October 31 of the following school year. The commissioner may make advance payments of debt service equalization aid or homestead and agricultural credit aid for a district's debt service fund earlier than would occur under the preceding schedule if the district submits evidence showing a serious cash flow problem in the fund. The commissioner may make earlier payments during the year and, if necessary, increase the percent of the entitlement paid to reduce the cash flow problem.

Sec. 6. Minnesota Statutes 2000, section 127A.45, subdivision 13, is amended to read:

Subd. 13. [AID PAYMENT PERCENTAGE.] Except as provided in subdivisions 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at 90 85 percent of the estimated entitlement during the fiscal year of the entitlement. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

Sec. 7. Minnesota Statutes 2000, section 127A.45, subdivision 14, is amended to read:

Subd. 14. [NONPUBLIC AIDS.] The state shall pay aid according to sections 123B.40 to 123B.48 for pupils attending nonpublic schools as follows:

(1) an advance payment by November 30 equal to 90 85 percent of the estimated entitlement for the current fiscal year; and

(2) a final payment by October 31 of the following fiscal year, adjusted for actual data.

If a payment advance to meet cash flow needs is requested by a district and approved by the

commissioner, the state shall pay nonpublic pupil transportation aid according to section 123B.92 by October 31.

Sec. 8. Minnesota Statutes 2001 Supplement, section 127A.45, subdivision 14a, is amended to read:

Subd. 14a. [STATE NUTRITION PROGRAMS.] Notwithstanding subdivision 3, the state shall pay 100 percent of the aid for the current year according to sections 124D.111, 124D.115, and 124D.118 and 90 85 percent of the aid for the current year according to section 124D.1156 based on submitted monthly vouchers showing meals and milk served. The remaining ~~ten~~ 15 percent according to section 124D.1156 shall be paid by October 30 of the following fiscal year.

Sec. 9. Minnesota Statutes 2000, section 127A.45, subdivision 16, is amended to read:

Subd. 16. [PAYMENTS TO THIRD PARTIES.] Notwithstanding subdivision 3, 90 85 percent of the amounts under section 123A.26, subdivision 3, shall be paid in equal installments on August 30, December 30, and March 30, with a ~~ten~~ 15 percent final adjustment payment on October 30 of the next fiscal year.

Sec. 10. [APPROPRIATION, ADVANCE FINAL PAYMENT.]

\$13,900,000 is appropriated from the general fund to the commissioner of children, families, and learning to make advance final payments to school districts and charter schools under section 9.

## ARTICLE 2

### EARLY CHILDHOOD AND FAMILY EDUCATION

Section 1. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 2, is amended to read:

Subd. 2. [SCHOOL READINESS PROGRAM REVENUE.] For revenue for school readiness programs according to Minnesota Statutes, sections 124D.15 and 124D.16:

\$10,395,000	.....	2002
<del>\$10,395,000</del> <u>\$9,875,000</u>	.....	2003

The 2002 appropriation includes \$1,039,000 for 2001 and \$9,356,000 for 2002.

The 2003 appropriation includes \$1,039,000 for 2002 and ~~\$9,356,000~~ \$8,836,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

Sec. 2. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 3, as amended by Laws 2002, chapter 220, article 2, section 2, is amended to read:

Subd. 3. [EARLY CHILDHOOD FAMILY EDUCATION AID.] For early childhood family education aid according to Minnesota Statutes, section 124D.135:

<del>\$20,725,000</del> <u>\$20,746,000</u>	.....	2002
<del>\$20,624,000</del> <u>\$19,597,000</u>	.....	2003

The 2002 appropriation includes \$2,036,000 for 2001 and ~~\$18,689,000~~ \$18,710,000 for 2002.

The 2003 appropriation includes ~~\$2,076,000~~ \$2,079,000 for 2002 and ~~\$18,548,000~~ \$17,518,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

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

Sec. 3. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 4, is amended to read:

Subd. 4. [HEALTH AND DEVELOPMENTAL SCREENING AID.] For health and developmental screening aid according to Minnesota Statutes, sections 121A.17 and 121A.19:

\$2,661,000	.....	2002	
<del>\$2,661,000</del>	<u>\$2,528,000</u>	.....	2003

The 2002 appropriation includes \$266,000 for 2001 and \$2,395,000 for 2002.

The 2003 appropriation includes \$266,000 for 2002 and ~~\$2,395,000~~ \$2,262,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

Sec. 4. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 7, as amended by Laws 2002, chapter 220, article 2, section 3, is amended to read:

Subd. 7. [SCHOOL AGE CARE AID.] For school age care aid according to Minnesota Statutes, section 124D.22:

\$221,000	.....	2002	
<del>\$100,000</del>	<u>\$95,000</u>	.....	2003

The 2002 appropriation includes \$30,000 for 2001 and \$191,000 for 2002.

The 2003 appropriation includes \$21,000 for 2002 and ~~\$79,000~~ \$74,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

Sec. 5. Laws 2001, First Special Session chapter 3, article 1, section 17, subdivision 9, as amended by Laws 2002, chapter 220, article 2, section 5, is amended to read:

Subd. 9. [MFIP CHILD CARE.] For child care assistance according to Minnesota Statutes, section 119B.05:

<del>\$69,201,000</del>	<u>\$59,956,000</u>	.....	2002
<del>\$77,122,000</del>	<u>\$68,182,000</u>	.....	2003

Any balance in the first year does not cancel but is available in the second year.

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

Sec. 6. Laws 2001, First Special Session chapter 3, article 1, section 19, subdivision 3, as amended by Laws 2002, chapter 220, article 2, section 8, is amended to read:

Subd. 3. [TRANSITION YEAR FAMILIES.] To provide uninterrupted assistance under Minnesota Statutes, section 119B.03, for families completing transition year child care assistance:

<del>\$1,404,000</del>	<u>\$1,695,000</u>	.....	2002
<del>\$1,357,000</del>	<u>\$1,014,000</u>	.....	2003

Any unspent balance from the appropriations for 2002 and 2003 is returned to the TANF reserve. TANF dollars appropriated for this purpose in 2001 which are not encumbered by January 1, 2002, are returned to the TANF reserve.

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

Sec. 7. Laws 2001, First Special Session chapter 3, article 1, section 19, subdivision 5, as amended by Laws 2002, chapter 220, article 2, section 9, is amended to read:

Subd. 5. [MFIP SOCIAL SERVICES CHILD CARE.] For social services child care costs of eligible MFIP participants under Minnesota Statutes, section 119B.05, subdivision 1, clause (5):

<del>\$973,000</del>	<u>\$775,000</u>	.....	2002
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~~\$997,000~~ \$801,000 ..... 2003

Any unspent balance from the appropriations for 2002 and 2003 is returned to the TANF reserve. TANF dollars appropriated for this purpose in 2001 which are not encumbered by January 1, 2002, are returned to the TANF reserve.

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

Sec. 8. Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 3, as amended by Laws 2002, chapter 220, article 2, section 10, is amended to read:

Subd. 3. [COMMUNITY EDUCATION AID.] For community education aid according to Minnesota Statutes, section 124D.20:

~~\$14,190,000~~ \$14,194,000 ..... 2002  
~~\$8,186,000~~ \$7,815,000 ..... 2003

The 2002 appropriation includes \$1,528,000 for 2001 and ~~\$12,662,000~~ \$12,666,000 for 2002.

The 2003 appropriation includes ~~\$1,406,000~~ \$1,407,000 for 2002 and ~~\$6,780,000~~ \$6,408,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

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

Sec. 9. Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 4, is amended to read:

Subd. 4. [ADULTS WITH DISABILITIES PROGRAM AID.] For adults with disabilities programs according to Minnesota Statutes, section 124D.56:

\$639,000 ..... 2002  
~~\$710,000~~ \$675,000 ..... 2003

The 2002 appropriation includes \$0 for 2001 and \$639,000 for 2002.

The 2003 appropriation includes \$71,000 for 2002 and ~~\$639,000~~ \$604,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

Sec. 10. Laws 2001, First Special Session chapter 3, article 2, section 15, subdivision 6, is amended to read:

Subd. 6. [VIOLENCE PREVENTION EDUCATION GRANTS.] For violence prevention education grants according to Minnesota Statutes, section 120B.23:

\$1,305,000 ..... 2002  
~~\$1,450,000~~ \$1,378,000 ..... 2003

The 2002 appropriation includes \$0 for 2001 and \$1,305,000 for 2002.

The 2003 appropriation includes \$145,000 for 2002 and ~~\$1,305,000~~ \$1,233,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

Sec. 11. Laws 2001, First Special Session chapter 3, article 3, section 9, subdivision 5, is amended to read:

Subd. 5. [ADULT BASIC EDUCATION AID.] For adult basic education aid according to Minnesota Statutes, section 124D.531:

\$32,150,000 ..... 2002

\$34,731,000 \$32,982,000 ..... 2003

The 2002 appropriation includes \$3,019,000 for 2001 and \$29,131,000 for 2002.

The 2003 appropriation includes \$3,237,000 for 2002 and ~~\$31,494,000~~ \$29,745,000 for 2003.

Sec. 12. Laws 2001, First Special Session chapter 3, article 3, section 9, subdivision 7, is amended to read:

Subd. 7. [ADULT GRADUATION AID.] For adult graduation aid according to Minnesota Statutes, section 124D.54:

~~\$3,195,000~~ \$2,462,000 ..... 2002

~~\$3,356,000~~ \$2,378,000 ..... 2003

The 2002 appropriation includes \$305,000 for 2001 and ~~\$2,890,000~~ \$2,157,000 for 2002.

The 2003 appropriation includes ~~\$321,000~~ \$240,000 for 2002 and ~~\$3,035,000~~ \$2,138,000 for 2003.

Sec. 13. Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 2, as amended by Laws 2002, chapter 220, article 2, section 12, is amended to read:

Subd. 2. [BASIC SUPPORT GRANTS.] For basic support grants according to Minnesota Statutes, sections 134.32 to 134.35:

\$8,570,000 ..... 2002

~~\$8,570,000~~ \$8,142,000 ..... 2003

The 2002 appropriation includes \$857,000 for 2001 and \$7,713,000 for 2002.

The 2003 appropriation includes \$857,000 for 2002 and ~~\$7,713,000~~ \$7,285,000 for 2003.

Base level funding for fiscal year 2004 is ~~\$9,823,000~~ \$9,754,000 and ~~\$9,822,000~~ \$9,962,000 for fiscal year 2005.

Sec. 14. Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 3, is amended to read:

Subd. 3. [MULTICOUNTY, MULTITYPE LIBRARY SYSTEMS.] For grants according to Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

\$903,000 ..... 2002

~~\$903,000~~ \$858,000 ..... 2003

The 2002 appropriation includes \$90,000 for 2001 and \$813,000 for 2002.

The 2003 appropriation includes \$90,000 for 2002 and ~~\$813,000~~ \$768,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

Sec. 15. Laws 2002, chapter 220, article 2, section 14, is amended to read:

Sec. 14. [TANF APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING.] The sum indicated in this section is ~~appropriated to the commissioner of children, families, and learning transferred from the federal Temporary Assistance for Needy Families block grant to the child care and development fund and appropriated to the department of children, families, and learning~~ for the fiscal year designated. This amount is available for expenditure until June 30, 2003.

Subd. 2. [BASIC SLIDING FEE CHILD CARE.] For child care assistance according to Minnesota Statutes, section 119B.03:

\$3,000,000 ..... 2003

### ARTICLE 3

#### K-12 EDUCATION APPROPRIATION ADJUSTMENTS

Section 1. Minnesota Statutes 2001 Supplement, section 123B.54, as amended by Laws 2002, chapter 220, article 4, section 1, is amended to read:

##### 123B.54 [DEBT SERVICE APPROPRIATION.]

(a) ~~\$25,987,000~~ in fiscal year 2002, ~~\$31,892,000~~ \$30,600,000 in fiscal year 2003, ~~\$36,629,000~~ \$40,246,000 in fiscal year 2004, and ~~\$36,931,000~~ \$39,732,000 in fiscal years 2005 and later are appropriated from the general fund to the commissioner of children, families, and learning for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

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

Sec. 2. Laws 2001, First Special Session chapter 5, article 2, section 29, subdivision 2, as amended by Laws 2002, chapter 220, article 4, section 2, is amended to read:

Subd. 2. [REFERENDUM TAX BASE REPLACEMENT AID.] For referendum tax base replacement aid according to Minnesota Statutes, section 126C.17, subdivision 7a:

~~\$7,616,000~~ \$7,197,000 ..... 2003

The 2003 appropriation includes \$0 for 2002 and ~~\$7,616,000~~ \$7,197,000 for 2003.

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

Sec. 3. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 2, as amended by Laws 2002, chapter 220, article 3, section 8, is amended to read:

Subd. 2. [GENERAL AND SUPPLEMENTAL EDUCATION AID.] (a) For general and supplemental education aid:

~~\$3,404,787,000~~ \$3,414,168,000 ..... 2002

~~\$4,982,334,000~~ \$4,720,954,000 ..... 2003

The 2002 appropriation includes ~~\$323,767,000~~ \$333,756,000 for 2001 and ~~\$3,081,020,000~~ \$3,080,412,000 for 2002.

The 2003 appropriation includes ~~\$335,220,000~~ \$335,163,000 for 2002 and ~~\$4,647,114,000~~ \$4,385,791,000 for 2003.

(b) The fiscal year 2003 appropriation in paragraph (a) is reduced by \$1,901,000.

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

Sec. 4. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 4, as amended by Laws 2002, chapter 220, article 4, section 3, is amended to read:

Subd. 4. [ABATEMENT AID.] For abatement aid according to Minnesota Statutes, section 127A.49:

\$5,698,000 ..... 2002

~~\$2,990,000~~ \$2,925,000 ..... 2003

The 2002 appropriation includes \$640,000 for 2001 and \$5,058,000 for 2002.



The 2003 appropriation includes \$562,000 for 2002 and ~~\$2,428,000~~ \$2,363,000 for 2003.

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

Sec. 5. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 4, is amended to read:

Subd. 5. [NONPUBLIC PUPIL AID.] For nonpublic pupil education aid according to Minnesota Statutes, sections 123.79 and 123B.40 to 123B.43:

<del>\$14,441,000</del> <u>\$14,254,000</u>	.....	2002
<del>\$15,977,000</del> <u>\$14,568,000</u>	.....	2003

The 2002 appropriation includes \$1,330,000 for 2001 and ~~\$13,111,000~~ \$12,924,000 for 2002.

The 2003 appropriation includes ~~\$1,457,000~~ \$1,436,000 for 2002 and ~~\$14,520,000~~ \$13,132,000 for 2003.

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

Sec. 6. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 6, as amended by Laws 2002, chapter 220, article 4, section 5, is amended to read:

Subd. 6. [NONPUBLIC PUPIL TRANSPORTATION.] For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

<del>\$20,635,000</del> <u>\$20,634,000</u>	.....	2002
<del>\$25,347,000</del> <u>\$22,723,000</u>	.....	2003

The 2002 appropriation includes \$2,000,000 for 2001 and ~~\$18,635,000~~ \$18,634,000 for 2002.

The 2003 appropriation includes ~~\$2,070,000~~ \$2,071,000 for 2002 and ~~\$23,277,000~~ \$20,652,000 for 2003.

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

Sec. 7. Laws 2001, First Special Session chapter 6, article 1, section 54, subdivision 7, as amended by Laws 2002, chapter 220, article 4, section 6, is amended to read:

Subd. 7. [CONSOLIDATION TRANSITION AID.] For districts consolidating under Minnesota Statutes, section 123A.485:

<del>\$531,000</del> <u>\$539,000</u>	.....	2002
<del>\$736,000</del> <u>\$229,000</u>	.....	2003

The 2002 appropriation includes \$44,000 for 2001 and ~~\$487,000~~ \$495,000 for 2002.

The 2003 appropriation includes \$54,000 for 2002 and ~~\$682,000~~ \$175,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

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

Sec. 8. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 4, as amended by Laws 2002, chapter 220, article 4, section 7, is amended to read:

Subd. 4. [CHARTER SCHOOL BUILDING LEASE AID.] For building lease aid under Minnesota Statutes, section 124D.11, subdivision 4:

<del>\$12,323,000</del> <u>\$12,286,000</u>	.....	2002
<del>\$15,330,000</del> <u>\$14,711,000</u>	.....	2003

The 2002 appropriation includes \$1,114,000 for 2001 and ~~\$11,209,000~~ \$11,172,000 for 2002.

The 2003 appropriation includes ~~\$1,245,000~~ \$1,241,000 for 2002 and ~~\$14,085,000~~ \$13,470,000 for 2003.

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

Sec. 9. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 8, is amended to read:

Subd. 5. [CHARTER SCHOOL STARTUP GRANTS.] For charter school startup cost aid under Minnesota Statutes, section 124D.11:

<del>\$2,090,000</del> <u>\$2,064,000</u>	.....	2002
<del>\$1,549,000</del> <u>\$1,486,000</u>	.....	2003

The 2002 appropriation includes \$258,000 for 2001 and ~~\$1,832,000~~ \$1,806,000 for 2002.

The 2003 appropriation includes ~~\$204,000~~ \$200,000 for 2002 and ~~\$1,345,000~~ \$1,286,000 for 2003.

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

Sec. 10. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 6, is amended to read:

Subd. 6. [CHARTER SCHOOL INTEGRATION AID.] For grants to charter schools to promote integration and desegregation under Minnesota Statutes, section 124D.11, subdivision 6, paragraph (e):

\$45,000	.....	2002
<del>\$50,000</del> <u>\$48,000</u>	.....	2003

The 2002 appropriation includes \$0 for 2001 and \$45,000 for 2002.

The 2003 appropriation includes \$5,000 for 2002 and ~~\$45,000~~ \$43,000 for 2003.

Any balance in the first year does not cancel but is available in the second year.

Sec. 11. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 8, as amended by Laws 2002, chapter 220, article 4, section 9, is amended to read:

Subd. 8. [INTEGRATION AID.] For integration aid:

<del>\$63,421,000</del> <u>\$63,311,000</u>	.....	2002
<del>\$53,890,000</del> <u>\$51,478,000</u>	.....	2003

The 2002 appropriation includes \$5,729,000 for 2001 and ~~\$57,692,000~~ \$57,582,000 for 2002.

The 2003 appropriation includes ~~\$6,410,000~~ \$6,398,000 for 2002 and ~~\$47,480,000~~ \$45,080,000 for 2003.

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

Sec. 12. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 11, as amended by Laws 2002, chapter 220, article 4, section 10, is amended to read:

Subd. 11. [MAGNET SCHOOL STARTUP AID.] For magnet school startup aid under Minnesota Statutes, section 124D.88:

<del>\$475,000</del> <u>\$448,000</u>	.....	2002
<del>\$298,000</del> <u>\$333,000</u>	.....	2003

The 2002 appropriation includes \$25,000 for 2001 and ~~\$450,000~~ \$423,000 for 2002.

The 2003 appropriation includes ~~\$50,000~~ \$47,000 for 2002 and ~~\$248,000~~ \$286,000 for 2003.

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

Sec. 13. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 15, as amended by Laws 2002, chapter 220, article 4, section 11, is amended to read:

Subd. 15. [SUCCESS FOR THE FUTURE.] For American Indian success for the future grants according to Minnesota Statutes, section 124D.81:

\$1,924,000	.....	2002
<del>\$2,137,000</del> <u>\$2,030,000</u>	.....	2003

The 2002 appropriation includes \$0 for 2001 and \$1,924,000 for 2002.

The 2003 appropriation includes \$213,000 for 2002 and ~~\$1,924,000~~ \$1,817,000 for 2003.

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

Sec. 14. Laws 2001, First Special Session chapter 6, article 2, section 77, subdivision 18, as amended by Laws 2002, chapter 220, article 4, section 12, is amended to read:

Subd. 18. [TRIBAL CONTRACT SCHOOLS.] For tribal contract school aid under Minnesota Statutes, section 124D.83:

<del>\$2,304,000</del> <u>\$2,147,000</u>	.....	2002
<del>\$2,408,000</del> <u>\$2,269,000</u>	.....	2003

The 2002 appropriation includes \$192,000 for 2001 and ~~\$2,112,000~~ \$1,955,000 for 2002.

The 2003 appropriation includes ~~\$235,000~~ \$217,000 for 2002 and ~~\$2,173,000~~ 2,052,000 for 2003.

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

Sec. 15. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 2, as amended by Laws 2002, chapter 220, article 4, section 13, is amended to read:

Subd. 2. [SPECIAL EDUCATION AID.] For special education aid according to Minnesota Statutes, section 125A.75:

<del>\$507,841,000</del> <u>\$507,928,000</u> .....	2002
<del>\$532,282,000</del> <u>\$505,728,000</u> .....	2003

The 2002 appropriation includes \$47,400,000 for 2001 and ~~\$460,441,000~~ \$460,528,000 for 2002.

The 2003 appropriation includes ~~\$51,160,000~~ \$51,170,000 for 2002 and ~~\$481,122,000~~ \$454,558,000 for 2003.

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

Sec. 16. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 3, as amended by Laws 2002, chapter 220, article 4, section 14, is amended to read:

Subd. 3. [AID FOR CHILDREN WITH A DISABILITY.] For aid according to Minnesota Statutes, section 125A.75, subdivision 3, for children with a disability placed in residential facilities within the district boundaries for whom no district of residence can be determined:

<del>\$1,358,000</del> <u>\$1,346,000</u>	.....	2002
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\$3,161,000 \$2,363,000 ..... 2003

If the appropriation for either year is insufficient, the appropriation for the other year is available.

Any balance in the first year does not cancel but is available in the second year.

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

Sec. 17. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 4, as amended by Laws 2002, chapter 220, article 4, section 15, is amended to read:

Subd. 4. [TRAVEL FOR HOME-BASED SERVICES.] For aid for teacher travel for home-based services according to Minnesota Statutes, section 125A.75, subdivision 1:

\$143,000 \$139,000 ..... 2002

\$148,000 \$137,000 ..... 2003

The 2002 appropriation includes ~~\$14,000~~ \$13,000 for 2001 and ~~\$129,000~~ \$126,000 for 2002.

The 2003 appropriation includes ~~\$15,000~~ \$14,000 for 2002 and ~~\$133,000~~ \$123,000 for 2003.

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

Sec. 18. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 16, is amended to read:

Subd. 5. [SPECIAL EDUCATION EXCESS COST AID.] For excess cost aid:

\$103,061,000 \$92,622,000 ..... 2002

\$105,289,000 \$88,823,000 ..... 2003

The 2002 appropriation includes \$9,889,000 for 2001 and ~~\$93,172,000~~ \$82,733,000 for 2002.

The 2003 appropriation includes ~~\$10,352,000~~ \$9,192,000 for 2002 and ~~\$94,937,000~~ \$79,631,000 for 2003.

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

Sec. 19. Laws 2001, First Special Session chapter 6, article 3, section 21, subdivision 7, as amended by Laws 2002, chapter 220, article 4, section 17, is amended to read:

Subd. 7. [TRANSITION PROGRAMS; STUDENTS WITH DISABILITIES.] For aid for transition programs for pupils with disabilities according to Minnesota Statutes, section 124D.454:

\$8,960,000 \$8,962,000 ..... 2002

\$8,952,000 \$8,507,000 ..... 2003

The 2002 appropriation includes \$896,000 for 2001 and ~~\$8,064,000~~ \$8,066,000 for 2002.

The 2003 appropriation includes \$896,000 for 2002 and ~~\$8,056,000~~ \$7,611,000 for 2003.

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

Sec. 20. Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 2, as amended by Laws 2002, chapter 220, article 4, section 18, is amended to read:

Subd. 2. [HEALTH AND SAFETY AID.] For health and safety aid according to Minnesota Statutes, section 123B.57, subdivision 5:

\$13,630,000 \$12,280,000 ..... 2002

\$10,800,000 \$ 9,275,000 ..... 2003

The 2002 appropriation includes \$1,480,000 for 2001 and ~~\$12,150,000~~ \$10,800,000 for 2002.

The 2003 appropriation includes ~~\$1,350,000~~ \$1,200,000 for 2002 and ~~\$9,450,000~~ \$8,075,000 for 2003.

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

Sec. 21. Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 3, as amended by Laws 2002, chapter 220, article 4, section 19, is amended to read:

Subd. 3. [DEBT SERVICE AID.] For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

\$25,987,000	.....	2002	
<del>\$31,892,000</del> <u>\$30,600,000</u>		.....	2003

The 2002 appropriation includes \$2,890,000 for 2001 and \$23,097,000 for 2002.

The 2003 appropriation includes \$2,566,000 for 2002 and ~~\$29,326,000~~ \$28,034,000 for 2003.

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

Sec. 22. Laws 2001, First Special Session chapter 6, article 4, section 27, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 20, is amended to read:

Subd. 5. [ALTERNATIVE FACILITIES BONDING AID.] For alternative facilities bonding aid, according to Minnesota Statutes, section 123B.59, subdivision 1:

\$19,280,000	.....	2002	
<del>\$19,287,000</del> <u>\$18,322,000</u>		.....	2003

The 2002 appropriation includes \$1,921,000 for 2001 and \$17,359,000 for 2002.

The 2003 appropriation includes \$1,928,000 for 2002 and ~~\$17,359,000~~ \$16,394,000 for 2003.

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

Sec. 23. Laws 2001, First Special Session chapter 6, article 5, section 13, subdivision 3, is amended to read:

Subd. 3. [SCHOOL BREAKFAST.] For school breakfast aid under Minnesota Statutes, section 124D.115:

\$640,000	.....	2002	
<del>\$700,000</del> <u>\$680,000</u>		.....	2003

Sec. 24. Laws 2001, First Special Session chapter 6, article 5, section 13, subdivision 5, as amended by Laws 2002, chapter 220, article 4, section 23, is amended to read:

Subd. 5. [FAST BREAK TO LEARNING GRANTS.] For fast break to learning grants under Minnesota Statutes, section 124D.1156:

\$2,446,000	.....	2002	
<del>\$2,839,000</del> <u>\$2,697,000</u>		.....	2003

The 2002 appropriation includes \$0 for 2001 and \$2,446,000 for 2002.

The 2003 appropriation includes \$271,000 for 2002 and ~~\$2,568,000~~ \$2,426,000 for 2003.

#### ARTICLE 4

#### E-12 EDUCATION

Section 1. Minnesota Statutes 2000, section 120A.41, is amended to read:

120A.41 [LENGTH OF SCHOOL YEAR; DAYS OF INSTRUCTION.]

A school board's annual school calendar must include at least ~~three additional days of student instruction or staff development training related to implementing section 120B.031, subdivision 1, paragraph (f), beyond~~ the number of days of student instruction the board formally adopted as its school calendar at the beginning of the 1996-1997 school year.

Sec. 2. Minnesota Statutes 2000, section 124D.69, is amended by adding a subdivision to read:

Subd. 3. [UNCOMMON SCHOOLS SERVING STUDENTS WITH CHEMICAL DEPENDENCIES; ALLOCATION OF FUNDS.] In addition to the amounts provided in section 124D.68, subdivision 9, a school district may allocate funds from its undesignated general fund to a private contracted alternative program, including a private contracted alternative program that is tuition free and provides a comprehensive secondary academic program for students who have been assessed chemically dependent and who have completed a licensed treatment program for chemical dependency.

Sec. 3. Minnesota Statutes 2001 Supplement, section 126C.17, subdivision 7, is amended to read:

Subd. 7. [REFERENDUM EQUALIZATION AID.] (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

(b) If a district's actual levy for first or second tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed 18.2 percent of the formula allowance times the district's resident marginal cost pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

**[EFFECTIVE DATE.]** This section is effective for operating referendum elections January 1, 2002, and later.

Sec. 4. Laws 2001, First Special Session chapter 6, article 7, section 14, as amended by Laws 2002, chapter 220, article 3, section 16, is amended to read:

Sec. 14. [APPROPRIATIONS; PERPICH CENTER FOR ARTS EDUCATION.]

The sums indicated in this section are appropriated from the general fund to the Perpich Center for Arts Education for the fiscal years designated:

\$7,431,000	<u>\$7,681,000</u>	.....	2002
\$7,316,000	<u>\$7,816,000</u>	.....	2003

\$150,000 each year is to extend the partnership network to up to five new partnership sites and for developing whole-school, arts-based teaching and learning curriculum at new sites.

Any balance in the first year does not cancel but is available in the second year.

Sec. 5. [REFERENDUM TRANSFER ADJUSTMENT.]

Notwithstanding Minnesota Statutes, section 126C.17, subdivision 1, paragraph (b), for fiscal year 2003 and later, the initial referendum allowance for independent school district No. 709, Duluth, equals the sum of the allowance under Minnesota Statutes, section 126C.16, subdivision 2, plus the referendum conversion allowance approved under Minnesota Statutes, section 126C.17, subdivision 13, minus \$373. If the district has more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to the referendum authority with the earliest expiration date. The district's initial referendum allowance may not be less than zero.

Sec. 6. [DECLINING PUPIL UNIT AID; ALBERT LEA.]

Subdivision 1. [FISCAL YEAR 2003.] For fiscal year 2003, independent school district No. 241, Albert Lea, is eligible for family dislocation declining enrollment aid equal to \$300,000.

Subd. 2. [FISCAL YEAR 2004.] For fiscal year 2004, independent school district No. 241, Albert Lea, is eligible for family dislocation declining enrollment aid equal to 75 percent of the fiscal year 2003 appropriation in subdivision 1.

Subd. 3. [FISCAL YEAR 2005.] For fiscal year 2005, independent school district No. 241, Albert Lea, is eligible for family dislocation declining enrollment aid equal to 50 percent of the fiscal year 2003 appropriation in subdivision 1.

Subd. 4. [FISCAL YEAR 2006.] For fiscal year 2006, independent school district No. 241, Albert Lea, is eligible for family dislocation declining enrollment aid equal to 25 percent of the fiscal year 2003 appropriation in subdivision 1.

Sec. 7. [DECLINING ENROLLMENT; LTV DISLOCATION.]

Subdivision 1. [FISCAL YEAR 2003.] For fiscal year 2003, independent school districts Nos. 706, Virginia; 2154, Eveleth-Gilbert; 2711, Mesabi East; and the portion of 2142, St. Louis county that comprises the Babbitt-Embarass and Tower-Soudan attendance areas are eligible for LTV dislocation declining pupil aid equal to one-half of the difference between each district's fiscal year 2001 adjusted marginal cost pupil units and its fiscal year 2003 pupil units times \$4,601.

Subd. 2. [FISCAL YEAR 2004.] For fiscal year 2004, independent school districts Nos. 706, Virginia; 2154, Eveleth-Gilbert; 2711, Mesabi East; 2142, St. Louis county are eligible for LTV dislocation declining enrollment aid equal to 75 percent of the amount that the district received in the fiscal year 2003 appropriation in subdivision 1.

Subd. 3. [FISCAL YEAR 2005.] For fiscal year 2005, independent school districts Nos. 706, Virginia; 2154, Eveleth-Gilbert; 2711, Mesabi East; 2142, St. Louis county are eligible for LTV dislocation declining enrollment aid equal to 50 percent of the amount that the district received in the fiscal year 2003 appropriation in subdivision 1.

Subd. 4. [FISCAL YEAR 2006.] For fiscal year 2006, independent school districts Nos. 706, Virginia; 2154, Eveleth-Gilbert; 2711, Mesabi East; 2142, St. Louis county are eligible for LTV dislocation declining enrollment aid equal to 25 percent of the amount that the district received in the fiscal year 2003 appropriation in subdivision 1.

Subd. 5. [CALCULATION.] For the purpose of calculating the pupil loss of independent school district No. 2142, St. Louis county, under subdivision 1, the department of children, families, and learning shall calculate the loss in the Babbitt-Embarass and Tower-Soudan attendance areas only.

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

Sec. 8. [STAFF DEVELOPMENT REVENUE ALLOCATION.]

Notwithstanding Minnesota Statutes, section 122A.61, school districts may reallocate up to one-half of the basic revenue reserved for staff development for any operating expenses in fiscal year 2003 only, unless a majority of licensed teachers in the district vote to oppose the staff development revenue reallocation.

Sec. 9. [FUND TRANSFER; BUTTERFIELD.]

Notwithstanding Minnesota Statutes, section 123B.79 or 123B.80, on June 30, 2002, independent school district No. 836, Butterfield, may permanently transfer up to \$117,000 from its reserves for operating capital account in its general fund to the undesignated fund balance.

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

Sec. 10. [FUND TRANSFER; TRUMAN.]

Notwithstanding Minnesota Statutes, section 123B.79 or 123B.80, on June 30, 2002, independent school district No. 458, Truman, may permanently transfer up to \$500,000 from its reserves for operating capital account in its general fund to the undesignated fund balance.

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

Sec. 11. [FUND TRANSFER.]

Notwithstanding Minnesota Statutes, section 123B.79 or 123B.80, for fiscal year 2003 only, a school district, with the approval of the school board, may permanently transfer any available amount from its reserve for operating capital account in its general fund to its undesignated fund balance. A school district that utilizes the operating capital account in combination with the debt service equalization program, under Minnesota Statutes, section 123B.53, to support a building program may not utilize this fund transfer authority.

Sec. 12. [APPROPRIATION.]

(a) \$300,000 in fiscal year 2003 is appropriated from the general fund to the commissioner of children, families, and learning for declining pupil unit aid to independent school district No. 241, Albert Lea.

(b) In addition to the amounts appropriated for general and supplemental education aid, \$295,000 in fiscal year 2003 is appropriated from the general fund to the commissioner of children, families, and learning for the aid portion of the referendum transfer adjustment for independent school district No. 709, Duluth.

(c) \$1,000,000 in fiscal year 2003 is appropriated from the general fund to the commissioner of children, families, and learning for declining pupil unit aid to independent school districts Nos. 706, Virginia; 2154, Eveleth-Gilbert; 2711, Mesabi East; and 2142, St. Louis county.

Sec. 13. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 5

EDUCATION LEVIES

Section 1. Minnesota Statutes 2001 Supplement, section 124D.86, subdivision 3, is amended to read:

Subd. 3. [INTEGRATION REVENUE.] Integration revenue equals the following amounts:

(1) for independent school district No. 709, Duluth, \$207 times the adjusted pupil units for the school year;

(2) for independent school district No. 625, St. Paul, ~~and for special school district No. 1, Minneapolis,~~ \$446 times the adjusted pupil units for the school year;

(3) for special school district No. 1, Minneapolis, the sum of \$446 times the adjusted pupil units for the school year and an additional \$35 times the adjusted pupil units for the school year that is provided entirely through a local levy;

(4) for a district not listed in clause (1) or (2), or (3), that must implement a plan under Minnesota Rules, parts 3535.0100 to 3535.0180, where the district's enrollment of protected students, as defined under Minnesota Rules, part 3535.0110, exceeds 15 percent, the lesser of (i) the actual cost of implementing the plan during the fiscal year minus the aid received under subdivision 6, or (ii) \$130 times the adjusted pupil units for the school year;

(4) (5) for a district not listed in clause (1), (2), or (3), or (4), that is required to implement a plan according to the requirements of Minnesota Rules, parts 3535.0100 to 3535.0180, the lesser of



(i) the actual cost of implementing the plan during the fiscal year minus the aid received under subdivision 6, or

(ii) \$93 times the adjusted pupil units for the school year.

Any money received by districts in clauses (1) to ~~(3)~~ (4) which exceeds the amount received in fiscal year 2000 shall be subject to the budget requirements in subdivision 1a; and

~~(5)~~ (6) for a member district of a multidistrict integration collaborative that files a plan with the commissioner, but is not contiguous to a racially isolated district, integration revenue equals the amount defined in clause (4) ~~(5)~~.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment for revenue for fiscal year 2003.

Sec. 2. Minnesota Statutes 2001 Supplement, section 126C.40, subdivision 1, is amended to read:

Subdivision 1. **[TO LEASE BUILDING OR LAND.]** (a) When a an independent or a special school district or a group of independent or special school districts finds it economically advantageous to rent or lease a building or land for any instructional purposes or for school storage or furniture repair, and it determines that the operating capital revenue authorized under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use.

(b) The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or secondary instruction that contains more than 20 percent of the square footage of the previously existing building.

(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed \$100 times the resident pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the department of children, families, and learning after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of children, families, and learning may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

- (1) the school district has been experiencing pupil enrollment growth in the preceding five years;
- (2) the purpose of the increased levy is in the long-term public interest;
- (3) the purpose of the increased levy promotes colocation of government services; and
- (4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed \$25 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), a district that is a member of the "Total Information for Educational Systems" data processing joint board, that finds it economically advantageous to enter into a lease purchase agreement for a building for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e).

**[EFFECTIVE DATE.]** This section is effective for revenue for fiscal year 2003.

Sec. 3. Minnesota Statutes 2001 Supplement, section 126C.43, subdivision 3, is amended to read:

Subd. 3. **[TAX LEVY FOR JUDGMENT.]** A district may levy the amounts necessary to pay judgments against the district under section 123B.25 that became final after the date the district certified its proposed levy in the previous year. With the approval of the commissioner, a district may spread this levy over a period not to exceed three years. Upon approval through the adoption of a resolution by each of an intermediate district's member school district boards, a member school district may include its proportionate share of the costs of a judgment against an intermediate school district that became final under section 123B.25 after the date that the earliest member school district certified its proposed levy in the previous year. With the approval of the commissioner, an intermediate school district member school district may spread this levy over a period not to exceed three years.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 and later.

Sec. 4. Minnesota Statutes 2000, section 126C.44, is amended to read:

126C.44 ~~[CRIME-RELATED COSTS]~~ SAFE SCHOOLS LEVY.

Each district may make a levy on all taxable property located within the district for the purposes specified in this section. The maximum amount which may be levied for all costs under this section shall be equal to ~~\$14~~ \$30 multiplied by the district's adjusted marginal cost pupil units for the school year. The proceeds of the levy must be used for directly funding the following purposes or for reimbursing the cities and counties who contract with the district for the following purposes: (1) to pay the costs incurred for the salaries, benefits, and transportation costs of peace officers and sheriffs for liaison in services in the district's schools; (2) to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools; (3) to pay the costs for a gang resistance education training curriculum in the district's schools; (4) to pay the costs for security in the district's schools and on school property; or (5) to pay the costs for other crime prevention, drug abuse, student and staff safety, and violence prevention measures taken by the school district. The district must initially attempt to

contract for services to be provided by peace officers or sheriffs with the police department of each city or the sheriff's department of the county within the district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries. The levy authorized under this section is not included in determining the school district's levy limitations.

**[EFFECTIVE DATE.]** This section is effective for revenue for levies payable in 2003 and thereafter.

Sec. 5. [STAFF DEVELOPMENT LEVY.]

For taxes payable in 2003 only, each school district that reallocates staff development revenue under article 4, section 4, shall levy an equivalent amount and dedicate the revenue for staff development purposes under Minnesota Statutes, section 122A.61, subdivision 1.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 and shall be recognized in fiscal year 2003.

Sec. 6. [DISABLED ACCESS LEVY AUTHORITY; WESTBROOK-WALNUT GROVE.]

Notwithstanding the time limit in Minnesota Statutes, section 123B.58, subdivision 3, independent school district No. 2898, Westbrook-Walnut Grove, may levy its remaining disabled access levy authority over five or fewer years.

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

Sec. 7. [DISABLED ACCESS LEVY AUTHORITY; PINE CITY.]

Notwithstanding the time limits in Minnesota Statutes, section 123B.58, subdivision 3, independent school district No. 578, Pine City, may levy its remaining disabled access levy authority over five or fewer years.

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

Sec. 8. [BLUE EARTH AREA PUBLIC SCHOOLS.]

In addition to other levies, for taxes payable in 2003 through 2012, independent school district No. 2860, Blue Earth Area public school, may levy up to \$46,000 each year for up to ten years for the costs associated with the replacement of a boiler at Blue Earth Area elementary/junior high.

Sec. 9. [LEVY; ELY.]

Independent school district No. 696, Ely, may levy up to \$100,000 in taxes payable in 2003 for the development and completion of the boundary waters wilderness program.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003.

## ARTICLE 6

### HIGHER EDUCATION

Section 1. Laws 2002, chapter 220, article 5, section 1, is amended to read:

Section 1. [HIGHER EDUCATION APPROPRIATIONS.]

The dollar amounts in the columns marked "APPROPRIATIONS" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2001, First Special Session chapter 1, or other law to the specified agencies. The appropriations are from the general fund or any other named fund and are available for the fiscal years indicated for each purpose. The figure 2002 or 2003 means that the addition to or subtraction from the appropriations listed under the figure are for the fiscal year ending June 30, 2002, or June 30, 2003, respectively. If only one figure is

shown in the text for a specified purpose, the addition or subtraction is for 2002 unless the context intends another fiscal year.

SUMMARY BY FUND

		2002		2003		TOTAL
General	\$	(2,744,000)	\$	(47,256,000)	\$	(50,000,000)
		<u>2,256,000</u>		<u>(47,256,000)</u>		<u>(45,000,000)</u>

SUMMARY BY AGENCY - ALL FUNDS

		2002		2003		TOTAL
Higher Education Services Office	\$	(2,744,000)	\$	( 931,000)	\$	(3,675,000)
		<u>2,256,000</u>				<u>1,325,000</u>
Board of Trustees of the Minnesota State Colleges and Universities			\$	(22,692,000)	\$	(22,692,000)
Board of Regents of the University of Minnesota			\$	(23,633,000)	\$	(23,633,000)

APPROPRIATIONS

Available for the Year  
Ending June 30

2002	2003
------	------

Sec. 2. Laws 2002, chapter 220, article 5, section 2, subdivision 1, is amended to read:

Subdivision 1. Total Appropriation Changes		(2,744,000)		( 931,000)		(3,675,000)
		<u>2,256,000</u>				<u>1,325,000</u>

Sec. 3. Laws 2002, chapter 220, article 5, section 2, subdivision 2, is amended to read:

Subd. 2. State Grants		1,460,000		2,995,000		4,455,000
		<u>6,460,000</u>				<u>9,455,000</u>

Notwithstanding Laws 2001, First Special Session chapter 1, article 1, section 2, subdivision 2, savings in the state grant program in fiscal year 2003 resulting from any increase in the maximum federal grant over \$3,750 or from any other source, after use to provide additional decreases in the family responsibility for independent students as provided by law, shall remain in the state grant program.

A reduction of \$75,000 each year is made to appropriations for the summer scholarship program. A reduction of \$125,000 each year is made to appropriations for the national service scholars program. The appropriation for the advanced placement scholarship is reduced by \$75,000 in fiscal year 2003.

Sec. 4. [FULL STATE GRANT AWARDS.]

The higher education services office shall transfer to the state grant appropriation from the work study appropriation and notwithstanding Minnesota Statutes, section 136A.125, subdivision 4c, from the child care grant appropriation in Laws 2001, First Special Session, chapter 1, article 1, section 2, the amount necessary, if any, to make full state grant awards in fiscal year 2003.

## ARTICLE 7

## ENVIRONMENT AND NATURAL RESOURCES

Section 1. Minnesota Statutes 2000, section 115A.557, subdivision 1, is amended to read:

Subdivision 1. [DISTRIBUTION; FORMULA.] Any funds appropriated to the director for the purpose of distribution to counties under this section must be distributed each fiscal year by the director based on population, except a county may not receive less than \$55,000 in a fiscal year. If the amount available for distribution under this section is less than the amount available in fiscal year 2001, the minimum county payment under this section is reduced proportionately. For purposes of this subdivision, "population" has the definition given in section 477A.011, subdivision 3. A county that participates in a multicounty district that manages solid waste and that has responsibility for recycling programs as authorized in section 115A.552, must pass through to the districts funds received by the county in excess of the ~~\$55,000 annual base minimum county payment~~ under this section in proportion to the population of the county served by that district.

Sec. 2. Laws 2002, chapter 220, article 8, section 15, is amended to read:

Sec. 15. [INCREASE TO WATER QUALITY PERMIT FEES.]

(a) The pollution control agency shall collect water quality permit application and annual fees that reflect the fees in Minnesota Rules, part 7002.0310, increased to the amounts described in paragraphs (b) to (g).

(b) The application fee for individual permits, general permits, and general industrial stormwater permits is \$240.

(c) The annual fees for individual National Pollutant Discharge Elimination System permits for major municipal facilities are as follows:

Design Flow in Million Gallons Per Day	Annual Fee
50 and over	<del>\$175,750</del> \$175,500
20 to 49.99	\$40,350
5 to 19.99	\$14,350
Up to 4.99	\$5,900

(d) The annual fees for individual National Pollutant Discharge Elimination System permits for major nonmunicipal facilities are as follows:

Design Flow in Million Gallons Per Day	Annual Fee
20 to 49.99	\$44,200
5 to 19.99	\$18,250
Up to 4.99	\$8,450
Cooling or mine pit dewatering (any flow)	\$16,900

(e) The annual fees for individual National Pollutant Discharge Elimination System and State Disposal System permits for nonmajor municipal facilities with design flows greater than 0.100 million gallons per day are \$1,450.

(f) The annual fees for general industrial stormwater permits are \$280.

(g) The annual fees for general National Pollutant Discharge Elimination System and State Disposal System permits are \$345.

(h) The application and annual fees are not increased for general construction stormwater permits and sanitary sewer extension permits. The annual fees are not increased for National Pollutant Discharge Elimination System and State Disposal System permits regulating municipal nonmajors with facility design flow of 0 to .100, sewage sludge landspreading facilities, and nonmajor nonmunicipal facilities.

(i) The increased permit fees are effective July 1, 2002. The agency shall adopt amended water quality permit fee rules incorporating the permit fee increases in this subdivision under Minnesota Statutes, section 14.389. The pollution control agency shall begin collecting the increased permit fees on July 1, 2002, even if the rule adoption process has not been initiated or completed. Notwithstanding Minnesota Statutes, section 14.18, subdivision 2, the increased permit fees reflecting the permit fee increases in this section and the rule amendments incorporating those permit fee increases do not require further legislative approval.

Sec. 3. Laws 2002, chapter 220, article 9, section 9, subdivision 4, is amended to read:

Sec. 2. AGRICULTURE

Subd. 4. Administration and  
Financial Assistance

(5,000) (489,000)

\$5,000 the first year and \$2,000 the second year of this reduction are from family farm security interest payment adjustments.

~~\$175,000 the second year of this reduction is from grants to agriculture information centers.~~

\$11,500 the second year of this reduction is from the appropriation for the Seaway Port Authority of Duluth.

Base funding for the administration and financial assistance program is \$4,344,000 for the fiscal year beginning July 1, 2003.

Sec. 4. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 8

PUBLIC SAFETY

Section 1. Minnesota Statutes 2000, section 13.871, subdivision 5, as amended by Laws 2002, chapter 220, article 7, section 6, is amended to read:

Subd. 5. [CRIME VICTIMS.] (a) [CRIME VICTIM NOTICE OF RELEASE.] Data on crime victims who request notice of an offender's release are classified under section 611A.06.

(b) [SEX OFFENDER HIV TESTS.] Results of HIV tests of sex offenders under section 611A.19, subdivision 2, are classified under that section.

(c) [BATTERED WOMEN.] Data on battered women maintained by grantees for emergency shelter and support services for battered women are governed by section 611A.32, subdivision 5.

(d) [VICTIMS OF DOMESTIC ABUSE.] Data on battered women and victims of domestic abuse maintained by grantees and recipients of per diem payments for emergency shelter for battered women and support services for battered women and victims of domestic abuse are governed by sections 611A.32, subdivision 5, and 611A.371, subdivision 3.

(e) [CRIME VICTIM CLAIMS FOR REPARATIONS.] Claims and supporting documents filed by crime victims seeking reparations are classified under section 611A.57, subdivision 6.

(f) [CRIME VICTIM OVERSIGHT ACT OMBUDSMAN.] Data maintained by the ~~commissioner of public safety under the crime victim Oversight Act~~ ombudsman are classified under section 611A.74, subdivision 2.

Sec. 2. Minnesota Statutes 2000, section 135A.15, subdivision 1, as amended by Laws 2002, chapter 220, article 7, section 8, is amended to read:

Subdivision 1. [POLICY REQUIRED.] The board of trustees of the Minnesota state colleges and universities shall, and the University of Minnesota is requested to, adopt a clear, understandable written policy on sexual harassment and sexual violence that informs victims of their rights under the crime victims bill of rights, including the right to assistance from the crime victims reparations board and the ~~commissioner of public safety~~ office of the crime victim ombudsman. The policy must apply to students and employees and must provide information about their rights and duties. The policy must apply to criminal incidents occurring on property owned by the post-secondary system or institution in which the victim is a student or employee of that system or institution. It must include procedures for reporting incidents of sexual harassment or sexual violence and for disciplinary actions against violators. During student registration, each technical college, community college, or state university shall, and the University of Minnesota is requested to, provide each student with information regarding its policy. A copy of the policy also shall be posted at appropriate locations on campus at all times. Each private post-secondary institution that is an eligible institution as defined in section 136A.101, subdivision 4, must adopt a policy that meets the requirements of this section.

Sec. 3. Minnesota Statutes 2001 Supplement, section 256.022, subdivision 1, as amended by Laws 2002, chapter 220, article 7, section 11, is amended to read:

Subdivision 1. [CREATION.] The commissioner of human services shall establish a review panel for purposes of reviewing investigating agency determinations regarding maltreatment of a child in a facility in response to requests received under section 626.556, subdivision 10i, paragraph (b). The review panel consists of the commissioners of health; human services; children, families, and learning; ~~public safety;~~ and corrections; ~~the ombudsman for crime victims;~~ and the ombudsman for mental health and mental retardation; ~~or their designees.~~

Sec. 4. Minnesota Statutes 2000, section 611A.371, subdivision 1, as amended by Laws 2002, chapter 220, article 7, section 16, is amended to read:

Subdivision 1. [PURPOSE.] The purpose of the ~~grant per diem~~ program is to provide reimbursement in a timely, efficient manner to local programs for the reasonable and necessary costs of providing battered women and their children with food, lodging, and safety. ~~Grant Per diem~~ funding may not be used for other purposes.

Sec. 5. Minnesota Statutes 2001 Supplement, section 611A.372, as amended by Laws 2002, chapter 220, article 7, section 17, is amended to read:

#### 611A.372 [DUTIES OF DIRECTOR.]

In addition to any other duties imposed by law, the director, with the approval of the commissioner of public safety, shall:

- (1) supervise the administration of ~~grant per diem~~ payments to designated shelter facilities;
- (2) collect data on shelter facilities;
- (3) conduct an annual evaluation of the ~~grant per diem~~ program;
- (4) report to the governor and the legislature on the need for emergency secure shelter;
- (5) develop an application process for shelter facilities to follow in seeking reimbursement under the ~~grant per diem~~ program; and

(6) adopt rules to implement and administer sections 611A.37 to 611A.375.

Sec. 6. Minnesota Statutes 2000, section 611A.373, subdivision 1, as amended by Laws 2002, chapter 220, article 7, section 18, is amended to read:

Subdivision 1. [~~PAYMENT REQUESTS.~~] ~~Payments to designated shelter facilities must be in the form of a grant. Designated shelter facilities may submit requests for payment monthly based on their expenses. The process for the submission of payments and for the submission of requests may be established by the director the number of persons housed. Upon approval of the request for payment by the center, payments shall be made directly to designated shelter facilities from grant per diem funds on behalf of women and their children who reside in the shelter facility. Payments made to a designated shelter facility must not exceed the grant annual reserve amount for that facility unless approved by the director. These payments must not affect the eligibility of individuals who reside in shelter facilities for public assistance benefits, except when required by federal law or regulation.~~

Sec. 7. Minnesota Statutes 2000, section 611A.373, subdivision 2, as amended by Laws 2002, chapter 220, article 7, section 18, is amended to read:

Subd. 2. [~~RESERVE GRANT AMOUNT.~~] ~~The center shall calculate the grant annually the reserve amount for each designated shelter facility. This calculation may be based upon program type, average occupancy rates, and licensed capacity limits. The total of all grant reserve amounts shall not exceed the legislative per diem appropriation.~~

Sec. 8. Minnesota Statutes 2000, section 611A.72, as amended by Laws 2002, chapter 220, article 7, section 19, is amended to read:

611A.72 [CITATION.]

Sections 611A.72 to 611A.74 may be cited as the "Crime Victim Oversight Ombudsman Act."

Sec. 9. Minnesota Statutes 2000, section 611A.73, subdivision 2, as amended by Laws 2002, chapter 220, article 7, section 20, is amended to read:

Subd. 2. [~~APPROPRIATE AUTHORITY.~~] ~~"Appropriate authority" includes anyone who is the subject of a complaint under sections 611A.72 to 611A.74 to the commissioner crime victim ombudsman or anyone within the agency who is in a supervisory position with regard to one who is the subject of a complaint under sections 611A.72 to 611A.74.~~

Sec. 10. Minnesota Statutes 2001 Supplement, section 611A.74, subdivision 1, as amended by Laws 2002, chapter 220, article 7, section 22, is amended to read:

Subdivision 1. [~~AUTHORITY UNDER THIS ACT CREATION.~~] ~~The office of crime victim ombudsman for Minnesota is created. The ombudsman shall be appointed by the governor, shall serve in the unclassified service at the pleasure of the governor, and shall be selected without regard to political affiliation. No person may serve as ombudsman while holding any other public office. The ombudsman is directly accountable to the governor and must periodically report to the commissioner of public safety on the operations and activities of the office. The commissioner ombudsman shall have the authority under sections 611A.72 to 611A.74 to investigate decisions, acts, and other matters of the criminal justice system so as to promote the highest attainable standards of competence, efficiency, and justice for crime victims in the criminal justice system.~~

Sec. 11. Minnesota Statutes 2000, section 611A.74, subdivision 2, as amended by Laws 2002, chapter 220, article 7, section 23, is amended to read:

Subd. 2. [~~DUTIES.~~] ~~The commissioner crime victim ombudsman may investigate complaints concerning possible violation of the rights of crime victims or witnesses provided under this chapter, the delivery of victim services by victim assistance programs, the administration of the crime victims reparations act, and other complaints of mistreatment by elements of the criminal justice system or victim assistance programs. The commissioner ombudsman shall act as a liaison, when the commissioner ombudsman deems necessary, between agencies, either in the criminal~~



justice system or in victim assistance programs, and victims and witnesses. The ~~commissioner~~ ombudsman may be concerned with activities that strengthen procedures and practices which lessen the risk that objectionable administrative acts will occur. The ~~commissioner~~ ombudsman must be made available through the use of a toll-free telephone number and shall answer questions concerning the criminal justice system and victim services put to the ~~commissioner~~ ombudsman by victims and witnesses in accordance with the ~~commissioner's~~ ombudsman's knowledge of the facts or law, unless the information is otherwise restricted. The ~~commissioner~~ ombudsman shall establish a procedure for referral to the crime victim crisis centers, the crime victims reparations board, and other victim assistance programs when services are requested by crime victims or deemed necessary by the ~~commissioner~~ ombudsman.

The ~~commissioner's~~ ombudsman's files are confidential data as defined in section 13.02, subdivision 3, during the course of an investigation or while the files are active. Upon completion of the investigation or when the files are placed on inactive status, they are private data on individuals as defined in section 13.02, subdivision 12.

Sec. 12. Minnesota Statutes 2000, section 611A.74, subdivision 3, as amended by Laws 2002, chapter 220, article 7, section 24, is amended to read:

Subd. 3. [POWERS.] The ~~commissioner~~ crime victim ombudsman has those powers necessary to carry out the duties set out in subdivision 2, including:

(a) The ~~commissioner~~ ombudsman may investigate, with or without a complaint, any action of an element of the criminal justice system or a victim assistance program included in subdivision 2.

(b) The ~~commissioner~~ ombudsman may request and shall be given access to information and assistance the ~~commissioner~~ ombudsman considers necessary for the discharge of responsibilities. The ~~commissioner~~ ombudsman may inspect, examine, and be provided copies of records and documents of all elements of the criminal justice system and victim assistance programs. The ~~commissioner~~ ombudsman may request and shall be given access to police reports pertaining to juveniles and juvenile delinquency petitions, notwithstanding section 260B.171 or 260C.171. Any information received by the ~~commissioner~~ ombudsman retains its data classification under chapter 13 while in the ~~commissioner's~~ ombudsman's possession. Juvenile records obtained under this subdivision may not be released to any person.

(c) The ~~commissioner~~ ombudsman may prescribe the methods by which complaints are to be made, received, and acted upon; may determine the scope and manner of investigations to be made; and subject to the requirements of sections 611A.72 to 611A.74, may determine the form, frequency, and distribution of ~~commissioner~~ ombudsman conclusions, recommendations, and proposals.

(d) After completing investigation of a complaint, the ~~commissioner~~ ombudsman shall inform in writing the complainant, the investigated person or entity, and other appropriate authorities of the action taken. If the complaint involved the conduct of an element of the criminal justice system in relation to a criminal or civil proceeding, the ~~commissioner's~~ ombudsman's findings shall be forwarded to the court in which the proceeding occurred.

(e) Before announcing a conclusion or recommendation that expressly or impliedly criticizes an administrative agency or any person, the ~~commissioner~~ ombudsman shall consult with that agency or person.

Sec. 13. Minnesota Statutes 2000, section 611A.74, subdivision 4, as amended by Laws 2002, chapter 220, article 7, section 25, is amended to read:

Subd. 4. [NO COMPELLED TESTIMONY.] Neither the ~~commissioner~~ ombudsman nor any member of the ~~commissioner's~~ ombudsman's staff may be compelled to testify or produce evidence in any judicial or administrative proceeding with respect to matters involving the exercise of official duties under sections 611A.72 to 611A.74 except as may be necessary to enforce the provisions of this section.

Sec. 14. Minnesota Statutes 2000, section 611A.74, subdivision 5, as amended by Laws 2002, chapter 220, article 7, section 26, is amended to read:

Subd. 5. [RECOMMENDATIONS.] (a) On finding a complaint valid after duly considering the complaint and whatever material the ~~commissioner~~ ombudsman deems pertinent, the ~~commissioner~~ ombudsman may recommend action to the appropriate authority.

(b) If the ~~commissioner~~ ombudsman makes a recommendation to an appropriate authority for action, the authority shall, within a reasonable time period, but not more than 30 days, inform the ~~commissioner~~ ombudsman about the action taken or the reasons for not complying with the recommendation.

(c) The ~~commissioner~~ ombudsman may publish conclusions and suggestions by transmitting them to the governor, the legislature or any of its committees, the press, and others who may be concerned. When publishing an opinion adverse to an administrative agency, the ~~commissioner~~ ombudsman shall include any statement the administrative agency may have made to the ~~commissioner~~ ombudsman by way of explaining its past difficulties or its present rejection of the ~~commissioner's~~ ombudsman's proposals.

Sec. 15. Minnesota Statutes 2000, section 611A.74, subdivision 6, as amended by Laws 2002, chapter 220, article 7, section 27, is amended to read:

Subd. 6. [REPORTS.] In addition to whatever reports the ~~commissioner~~ ombudsman may make from time to time, the ~~commissioner~~ ombudsman shall biennially report to the legislature and to the governor concerning the exercise of the ~~commissioner's~~ ombudsman's functions ~~under sections 611A.72 to 611A.74~~ during the preceding biennium. The biennial report is due on or before the beginning of the legislative session following the end of the biennium.

Sec. 16. Laws 2002, chapter 220, article 6, section 1, is amended to read:

Section 1. [APPROPRIATIONS/REDUCTIONS.]

The dollar amounts in the columns under "APPROPRIATIONS" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2001, First Special Session chapters 8, 9, or other law to the specified agencies. The appropriations are from the general fund or other named fund and are available for the fiscal years indicated for each purpose. The figure "2002" or "2003" means that the addition to or subtraction from the appropriations listed under the figure are for the fiscal year ending June 30, 2002, or June 30, 2003, respectively.

	2002	2003
APPROPRIATION REDUCTIONS	(5,165,000)	(11,489,000)
		<u>(11,321,000)</u>

Sec. 17. Laws 2002, chapter 220, article 7, section 1, is amended to read:

Section 1. [TRANSPORTATION AND OTHER AGENCY APPROPRIATIONS.]

The dollar amounts in the columns marked "APPROPRIATIONS" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2001, First Special Session chapter 8, 9, or other law to the specified agencies. The appropriations are from the general fund or any other named fund and are available for the fiscal years indicated for each purpose. The figure 2002 or 2003 means that the addition to or subtraction from the appropriations listed under the figure are for the fiscal year ending June 30, 2002, or June 30, 2003, respectively. If only one figure is shown in the text for a specified purpose, the addition or subtraction is for 2002 unless the context intends another fiscal year.

SUMMARY BY FUND

	2002	2003	TOTAL
APPROPRIATIONS			
General	\$ (2,018,000)	\$ (6,932,000)	(8,950,000)
		<u>(5,921,000)</u>	<u>(7,939,000)</u>

TRANSFERS IN	(2,705,000)	(1,996,000)	(4,701,000)
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Sec. 18. Laws 2002, chapter 220, article 7, section 4, subdivision 1, is amended to read:

Subdivision 1. Total Appropriation

Changes	(2,018,000)	(3,296,000)	(2,696,000)
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Sec. 19. Laws 2002, chapter 220, article 7, section 4, subdivision 5, is amended to read:

Subd. 5. Crime Victims

Services Center	(384,000)	(1,368,000)	( 768,000)
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~~[SHELTER PER DIEMS.] \$600,000 the second year is a reduction in per diem funding for shelters. The base for the crime victim services center shall be reduced by \$600,000 in fiscal year 2004 and \$600,000 in fiscal year 2005 to reflect reduced funding for shelters.~~

[CRIME VICTIMS SERVICES STAFF AND GRANTS.] \$384,000 the first year and \$768,000 the second year are reductions for crime victims services staff and grants. For crime victims services grants, the base for fiscal year 2004 shall be reduced by \$2,000,000 and for fiscal year 2005 by \$2,000,000.

Sec. 20. Laws 2002, chapter 220, article 7, section 34, is amended to read:

Sec. 34. [EFFECTIVE DATE.]

(a) Sections 1 to 5, 9, 12, and 30 are effective the day following final enactment.

~~(b) Sections 16, 17, and 33, paragraph (a), are effective July 1, 2003.~~

~~(c) The amendments to section 18, subdivisions 1 and 2, are effective July 1, 2003. Section 18, subdivision 3, is effective the day following final enactment.~~

Sec. 21. [REPEALER.]

(a) Minnesota Statutes 2000, sections 611A.373, subdivision 3, as added by Laws 2002, chapter 220, article 7, section 18; and 611A.73, subdivision 6, as added by Laws 2002, chapter 220, article 7, section 21, are repealed.

(b) Laws 2002, chapter 220, article 6, section 4, and article 7, sections 5, 32, and 33, are repealed.

Sec. 22. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

## ARTICLE 9

### STATE GOVERNMENT

Section 1. Minnesota Statutes 2000, section 3.855, subdivision 2, is amended to read:

Subd. 2. [STATE EMPLOYEE NEGOTIATIONS.] (a) The commissioner of employee relations shall regularly advise the commission on the progress of collective bargaining activities with state employees under the state Public Employment Labor Relations Act. During negotiations, the commission may make recommendations to the commissioner as it deems

appropriate but no recommendation shall impose any obligation or grant any right or privilege to the parties.

(b) The commissioner shall submit to the chair of the commission any negotiated collective bargaining agreements, arbitration awards, compensation plans, or salaries for legislative approval or disapproval. Negotiated agreements shall be submitted within five days of the date of approval by the commissioner or the date of approval by the affected state employees, whichever occurs later. Arbitration awards shall be submitted within five days of their receipt by the commissioner. If the commission disapproves a collective bargaining agreement, award, compensation plan, or salary, the commission shall specify in writing to the parties those portions with which it disagrees and its reasons. If the commission approves a collective bargaining agreement, award, compensation plan, or salary, it shall submit the matter to the legislature to be accepted or rejected under this section.

(c) When the legislature is not in session, the commission may give interim approval to a negotiated collective bargaining agreement, salary, compensation plan, or arbitration award. When the legislature is not in session, failure of the commission to disapprove a collective bargaining agreement or arbitration award within 30 days constitutes approval. The commission shall submit the negotiated collective bargaining agreements, salaries, compensation plans, or arbitration awards for which it has provided approval to the entire legislature for ratification at a special legislative session called to consider them or at its next regular legislative session as provided in this section. Approval or disapproval by the commission is not binding on the legislature.

(d) When the legislature is not in session, the proposed collective bargaining agreement, arbitration decision, salary, or compensation plan must be implemented upon its approval by the commission, and state employees covered by the proposed agreement or arbitration decision do not have the right to strike while the interim approval is in effect. Wages and economic fringe benefit increases provided for in the agreement or arbitration decision paid in accordance with the interim approval by the commission are not affected, but the wages or benefit increases must cease to be paid or provided effective upon the rejection of the agreement, arbitration decision, salary, or compensation plan, ~~or upon adjournment of the legislature without acting on it.~~ Failure of the legislature to disapprove a collective bargaining agreement or arbitration award before adjournment of the legislature constitutes approval. Failure of the legislature to disapprove a compensation plan or salary that has been submitted to the legislative coordinating commission under section 3.855 at least 45 days before adjournment constitutes approval.

Sec. 2. Minnesota Statutes 2000, section 16A.28, subdivision 6, is amended to read:

Subd. 6. [CANCELED OCTOBER 15.] On October 15 all allotments and encumbrances for the last fiscal year shall be canceled unless an agency head certifies to the commissioner that there is an encumbrance for services rendered ~~or~~ goods ordered, or grants issued in the last fiscal year, or certifies that funding will be carried forward under subdivision 1. Encumbrances for grants issued by June 30 may be certified for a period of one year beyond the year in which the funds were originally appropriated. Services rendered under grant contracts may occur during the certification period. The commissioner may: ~~reinst~~ reinstate the part of the cancellation needed to meet the certified encumbrance or charge the certified encumbrance against the current year's appropriation.

Sec. 3. Laws 2002, chapter 220, article 10, section 17, is amended to read:

Sec. 17. MILITARY AFFAIRS	(452,000)	(2,399,000)
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The base funding for the 2004-2005 biennium is  
\$12,472,000 \$12,619,000 each year.

Sec. 4. Laws 2002, chapter 220, article 10, section 36, is amended to read:

Sec. 36. [REDUCTION IN CONTRACT EXPENDITURES.]

During the biennium ending June 30, 2003, the governor must reduce planned executive branch state agency general fund expenditures on contracts for professional or technical services by at

least ~~\$35,000,000~~ \$27,300,000. The governor must allocate this reduction among executive branch state agencies. For purposes of this section, "professional or technical services" has the meaning given in Minnesota Statutes, section 16C.08, subdivision 1; and "executive branch state agency" has the meaning given in Minnesota Statutes, section 16A.011, subdivision 12a, ~~and includes but does not include the Minnesota state colleges and universities, the higher education services office, the department of corrections, or the department of human services with respect to contracts for state operated services.~~ The base for these reductions is the amount allocated for professional or technical service contracts in agency spending plans as of January 1, 2002.

Sec. 5. Laws 2002, chapter 220, article 10, section 38, subdivision 2, is amended to read:

Subd. 2. [EXCEPTIONS.] Subdivision 1 does not apply to:

- (1) an employee at a state correctional facility;
- (2) an employee of state operated services under the department of human services;
- (3) a student in a work-study position; ~~or~~
- (2) (4) a position that is necessary to perform essential government services; or
- (5) an employee who is paid entirely with federal money.

A determination under clause (2) (4) must be made by the speaker of the house of representatives with respect to house employees, the chair of the committee on rules and administration with respect to senate employees, and the legislative coordinating commission with respect to its employees, by a constitutional officer with respect to employees of the constitutional office, and by the governor with respect to any other employee covered by this section. Exceptions granted under clause (2) (4) must be reported monthly by the entity granting the exception. The reports must be published on the entity's Web site, and copies must be provided to the chairs of the house ways and means and senate finance committees and to the legislative reference library.

Sec. 6. Laws 2002, chapter 220, article 10, section 38, subdivision 3, is amended to read:

Subd. 3. [ANTICIPATED SAVINGS.] The legislature anticipates that application of this section to executive branch agencies ~~and to the Minnesota state colleges and universities~~ will result in savings to the general fund of \$40,000,000 by June 30, 2003. If the governor determines that application of this section will not result in \$40,000,000 in savings to the general fund by June 30, 2003, the governor must make proportional reductions in executive agency operating budgets necessary to achieve these savings. If the governor makes proportional reductions to executive agency operating budgets to achieve the required savings, the governor shall exclude the department of corrections from the reductions.

Sec. 7. Laws 2002, chapter 220, article 10, section 39, is amended to read:

Sec. 39. [SAVINGS ARE ADDITIONAL.]

Savings achieved in sections 36 to 38 from the freeze in state hiring or the reduction in the number of state contracts for professional or technical services are in addition to reductions in spending required by other sections of this ~~article~~ act.

Sec. 8. [EARLY RETIREMENT INCENTIVE.]

Subdivision 1. [AGENCY ELIGIBILITY.] The early retirement incentive provided by this section may be offered to eligible employees by agencies in the executive branch of state government that are forced by budget reductions to make significant reductions in staff.

Subd. 2. [EMPLOYEE ELIGIBILITY.] The early retirement incentive provided by this section is available to an employee of an eligible agency who is paid from the general fund and who:

- (1) on the date of retirement is at least 55 years old and has at least 25 years of allowable service in one or more of the funds listed in Minnesota Statutes, section 356.30, subdivision 3;

(2) upon retirement is immediately eligible for a retirement annuity from one or more of those funds;

(3) retires on or after the effective date of this section but before January 1, 2003; and

(4) holds a position designated by the agency as eligible for the incentive.

Subd. 3. [INCENTIVE.] For an eligible employee who retires under this section, the employer shall provide an amount to be determined by the employer, but not to exceed \$20,000, to be used, at the employee's option, for:

(1) deposit on the employee's behalf in the postretirement health care savings plan established by Minnesota Statutes, section 352.98;

(2) notwithstanding Minnesota Statutes, section 352.01, subdivision 11, or 356.55, purchase of service credit for unperformed service sufficient to enable the employee to retire under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b); or

(3) purchase of a lifetime annuity or annuity for a specific number of years from the state unclassified retirement program to provide additional retirement benefits to the employee calculated under Minnesota Statutes, section 352D.061, subdivision 1.

An employee selecting the option in clause (2) may use money from the employee's deferred compensation account to purchase additional service credit if the employer contribution under this subdivision is not sufficient to purchase enough credit to enable the employee to retire under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b).

Subd. 4. [DESIGNATION OF ELIGIBLE POSITIONS.] If an eligible agency chooses to offer the retirement incentive under this section, the agency must designate the positions or groups of positions within the agency that will qualify for participation in the incentive program and may exclude otherwise eligible employees. The agency may at any time modify its designation. Unilateral implementation of this subdivision is not an unfair labor practice for purposes of Minnesota Statutes, chapter 179A.

Sec. 9. [REPEALER.]

Laws 2002, chapter 220, article 10, section 37, is repealed.

Sec. 10. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

#### ARTICLE 10

#### ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 2001 Supplement, section 268.022, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION AND COLLECTION OF SPECIAL ASSESSMENT.] (a) In addition to all other taxes, assessments, and payment obligations under chapter 268, each employer, except an employer making payments in lieu of taxes is liable for a special assessment levied at the rate of one-tenth of one percent per year ~~until June 30, 2000, and seven-hundredths of one percent per year on and after July 1, 2000,~~ on all taxable wages, as defined in section 268.035, subdivision 24. The assessment shall become due and be paid by each employer to the department on the same schedule and in the same manner as other taxes.

(b) The special assessment levied under this section shall not affect the computation of any other taxes, assessments, or payment obligations due under this chapter.

Sec. 2. Minnesota Statutes 2000, section 268.035, subdivision 24, is amended to read:

Subd. 24. [TAXABLE WAGES.] (a) "Taxable wages" means those wages paid to an employee

in covered employment each calendar year up to an amount equal to ~~60~~ 70 percent of the state's average annual wage, rounded to the nearest \$1,000.

(b) Taxable wages includes the amount of wages paid for covered employment by the employer's predecessor when there has been an experience rating record transfer under section 268.051, subdivision 4.

Sec. 3. Minnesota Statutes 2000, section 268.051, subdivision 8, is amended to read:

Subd. 8. ~~[SOLVENCY SPECIAL ASSESSMENT FOR INTEREST ON FEDERAL LOAN.]~~  
(a) ~~If the fund balance is less than \$150,000,000 on June 30 October 31 of any year, the commissioner, in consultation with the commissioner of finance, determines that an interest payment will be due during the following calendar year on any loan from the federal unemployment trust fund under section 268.194, subdivision 6, a solvency special assessment on taxing employers will be in effect for the following calendar year. The taxing employer shall pay quarterly a solvency legislature authorizes the commissioner, in consultation with the commissioner of finance, to determine the appropriate level of the assessment, of ten from two percent to eight percent of the quarterly unemployment taxes due, that will be necessary to pay the interest due on the loan.~~

(b) ~~The solvency special assessment shall be placed into a special account from which the commissioner shall pay any interest accruing that has accrued on any loan from the federal unemployment trust fund provided for under section 268.194, subdivision 6. If, at the end of each calendar quarter, the commissioner, in consultation with the commissioner of finance, determines that the balance in this special account, including interest earned on the special account, is more than is necessary to pay the interest which has accrued on any loan as of that date, or will accrue over the following calendar quarter, the commissioner shall immediately pay to the fund the amount in excess of that necessary to pay the interest on any loan.~~

Sec. 4. Laws 2001, First Special Session chapter 4, article 2, section 31, is amended to read:

Sec. 31. [WORKFORCE ENHANCEMENT FEE.]

Subdivision 1. [FEE.] Notwithstanding Minnesota Statutes, section 268.022, effective January 1, 2002, the special assessment under that section on taxable wages as defined in Minnesota Statutes, section 268.035, subdivision 24, is suspended until December 31, 2005. Effective January 1, 2002, there shall be assessed, in addition to unemployment taxes due under Minnesota Statutes, section 268.051, a workforce enhancement fee of ~~.09~~ .12 percent on taxable wages. This fee shall be due and be paid on the same schedule and in the same manner as unemployment taxes under Minnesota Statutes, section 268.051. Any amount past due under this section shall be subject to the same interest and collection provisions as unemployment taxes. This fee shall expire on December 31, 2005.

Subd. 2. [USE OF FUNDS COLLECTED.] An amount equal to ~~.07~~ 0.1 percent on taxable wages shall be deposited in the workforce development fund provided for under Minnesota Statutes, section 268.022, subdivision 2. An amount equal to .02 percent on taxable wages, less reimbursement for collection costs of the total amount of the fee, shall be deposited in the unemployment insurance technology initiative account provided for in section 32.

Sec. 5. [EXTRA UNEMPLOYMENT BENEFITS.]

Subdivision 1. [EXTRA BENEFITS; AVAILABILITY.] Extra unemployment benefits are available to an applicant:

(1) who has a benefit account effective March 11, 2001, or thereafter if the applicant was laid off due to lack of work from Northwest Airlines, Sun Country Airlines, Mark Travel Corporation, Mesaba Airlines, United Airlines, MLT Vacations, Carlson Wagonlit Travel, LSG Sky Chefs, Air Wisconsin, American Airlines, American TransAir, Champion Air, Chautaugua Airlines, Continental Airlines, Emery Worldwide Air, Great Lakes Airlines, PanAm International, Skyway Airlines, and U.S. Airways;

(2) who was laid off on or after January 1, 2002, due to lack of work from Fingerhut Companies, Incorporated;

(3) who was laid off due to a lack of work on or after July 8, 2001, from the Farmland Foods Company in Freeborn county; or

(4) who was laid off due to a lack of work on or after March 18, 2002, from Potlatch Corporation in Crow Wing county.

Subd. 2. [PAYMENT FROM FUND; EFFECT ON EMPLOYER.] Extra unemployment benefits are payable from the fund.

Subd. 3. [ELIGIBILITY CONDITIONS.] An applicant described under subdivision 1, clause (1), is eligible to receive extra unemployment benefits under this section for any week through March 15, 2003, an applicant described under subdivision 1, clauses (2) and (4), is eligible to receive extra unemployment benefits under this section for any week through January 3, 2004, and an applicant described under subdivision 1, clause (3), is eligible to receive extra unemployment benefits under this section for any week through July 1, 2003, if:

(1) a majority of the applicant's wage credits were with an employer specified under subdivision 1;

(2) the applicant meets the eligibility requirements of Minnesota Statutes, section 268.085;

(3) the applicant is not subject to a disqualification under Minnesota Statutes, section 268.095;

(4) the applicant is not entitled to any regular, additional, or extended unemployment benefits for that week and the applicant is not entitled to receive unemployment benefits under any other state or federal law for that week;

(5) the applicant is enrolled in, or has within the last two weeks successfully completed, a program that qualifies as reemployment assistance training under the state dislocated worker program, except that an applicant whose training is scheduled to begin in more than 30 days may be considered to be in training if: (i) the applicant's chosen training program does not offer an available start date within 30 days; (ii) the applicant is scheduled to begin training on the earliest available start date for the chosen training program; and (iii) the applicant is scheduled to begin training in no more than 60 days; and

(6) an applicant qualifies for a new regular benefit account at any time after exhausting regular unemployment benefits as a result of the layoff under subdivision 1, the applicant must apply for and exhaust entitlement to those new regular or any other type of unemployment benefits under any state or federal law.

Subd. 4. [WEEKLY AMOUNT OF EXTRA BENEFITS.] The weekly extra unemployment benefits amount available to an applicant is the same as the applicant's weekly regular unemployment benefit amount on the benefit account established as a result of a layoff under subdivision 1.

Subd. 5. [MAXIMUM AMOUNT OF EXTRA UNEMPLOYMENT BENEFITS.] The maximum amount of extra unemployment benefits available is 26 times the applicant's weekly extra unemployment benefits amount. Any type of unemployment benefits, under any state or federal law, the applicant may be entitled to after exhausting regular unemployment benefits as a result of a layoff under subdivision 1, shall reduce the maximum amount of extra unemployment benefits available. The reduction in total extra unemployment benefits available shall equal the total amount of any other type of unemployment benefits available.

Subd. 6. [PROGRAM EXPIRATION.] This extra unemployment benefit program expires on January 3, 2004. No extra unemployment benefits shall be paid for any week after the expiration of this program.

[EFFECTIVE DATE.] This section is effective the day following final enactment and is retroactive to September 16, 2001.



## Sec. 6. [UNIFORM LAWS COMMISSION APPROPRIATION.]

The following amounts are added to the appropriations from the general fund to the uniform laws commission in Laws 2001, First Special Session chapter 8, article 4, section 8: \$5,000 in the fiscal year ending June 30, 2002, and \$5,000 in the fiscal year ending June 30, 2003.

## Sec. 7. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

## ARTICLE 11

## CANCELLATIONS; INFLATION; TRANSFERS IN

Section 1. Laws 2002, chapter 220, article 13, section 7, is amended to read:

## Sec. 7. [BALANCES CANCELED TO GENERAL FUND.]

The unobligated balances in the following general fund accounts created in the sections of Minnesota Statutes indicated are canceled to the general fund in the fiscal years indicated:

(1) the budget reserve account, Minnesota Statutes, section 16A.152, subdivision 1a, estimated to be \$653,000,000, in fiscal year 2002;

(2) the local government aid reform account, Minnesota Statutes, section 16A.1523, estimated to be \$14,000,000, in fiscal year 2003;

(3) the tax relief account, Minnesota Statutes, section 16A.1522, subdivision 4, estimated to be \$158,148,000, in fiscal year ~~2004~~ 2003; and

(4) \$195,000,000 of the unobligated balance in the cash flow account in Minnesota Statutes, section 16A.152, subdivision 1.

Sec. 2. Laws 2002, chapter 220, article 13, section 9, subdivision 2, is amended to read:

Subd. 2. [SPECIAL COMPENSATION FUND.] After June 1, 2003, but no later than June 30, 2003, the commissioner of finance shall transfer ~~\$230,000,000~~ \$282,000,000 in assets of the excess surplus account of the special compensation fund created under Minnesota Statutes, section 176.129, to the general fund.

## Sec. 3. [TRAFFIC BOTTLENECKS AND INTERREGIONAL CORRIDORS.]

Subdivision 1. [CANCELLATION.] \$245,240,000 of the appropriation from the general fund in Laws 2000, chapter 479, article 1, section 2, subdivision 3, is canceled to the general fund.

Subd. 2. [APPROPRIATION.] \$245,240,000 is appropriated from the trunk highway fund to the commissioner of transportation. One-half is for state trunk highway improvements within the seven-county metropolitan area primarily for the purpose of improving traffic flow and expanding highway capacity by eliminating traffic bottlenecks. One-half is for improvements on state trunk highways outside the seven-county metropolitan area that the commissioner designates as at-risk interregional corridors.

Subd. 3. [BOND SALE.] To provide the money appropriated in this section from the trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$245,240,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to a bond proceeds account in the trunk highway fund.

## Sec. 4. [CASH FLOW ACCOUNT CANCELLATION.]

\$155,000,000 of the unobligated balance in the cash flow account created in Minnesota Statutes, section 16A.152, subdivision 1, is canceled to the general fund.

## Sec. 5. [BALANCES DEPOSITED IN BUDGET RESERVE.]

Notwithstanding Minnesota Statutes, section 16A.1522, any positive unrestricted general fund balance on June 30, 2003, must be deposited in the budget reserve account in the general fund.

## Sec. 6. [APPROPRIATION TO EDUCATION RESERVE ACCOUNT.]

\$61,000,000 is appropriated in fiscal year 2004, and \$148,000,000 is appropriated in fiscal year 2005 to the education reserve account created under Minnesota Statutes, section 275.025, subdivision 1.

## Sec. 7. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

## ARTICLE 12

## HEALTH AND HUMAN SERVICES APPROPRIATIONS

## Section 1. [HEALTH AND HUMAN SERVICES APPROPRIATIONS.]

The dollar amounts shown in the columns marked "APPROPRIATIONS" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2001, First Special Session chapter 9, and Laws 2002, chapter 220, or other law, and are appropriated from the general fund, or any other fund named, to the agencies and for the purposes specified in this article, to be available for the fiscal years indicated for each purpose. The figures "2002" and "2003" used in this article mean that the appropriation or appropriations listed under them are available for the fiscal year ending June 30, 2002, or June 30, 2003, respectively.

## SUMMARY BY FUND

	2002	2003	TOTAL
General Forecast Adjustments	\$47,032,000	\$26,019,000	\$73,051,000
Nonforecast	350,000	(35,633,000)	(35,283,000)
Health Care Access	(2,605,000)	(4,816,000)	(7,421,000)
Federal TANF	(7,383,000)	8,636,000	1,253,000
State Government Special Revenue	-0-	4,000	4,000

## APPROPRIATIONS

Available for the Year  
Ending June 30  
2002                      2003

## Sec. 2. COMMISSIONER OF HUMAN SERVICES

## Subdivision 1. Total Appropriation

\$ 37,394,000 \$(6,294,000)

## Summary by Fund

General	47,382,000	(10,114,000)
Health Care Access	(2,605,000)	(4,816,000)
Federal TANF	(7,383,000)	8,636,000

Subd. 2. Children's  
Grants

General	-0-	(4,714,000)
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This appropriation includes a reduction of \$6,548,000 in family preservation and children's mental health grants due to changes in allocations and an increase of \$1,834,000 in local collaboratives wraparound services coordination grants.

Subd. 3. Basic Health Care  
Grants

General	9,689,000	1,188,000
Health Care Access	(2,605,000)	(4,816,000)

The amounts that may be spent from this appropriation for each purpose are as follows:

## (a) MinnesotaCare Grants

Health Care Access	(2,605,000)	(4,816,000)
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(b) MA Basic Health Care  
Grants - Families and Children

General	7,437,000	(6,007,000)
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(c) MA Basic Health Care  
Grants - Elderly and Disabled

General	(779,000)	2,757,000
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[CRITICAL ACCESS PHARMACY PROVIDERS.] Of this appropriation, \$1,975,000 in fiscal year 2003 is to the commissioner to increase pharmacy dispensing fees to critical access pharmacies as authorized under Minnesota Statutes, section 256B.0625, subdivision 13, paragraph (d).

[NOTICE OF CHANGE IN DOCUMENTATION.] The commissioner shall provide to all medical assistance recipients receiving coverage through the employed persons with disabilities program under Minnesota Statutes, section 256B.057, subdivision 9, three-months advance notice of the new employment documentation requirement.

[MENTAL HEALTH SERVICES RATE INCREASE PASSTHROUGH.] Prepaid health plans must pass through to service providers the rate increases provided under Minnesota Statutes, section 256B.761.

(d) General Assistance  
Medical Care Grants

General	2,681,000	4,438,000
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(e) Health Care Grants -  
Other Assistance

General	350,000	-0-
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[U SPECIAL KIDS PROGRAM.] Of this appropriation, \$350,000 in fiscal year 2002 is immediately available to the commissioner to be transferred immediately to the University of Minnesota for the U Special Kids program. The money may be used to match private grants. The money shall be used to provide physician-supervised medical case management services for up to 50 Minnesota children in the program who are eligible for medical assistance. Any unspent portion of this appropriation shall not cancel but shall be available for these purposes until June 30, 2005. This is a one-time appropriation and shall not become part of base level funding for the 2004-2005 biennium.

[HIV/AIDS DRUG REBATES.] General fund appropriations for HIV/AIDS grants and services that are no longer needed as a result of greater than anticipated collections under the AIDS drug assistance program rebate must first be used to meet funding needs of the state prescription drug program.

Subd. 4. Basic Health Care  
Management

General	-0-	75,000
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The amounts that may be spent from this appropriation for each purpose are as follows:

Health Care Policy  
Administration

General	-0-	75,000
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Subd. 5. State-Operated  
Services

General	-0-	5,000,000
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Subd. 6. Continuing Care  
Grants

[FUNDING USAGE.] Up to 75 percent of the fiscal year 2004 appropriations for family preservation grants, developmental disability semi-independent living services, developmental disability family support, adult mental health grants, and children's mental health grants may be used to fund calendar year 2003 allocations for these programs, with the resulting calendar year funding pattern continuing into the future.

Appropriation reductions associated with this shift are onetime only.

General	27,896,000	(9,713,000)
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The amounts that may be spent from this appropriation for each purpose are as follows:

(a) Medical Assistance

Long-Term Care Waivers and Home Care Grants

General	26,054,000	26,552,000
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[COMMUNITY SERVICES DEVELOPMENT GRANTS USAGE.] For fiscal year 2003, the commissioner may make grants under the community services development grants program in Minnesota Statutes, section 256.9754, for the development of housing options for persons under age 65 residing in nursing facilities.

(b) Medical Assistance

Long-Term Care Facilities Grants

General	1,815,000	(5,586,000)
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(c) Group Residential Housing Grants

General	27,000	689,000
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(d) Chemical Dependency Entitlement Grants

General	-0-	(1,000,000)
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(e) Community Social Service Grants

General	-0-	(13,730,000)
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(f) Mental Health Grants

General	-0-	(13,635,000)
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This reduction is onetime only.

(g) Community Support Grants

General	-0-	(3,003,000)
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Subd. 7. Economic Support Grants

General	9,797,000	(1,950,000)
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Federal TANF	(7,383,000)	8,636,000
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The amounts that may be spent from the appropriation for each purpose are as follows:

(a) Assistance to Families Grants

General	8,712,000	(3,740,000)	
Federal TANF	(7,383,000)	8,636,000	

## (b) General Assistance Grants

General	1,361,000	1,779,000	
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## (c) Minnesota Supplemental Aid Grants

General	(276,000)	11,000	
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## Sec. 3. COMMISSIONER OF HEALTH

## Subdivision 1. Total Appropriation Reductions

-0-	4,000
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## Summary by Fund

## State Government Special Revenue

-0-	4,000
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## Subd. 2. Family and Provider Compliance

## State Government Special Revenue

-0-	4,000
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[REGISTRATION COSTS.] This appropriation in fiscal year 2003 is to the commissioner for the costs of registering establishments under Minnesota Statutes, section 144D.025.

## Sec. 4. VETERANS NURSING HOMES BOARD

## Summary by Fund

General	-0-	500,000
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[DEFICIENCY APPROPRIATION.] The appropriation to the veterans nursing homes board for fiscal year 2003 is for a deficiency in board operations. This is a one-time appropriation and shall not become part of base-level funding for the 2004-2005 biennium.

Sec. 5. Laws 2002, chapter 220, article 6, section 3, subdivision 2, is amended to read:

Subd. 2. Adult Institutions	(5,200,000)	(1,750,000)
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The base for fiscal year 2004 shall be reduced by ~~\$8,145,000~~ \$1,750,000, and for fiscal year 2005 by ~~\$8,145,000~~. ~~The commissioner of corrections shall develop an agencywide spending plan for the 2004-2005 biennium and report to the chairs and ranking minority members of the house and senate committees with jurisdiction over criminal justice policy and funding on its recommendations by January 15, 2003~~ \$1,750,000.

Sec. 6. [VETERANS NURSING HOMES BOARD FUNDING.]

(a) Notwithstanding Minnesota Statutes, section 16B.31, subdivision 7, on July 1, 2002, the commissioner of administration shall transfer to the veterans nursing homes board any remaining portion of the payments received from contractors for the mold damage at the Luverne facility.

(b) Notwithstanding the provisions of Minnesota Statutes, section 16A.151, any payments made during fiscal year 2003 from contractors to settle legal issues regarding the mold damage at the Luverne facility are appropriated to the veterans nursing homes board.

(c) Total appropriations to the veterans nursing homes board under this section shall not exceed \$900,000.

Sec. 7. [EXEMPTIONS FROM REDUCTION IN CONTRACT EXPENDITURES AND FROM HIRING FREEZE.]

The department of human services is exempt from the hiring freeze established in Laws 2002, chapter 220, article 10, section 38, and the contract moratorium established in Laws 2002, chapter 220, article 10, section 37, as it relates to the establishment and implementation of a supplemental drug rebate program and a critical access pharmacy program.

Sec. 8. [SUNSET OF UNCODIFIED LANGUAGE.]

All uncodified language contained in this article expires on June 30, 2003, unless a different expiration date is explicit.

Sec. 9. [EFFECTIVE DATE.]

Except as otherwise provided in this article, this article is effective the day following final enactment.

## ARTICLE 13

### HEALTH AND HUMAN SERVICES

Section 1. Minnesota Statutes 2000, section 144D.01, subdivision 4, is amended to read:

Subd. 4. [HOUSING WITH SERVICES ESTABLISHMENT OR ESTABLISHMENT.] (a) "Housing with services establishment" or "establishment" means:

(1) an establishment providing sleeping accommodations to one or more adult residents, at least 80 percent of which are 55 years of age or older, and offering or providing, for a fee, one or more regularly scheduled health-related services or two or more regularly scheduled supportive services, whether offered or provided directly by the establishment or by another entity arranged for by the establishment; or

(2) an establishment that registers under section 144D.025.

(b) Housing with services establishment does not include:

(1) a nursing home licensed under chapter 144A;

(2) a hospital, certified boarding care home, or supervised living facility licensed under sections 144.50 to 144.56;

(3) a board and lodging establishment licensed under chapter 157 and Minnesota Rules, parts 9520.0500 to 9520.0670, 9525.0215 to 9525.0355, 9525.0500 to 9525.0660, or 9530.4100 to 9530.4450, or under chapter 245B;

(4) a board and lodging establishment which serves as a shelter for battered women or other similar purpose;

(5) a family adult foster care home licensed by the department of human services;

(6) private homes in which the residents are related by kinship, law, or affinity with the providers of services;

(7) residential settings for persons with mental retardation or related conditions in which the services are licensed under Minnesota Rules, parts 9525.2100 to 9525.2140, or applicable successor rules or laws;

(8) a home-sharing arrangement such as when an elderly or disabled person or single-parent family makes lodging in a private residence available to another person in exchange for services or rent, or both;

(9) a duly organized condominium, cooperative, common interest community, or owners' association of the foregoing where at least 80 percent of the units that comprise the condominium, cooperative, or common interest community are occupied by individuals who are the owners, members, or shareholders of the units; or

(10) services for persons with developmental disabilities that are provided under a license according to Minnesota Rules, parts 9525.2000 to 9525.2140 in effect until January 1, 1998, or under chapter 245B.

Sec. 2. [144D.025] [OPTIONAL REGISTRATION.]

An establishment that meets all the requirements of this chapter except that fewer than 80 percent of the adult residents are age 55 or older may, at its option, register as a housing with services establishment.

Sec. 3. Minnesota Statutes 2001 Supplement, section 256.01, subdivision 2, as amended by Laws 2002, chapter 220, article 15, section 4, is amended to read:

Subd. 2. [SPECIFIC POWERS.] Subject to the provisions of section 241.021, subdivision 2, the commissioner of human services shall:

(1) Administer and supervise all forms of public assistance provided for by state law and other welfare activities or services as are vested in the commissioner. Administration and supervision of human services activities or services includes, but is not limited to, assuring timely and accurate distribution of benefits, completeness of service, and quality program management. In addition to administering and supervising human services activities vested by law in the department, the commissioner shall have the authority to:

(a) require county agency participation in training and technical assistance programs to promote compliance with statutes, rules, federal laws, regulations, and policies governing human services;

(b) monitor, on an ongoing basis, the performance of county agencies in the operation and administration of human services, enforce compliance with statutes, rules, federal laws, regulations, and policies governing welfare services and promote excellence of administration and program operation;

(c) develop a quality control program or other monitoring program to review county performance and accuracy of benefit determinations;

(d) require county agencies to make an adjustment to the public assistance benefits issued to any individual consistent with federal law and regulation and state law and rule and to issue or recover benefits as appropriate;

(e) delay or deny payment of all or part of the state and federal share of benefits and administrative reimbursement according to the procedures set forth in section 256.017;

(f) make contracts with and grants to public and private agencies and organizations, both profit and nonprofit, and individuals, using appropriated funds; and

(g) enter into contractual agreements with federally recognized Indian tribes with a reservation in Minnesota to the extent necessary for the tribe to operate a federally approved family assistance program or any other program under the supervision of the commissioner. The commissioner shall consult with the affected county or counties in the contractual agreement negotiations, if the



county or counties wish to be included, in order to avoid the duplication of county and tribal assistance program services. The commissioner may establish necessary accounts for the purposes of receiving and disbursing funds as necessary for the operation of the programs.

(2) Inform county agencies, on a timely basis, of changes in statute, rule, federal law, regulation, and policy necessary to county agency administration of the programs.

(3) Administer and supervise all child welfare activities; promote the enforcement of laws protecting handicapped, dependent, neglected and delinquent children, and children born to mothers who were not married to the children's fathers at the times of the conception nor at the births of the children; license and supervise child-caring and child-placing agencies and institutions; supervise the care of children in boarding and foster homes or in private institutions; and generally perform all functions relating to the field of child welfare now vested in the state board of control.

(4) Administer and supervise all noninstitutional service to handicapped persons, including those who are visually impaired, hearing impaired, or physically impaired or otherwise handicapped. The commissioner may provide and contract for the care and treatment of qualified indigent children in facilities other than those located and available at state hospitals when it is not feasible to provide the service in state hospitals.

(5) Assist and actively cooperate with other departments, agencies and institutions, local, state, and federal, by performing services in conformity with the purposes of Laws 1939, chapter 431.

(6) Act as the agent of and cooperate with the federal government in matters of mutual concern relative to and in conformity with the provisions of Laws 1939, chapter 431, including the administration of any federal funds granted to the state to aid in the performance of any functions of the commissioner as specified in Laws 1939, chapter 431, and including the promulgation of rules making uniformly available medical care benefits to all recipients of public assistance, at such times as the federal government increases its participation in assistance expenditures for medical care to recipients of public assistance, the cost thereof to be borne in the same proportion as are grants of aid to said recipients.

(7) Establish and maintain any administrative units reasonably necessary for the performance of administrative functions common to all divisions of the department.

(8) Act as designated guardian of both the estate and the person of all the wards of the state of Minnesota, whether by operation of law or by an order of court, without any further act or proceeding whatever, except as to persons committed as mentally retarded. For children under the guardianship of the commissioner whose interests would be best served by adoptive placement, the commissioner may contract with a licensed child-placing agency or a Minnesota tribal social services agency to provide adoption services. A contract with a licensed child-placing agency must be designed to supplement existing county efforts and may not replace existing county programs, unless the replacement is agreed to by the county board and the appropriate exclusive bargaining representative or the commissioner has evidence that child placements of the county continue to be substantially below that of other counties. Funds encumbered and obligated under an agreement for a specific child shall remain available until the terms of the agreement are fulfilled or the agreement is terminated.

(9) Act as coordinating referral and informational center on requests for service for newly arrived immigrants coming to Minnesota.

(10) The specific enumeration of powers and duties as hereinabove set forth shall in no way be construed to be a limitation upon the general transfer of powers herein contained.

(11) Establish county, regional, or statewide schedules of maximum fees and charges which may be paid by county agencies for medical, dental, surgical, hospital, nursing and nursing home care and medicine and medical supplies under all programs of medical care provided by the state and for congregate living care under the income maintenance programs.

(12) Have the authority to conduct and administer experimental projects to test methods and

procedures of administering assistance and services to recipients or potential recipients of public welfare. To carry out such experimental projects, it is further provided that the commissioner of human services is authorized to waive the enforcement of existing specific statutory program requirements, rules, and standards in one or more counties. The order establishing the waiver shall provide alternative methods and procedures of administration, shall not be in conflict with the basic purposes, coverage, or benefits provided by law, and in no event shall the duration of a project exceed four years. It is further provided that no order establishing an experimental project as authorized by the provisions of this section shall become effective until the following conditions have been met:

(a) The secretary of health and human services of the United States has agreed, for the same project, to waive state plan requirements relative to statewide uniformity.

(b) A comprehensive plan, including estimated project costs, shall be approved by the legislative advisory commission and filed with the commissioner of administration.

(13) According to federal requirements, establish procedures to be followed by local welfare boards in creating citizen advisory committees, including procedures for selection of committee members.

(14) Allocate federal fiscal disallowances or sanctions which are based on quality control error rates for the aid to families with dependent children program formerly codified in sections 256.72 to 256.87, medical assistance, or food stamp program in the following manner:

(a) One-half of the total amount of the disallowance shall be borne by the county boards responsible for administering the programs. For the medical assistance and the AFDC program formerly codified in sections 256.72 to 256.87, disallowances shall be shared by each county board in the same proportion as that county's expenditures for the sanctioned program are to the total of all counties' expenditures for the AFDC program formerly codified in sections 256.72 to 256.87, and medical assistance programs. For the food stamp program, sanctions shall be shared by each county board, with 50 percent of the sanction being distributed to each county in the same proportion as that county's administrative costs for food stamps are to the total of all food stamp administrative costs for all counties, and 50 percent of the sanctions being distributed to each county in the same proportion as that county's value of food stamp benefits issued are to the total of all benefits issued for all counties. Each county shall pay its share of the disallowance to the state of Minnesota. When a county fails to pay the amount due hereunder, the commissioner may deduct the amount from reimbursement otherwise due the county, or the attorney general, upon the request of the commissioner, may institute civil action to recover the amount due.

(b) Notwithstanding the provisions of paragraph (a), if the disallowance results from knowing noncompliance by one or more counties with a specific program instruction, and that knowing noncompliance is a matter of official county board record, the commissioner may require payment or recover from the county or counties, in the manner prescribed in paragraph (a), an amount equal to the portion of the total disallowance which resulted from the noncompliance, and may distribute the balance of the disallowance according to paragraph (a).

(15) Develop and implement special projects that maximize reimbursements and result in the recovery of money to the state. For the purpose of recovering state money, the commissioner may enter into contracts with third parties. Any recoveries that result from projects or contracts entered into under this paragraph shall be deposited in the state treasury and credited to a special account until the balance in the account reaches \$1,000,000. When the balance in the account exceeds \$1,000,000, the excess shall be transferred and credited to the general fund. All money in the account is appropriated to the commissioner for the purposes of this paragraph.

(16) Have the authority to make direct payments to facilities providing shelter to women and their children according to section 256D.05, subdivision 3. Upon the written request of a shelter facility that has been denied payments under section 256D.05, subdivision 3, the commissioner shall review all relevant evidence and make a determination within 30 days of the request for review regarding issuance of direct payments to the shelter facility. Failure to act within 30 days shall be considered a determination not to issue direct payments.

(17) Have the authority to establish and enforce the following county reporting requirements:

(a) The commissioner shall establish fiscal and statistical reporting requirements necessary to account for the expenditure of funds allocated to counties for human services programs. When establishing financial and statistical reporting requirements, the commissioner shall evaluate all reports, in consultation with the counties, to determine if the reports can be simplified or the number of reports can be reduced.

(b) The county board shall submit monthly or quarterly reports to the department as required by the commissioner. Monthly reports are due no later than 15 working days after the end of the month. Quarterly reports are due no later than 30 calendar days after the end of the quarter, unless the commissioner determines that the deadline must be shortened to 20 calendar days to avoid jeopardizing compliance with federal deadlines or risking a loss of federal funding. Only reports that are complete, legible, and in the required format shall be accepted by the commissioner.

(c) If the required reports are not received by the deadlines established in clause (b), the commissioner may delay payments and withhold funds from the county board until the next reporting period. When the report is needed to account for the use of federal funds and the late report results in a reduction in federal funding, the commissioner shall withhold from the county boards with late reports an amount equal to the reduction in federal funding until full federal funding is received.

(d) A county board that submits reports that are late, illegible, incomplete, or not in the required format for two out of three consecutive reporting periods is considered noncompliant. When a county board is found to be noncompliant, the commissioner shall notify the county board of the reason the county board is considered noncompliant and request that the county board develop a corrective action plan stating how the county board plans to correct the problem. The corrective action plan must be submitted to the commissioner within 45 days after the date the county board received notice of noncompliance.

(e) The final deadline for fiscal reports or amendments to fiscal reports is one year after the date the report was originally due. If the commissioner does not receive a report by the final deadline, the county board forfeits the funding associated with the report for that reporting period and the county board must repay any funds associated with the report received for that reporting period.

(f) The commissioner may not delay payments, withhold funds, or require repayment under paragraph (c) or (e) if the county demonstrates that the commissioner failed to provide appropriate forms, guidelines, and technical assistance to enable the county to comply with the requirements. If the county board disagrees with an action taken by the commissioner under paragraph (c) or (e), the county board may appeal the action according to sections 14.57 to 14.69.

(g) Counties subject to withholding of funds under paragraph (c) or forfeiture or repayment of funds under paragraph (e) shall not reduce or withhold benefits or services to clients to cover costs incurred due to actions taken by the commissioner under paragraph (c) or (e).

(18) Allocate federal fiscal disallowances or sanctions for audit exceptions when federal fiscal disallowances or sanctions are based on a statewide random sample for the foster care program under title IV-E of the Social Security Act, United States Code, title 42, in direct proportion to each county's title IV-E foster care maintenance claim for that period.

(19) Be responsible for ensuring the detection, prevention, investigation, and resolution of fraudulent activities or behavior by applicants, recipients, and other participants in the human services programs administered by the department.

(20) Require county agencies to identify overpayments, establish claims, and utilize all available and cost-beneficial methodologies to collect and recover these overpayments in the human services programs administered by the department.

(21) Have the authority to administer a drug rebate program for drugs purchased pursuant to the prescription drug program established under section 256.955 after the beneficiary's satisfaction of

any deductible established in the program. The commissioner shall require a rebate agreement from all manufacturers of covered drugs as defined in section 256B.0625, subdivision 13. Rebate agreements for prescription drugs delivered on or after July 1, 2002, must include rebates for individuals covered under the prescription drug program who are under 65 years of age. For each drug, the amount of the rebate shall be equal to the basic rebate as defined for purposes of the federal rebate program in United States Code, title 42, section 1396r-8(c)(1). This basic rebate shall be applied to single-source and multiple-source drugs. The manufacturers must provide full payment within 30 days of receipt of the state invoice for the rebate within the terms and conditions used for the federal rebate program established pursuant to section 1927 of title XIX of the Social Security Act. The manufacturers must provide the commissioner with any information necessary to verify the rebate determined per drug. The rebate program shall utilize the terms and conditions used for the federal rebate program established pursuant to section 1927 of title XIX of the Social Security Act.

(22) Have the authority to administer the federal drug rebate program for drugs purchased under the medical assistance program as allowed by section 1927 of title XIX of the Social Security Act and according to the terms and conditions of section 1927. Rebates shall be collected for all drugs that have been dispensed or administered in an outpatient setting and that are from manufacturers who have signed a rebate agreement with the United States Department of Health and Human Services.

(23) Have the authority to administer a supplemental drug rebate program for drugs purchased under the medical assistance program ~~and under the prescription drug program established in section 256.955~~. The commissioner may enter into supplemental rebate contracts with pharmaceutical manufacturers and may require prior authorization for drugs that are from manufacturers that have not signed a supplemental rebate contract. Prior authorization of drugs shall be subject to the provisions of section 256B.0625, subdivision 13, ~~paragraph (b)~~.

(24) Operate the department's communication systems account established in Laws 1993, First Special Session chapter 1, article 1, section 2, subdivision 2, to manage shared communication costs necessary for the operation of the programs the commissioner supervises. A communications account may also be established for each regional treatment center which operates communications systems. Each account must be used to manage shared communication costs necessary for the operations of the programs the commissioner supervises. The commissioner may distribute the costs of operating and maintaining communication systems to participants in a manner that reflects actual usage. Costs may include acquisition, licensing, insurance, maintenance, repair, staff time and other costs as determined by the commissioner. Nonprofit organizations and state, county, and local government agencies involved in the operation of programs the commissioner supervises may participate in the use of the department's communications technology and share in the cost of operation. The commissioner may accept on behalf of the state any gift, bequest, devise or personal property of any kind, or money tendered to the state for any lawful purpose pertaining to the communication activities of the department. Any money received for this purpose must be deposited in the department's communication systems accounts. Money collected by the commissioner for the use of communication systems must be deposited in the state communication systems account and is appropriated to the commissioner for purposes of this section.

(25) Receive any federal matching money that is made available through the medical assistance program for the consumer satisfaction survey. Any federal money received for the survey is appropriated to the commissioner for this purpose. The commissioner may expend the federal money received for the consumer satisfaction survey in either year of the biennium.

(26) Incorporate cost reimbursement claims from First Call Minnesota and Greater Twin Cities United Way into the federal cost reimbursement claiming processes of the department according to federal law, rule, and regulations. Any reimbursement received is appropriated to the commissioner and shall be disbursed to First Call Minnesota and Greater Twin Cities United Way according to normal department payment schedules.

(27) Develop recommended standards for foster care homes that address the components of specialized therapeutic services to be provided by foster care homes with those services.

Sec. 4. Minnesota Statutes 2000, section 256.9657, subdivision 1, as amended by Laws 2002, chapter 220, article 14, section 5, is amended to read:

Subdivision 1. [NURSING HOME LICENSE SURCHARGE.] (a) Effective July 1, 1993, each non-state-operated nursing home licensed under chapter 144A shall pay to the commissioner an annual surcharge according to the schedule in subdivision 4. The surcharge shall be calculated as \$620 per licensed bed. If the number of licensed beds is reduced, the surcharge shall be based on the number of remaining licensed beds the second month following the receipt of timely notice by the commissioner of human services that beds have been delicensed. The nursing home must notify the commissioner of health in writing when beds are delicensed. The commissioner of health must notify the commissioner of human services within ten working days after receiving written notification. If the notification is received by the commissioner of human services by the 15th of the month, the invoice for the second following month must be reduced to recognize the delicensing of beds. Beds on layaway status continue to be subject to the surcharge. The commissioner of human services must acknowledge a medical care surcharge appeal within 30 days of receipt of the written appeal from the provider.

(b) Effective July 1, 1994, the surcharge in paragraph (a) shall be increased to \$625.

(c) Effective August 15, 2003, the surcharge under paragraph (b) shall be increased by an amount necessary to ensure a net gain to the general fund of \$9,620,000 during fiscal year 2004 as a result of:

(1) the total transfers anticipated during the fiscal year ending June 30, 2004, under section 256B.19, subdivision 1d, paragraph (c);

(2) the county nursing home payment adjustments under section 256B.431, subdivision 23, paragraph (c);

(3) the surcharges under this paragraph; and

(4) the nursing facility rate increases under section 256B.431, subdivision 37.

The increase under this paragraph shall not exceed \$365 per bed.

(d) Effective August 15, 2004, the surcharge under paragraph (c) shall be equal to an amount necessary to ensure a net gain to the general fund each fiscal year of \$10,228,000 as a result of:

(1) the total transfers anticipated during the fiscal year under section 256B.19, subdivision 1d, paragraph (c);

(2) the county nursing home payment adjustments under section 256B.431, subdivision 23, paragraph (c);

(3) the surcharges under this paragraph; and

(4) the nursing facility rate increases under section 256B.431, subdivision 37.

The surcharge under this paragraph shall not exceed \$365 per bed.

(e) Between April 1, 2002, and August 15, 2003, a facility governed by this subdivision may elect to assume full participation in the medical assistance program by agreeing to comply with all of the requirements of the medical assistance program, including the rate equalization law in section 256B.48, subdivision 1, paragraph (a), and all other requirements established in law or rule, and to begin intake of new medical assistance recipients. Rates will be determined under Minnesota Rules, parts 9549.0010 to 9549.0080. Notwithstanding section 256B.431, subdivision 27, paragraph (i), rate calculations will be subject to limits as prescribed in rule and law. Other than the adjustments in Minnesota Rules, part 9549.0057; sections 256B.431, subdivisions 30 and 32; 256B.437, subdivision 3, paragraph (b), and any other applicable legislation enacted prior to the finalization of rates, facilities assuming full participation in medical assistance under this paragraph are not eligible for any rate adjustments until the July 1 following their settle-up period.

**[EFFECTIVE DATE.]** This section is effective April 1, 2002.

Sec. 5. Minnesota Statutes 2001 Supplement, section 256B.057, subdivision 9, is amended to read:

Subd. 9. [EMPLOYED PERSONS WITH DISABILITIES.] (a) Medical assistance may be paid for a person who is employed and who:

- (1) meets the definition of disabled under the supplemental security income program;
- (2) is at least 16 but less than 65 years of age;
- (3) meets the asset limits in paragraph (b); and
- (4) pays a premium, if required, under paragraph (c).

The person must verify earnings from employment by documenting that social security and Medicare taxes are withheld, and, if applicable, state and federal income taxes are also withheld. If the person is self-employed, the person must document payment of self-employment tax and, if applicable, state and federal income taxes.

Any spousal income or assets shall be disregarded for purposes of eligibility and premium determinations.

After the month of enrollment, a person enrolled in medical assistance under this subdivision who is temporarily unable to work and without receipt of earned income due to a medical condition, as verified by a physician, may retain eligibility for up to four calendar months.

(b) For purposes of determining eligibility under this subdivision, a person's assets must not exceed \$20,000, excluding:

- (1) all assets excluded under section 256B.056;
- (2) retirement accounts, including individual accounts, 401(k) plans, 403(b) plans, Keogh plans, and pension plans; and
- (3) medical expense accounts set up through the person's employer.

(c) A person whose earned and unearned income is equal to or greater than 100 percent of federal poverty guidelines for the applicable family size must pay a premium to be eligible for medical assistance under this subdivision. The premium shall be based on the person's gross earned and unearned income and the applicable family size using a sliding fee scale established by the commissioner, which begins at one percent of income at 100 percent of the federal poverty guidelines and increases to 7.5 percent of income for those with incomes at or above 300 percent of the federal poverty guidelines. Annual adjustments in the premium schedule based upon changes in the federal poverty guidelines shall be effective for premiums due in July of each year.

(d) A person's eligibility and premium shall be determined by the local county agency. Premiums must be paid to the commissioner. All premiums are dedicated to the commissioner.

(e) Any required premium shall be determined at application and redetermined annually at recertification or when a change in income or family size occurs.

(f) Premium payment is due upon notification from the commissioner of the premium amount required. Premiums may be paid in installments at the discretion of the commissioner.

(g) Nonpayment of the premium shall result in denial or termination of medical assistance unless the person demonstrates good cause for nonpayment. Good cause exists if the requirements specified in Minnesota Rules, part 9506.0040, subpart 7, items B to D, are met. Nonpayment shall include payment with a returned, refused, or dishonored instrument. The commissioner may require a guaranteed form of payment as the only means to replace a returned, refused, or dishonored instrument.

Sec. 6. Minnesota Statutes 2001 Supplement, section 256B.0625, subdivision 13, as amended by Laws 2002, chapter 220, article 15, section 13, is amended to read:

Subd. 13. [DRUGS.] (a) Medical assistance covers drugs, except for fertility drugs when specifically used to enhance fertility, if prescribed by a licensed practitioner and dispensed by a licensed pharmacist, by a physician enrolled in the medical assistance program as a dispensing physician, or by a physician or a nurse practitioner employed by or under contract with a community health board as defined in section 145A.02, subdivision 5, for the purposes of communicable disease control. The commissioner, after receiving recommendations from professional medical associations and professional pharmacist associations, shall designate a formulary committee to advise the commissioner on the names of drugs for which payment is made, recommend a system for reimbursing providers on a set fee or charge basis rather than the present system, and develop methods encouraging use of generic drugs when they are less expensive and equally effective as trademark drugs. The formulary committee shall consist of nine members, four of whom shall be physicians who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, three of whom shall be pharmacists who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, a consumer representative, and a nursing home representative. Committee members shall serve three-year terms and shall serve without compensation. Members may be reappointed once.

(b) The commissioner shall establish a drug formulary. Its establishment and publication shall not be subject to the requirements of the Administrative Procedure Act, but the formulary committee shall review and comment on the formulary contents.

The formulary shall not include:

(i) drugs or products for which there is no federal funding;

(ii) over-the-counter drugs, except for antacids, acetaminophen, family planning products, aspirin, insulin, products for the treatment of lice, vitamins for adults with documented vitamin deficiencies, vitamins for children under the age of seven and pregnant or nursing women, and any other over-the-counter drug identified by the commissioner, in consultation with the drug formulary committee, as necessary, appropriate, and cost-effective for the treatment of certain specified chronic diseases, conditions or disorders, and this determination shall not be subject to the requirements of chapter 14;

(iii) anorectics, except that medically necessary anorectics shall be covered for a recipient previously diagnosed as having pickwickian syndrome and currently diagnosed as having diabetes and being morbidly obese;

(iv) drugs for which medical value has not been established; and

(v) drugs from manufacturers who have not signed a rebate agreement with the Department of Health and Human Services pursuant to section 1927 of title XIX of the Social Security Act.

The commissioner shall publish conditions for prohibiting payment for specific drugs after considering the formulary committee's recommendations. An honorarium of \$100 per meeting and reimbursement for mileage shall be paid to each committee member in attendance.

(c) The basis for determining the amount of payment shall be the lower of the actual acquisition costs of the drugs plus a fixed dispensing fee; the maximum allowable cost set by the federal government or by the commissioner plus the fixed dispensing fee; or the usual and customary price charged to the public. The pharmacy dispensing fee shall be ~~\$3.65~~ \$4.15, except that the dispensing fee for intravenous solutions which must be compounded by the pharmacist shall be \$8 per bag, \$14 per bag for cancer chemotherapy products, and \$30 per bag for total parenteral nutritional products dispensed in one liter quantities, or \$44 per bag for total parenteral nutritional products dispensed in quantities greater than one liter. Actual acquisition cost includes quantity and other special discounts except time and cash discounts. The actual acquisition cost of a drug

shall be estimated by the commissioner, at average wholesale price minus ~~nine~~ 14 percent, except that where a drug has had its wholesale price reduced as a result of the actions of the National Association of Medicaid Fraud Control Units, the estimated actual acquisition cost shall be the reduced average wholesale price, without the ~~nine~~ 14 percent deduction. The maximum allowable cost of a multisource drug may be set by the commissioner and it shall be comparable to, but no higher than, the maximum amount paid by other third-party payors in this state who have maximum allowable cost programs. ~~The commissioner shall set maximum allowable costs for multisource drugs that are not on the federal upper limit list as described in United States Code, title 42, chapter 7, section 1396r-8(e), the Social Security Act, and Code of Federal Regulations, title 42, part 447, section 447.332. Establishment of the amount of payment for drugs shall not be subject to the requirements of the Administrative Procedure Act.~~ An additional dispensing fee of \$.30 may be added to the dispensing fee paid to pharmacists for legend drug prescriptions dispensed to residents of long-term care facilities when a unit dose blister card system, approved by the department, is used. Under this type of dispensing system, the pharmacist must dispense a 30-day supply of drug. The National Drug Code (NDC) from the drug container used to fill the blister card must be identified on the claim to the department. The unit dose blister card containing the drug must meet the packaging standards set forth in Minnesota Rules, part 6800.2700, that govern the return of unused drugs to the pharmacy for reuse. The pharmacy provider will be required to credit the department for the actual acquisition cost of all unused drugs that are eligible for reuse. Over-the-counter medications must be dispensed in the manufacturer's unopened package. The commissioner may permit the drug clozapine to be dispensed in a quantity that is less than a 30-day supply. Whenever a generically equivalent product is available, payment shall be on the basis of the actual acquisition cost of the generic drug, unless the prescriber specifically indicates "dispense as written - brand necessary" on the prescription as required by section 151.21, subdivision 2.

~~(d) For purposes of this subdivision, "multisource drugs" means covered outpatient drugs, excluding innovator multisource drugs for which there are two or more drug products, which:~~

~~(1) are related as therapeutically equivalent under the Food and Drug Administration's most recent publication of "Approved Drug Products with Therapeutic Equivalence Evaluations";~~

~~(2) are pharmaceutically equivalent and bioequivalent as determined by the Food and Drug Administration; and~~

~~(3) are sold or marketed in Minnesota.~~

~~"Innovator multisource drug" means a multisource drug that was originally marketed under an original new drug application approved by the Food and Drug Administration Effective for prescriptions dispensed on or after July 1, 2002, the commissioner, may, within the limits of available appropriation, increase the dispensing fee described in paragraph (c) to pharmacies deemed by the commissioner to be a critical-access pharmacy. In determining whether a pharmacy shall be deemed a critical-access pharmacy, the commissioner shall consider the following criteria:~~

~~(1) for pharmacies located outside the seven-county metropolitan area:~~

~~(i) the total annual sum of the pharmacy's fee-for-service medical assistance payments for the previous year in all locations, excluding payments for prescriptions dispensed to residents residing in nursing homes. The pharmacy's total annual sum must be no greater than \$300,000; and~~

~~(ii) the proximity of the pharmacy to other medical assistance pharmacy providers in a specified geographic area; and~~

~~(2) for pharmacies located within the seven-county metropolitan area:~~

~~(i) the percentage of the pharmacy's annual fee-for-service medical assistance payments in that location, excluding payments for prescriptions dispensed to residents in nursing homes compared to the pharmacy's total annual prescription drug sales. The pharmacy's percentage must be greater than the average percentage for pharmacies enrolled as a medical assistance provider; and~~



(ii) the proximity of the pharmacy to other medical assistance pharmacy providers in a specified geographic area.

The commissioner may establish regions within the state for purposes of applying this criteria and may assign different weights to the criteria depending on the region.

(e) The formulary committee shall review and recommend drugs which require prior authorization. The formulary committee may recommend drugs for prior authorization directly to the commissioner, as long as opportunity for public input is provided. Prior authorization may be requested by the commissioner based on medical and clinical criteria and on cost before certain drugs are eligible for payment. Before a drug may be considered for prior authorization at the request of the commissioner:

(1) the drug formulary committee must develop criteria to be used for identifying drugs; the development of these criteria is not subject to the requirements of chapter 14, but the formulary committee shall provide opportunity for public input in developing criteria;

(2) the drug formulary committee must hold a public forum and receive public comment for an additional 15 days; and

(3) the drug formulary committee must consider data from the state Medicaid program if such data is available; and

(4) the commissioner must provide information to the formulary committee on the impact that placing the drug on prior authorization will have on the quality of patient care and on program costs, and information regarding whether the drug is subject to clinical abuse or misuse.

Prior authorization may be required by the commissioner before certain formulary drugs are eligible for payment. If prior authorization of a drug is required by the commissioner, the commissioner must provide a 30-day notice period before implementing the prior authorization. If a prior authorization request is denied by the department, the recipient may appeal the denial in accordance with section 256.045. If an appeal is filed, the drug must be provided without prior authorization until a decision is made on the appeal.

(f) The basis for determining the amount of payment for drugs administered in an outpatient setting shall be the lower of the usual and customary cost submitted by the provider; the average wholesale price minus five percent; or the maximum allowable cost set by the federal government under United States Code, title 42, chapter 7, section 1396r-8(e), and Code of Federal Regulations, title 42, section 447.332, or by the commissioner under paragraph (c).

(g) Prior authorization shall not be required or utilized for any antipsychotic drug prescribed for the treatment of mental illness where there is no generically equivalent drug available unless the commissioner determines that prior authorization is necessary for patient safety. This paragraph applies to any supplemental drug rebate program established or administered by the commissioner.

Sec. 7. Minnesota Statutes 2000, section 256B.19, subdivision 1, as amended by Laws 2002, chapter 220, article 14, section 7, is amended to read:

Subdivision 1. [DIVISION OF COST.] The state and county share of medical assistance costs not paid by federal funds shall be as follows:

(1) ~~ninety~~ 90 percent state funds and ten percent county funds, unless otherwise provided below;

(2) beginning January 1, 1992, 50 percent state funds and 50 percent county funds for the cost of placement of severely emotionally disturbed children in regional treatment centers; and

(3) beginning January 1, 2003, 80 percent state funds and 20 percent county funds for the costs of nursing facility placements of persons with disabilities under the age of 65 that have exceeded 90 days. This clause shall be subject to chapter 256G and shall not apply to placements in facilities not certified to participate in medical assistance.

For counties that participate in a Medicaid demonstration project under sections 256B.69 and 256B.71, the division of the nonfederal share of medical assistance expenses for payments made to prepaid health plans or for payments made to health maintenance organizations in the form of prepaid capitation payments, this division of medical assistance expenses shall be 95 percent by the state and five percent by the county of financial responsibility.

In counties where prepaid health plans are under contract to the commissioner to provide services to medical assistance recipients, the cost of court ordered treatment ordered without consulting the prepaid health plan that does not include diagnostic evaluation, recommendation, and referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 8. Minnesota Statutes 2000, section 256B.69, subdivision 5a, as amended by Laws 2002, chapter 220, article 15, section 15, is amended to read:

Subd. 5a. [MANAGED CARE CONTRACTS.] (a) Managed care contracts under this section and sections 256L.12 and 256D.03, shall be entered into or renewed on a calendar year basis beginning January 1, 1996. Managed care contracts which were in effect on June 30, 1995, and set to renew on July 1, 1995, shall be renewed for the period July 1, 1995 through December 31, 1995 at the same terms that were in effect on June 30, 1995.

(b) A prepaid health plan providing covered health services for eligible persons pursuant to chapters 256B, 256D, and 256L, is responsible for complying with the terms of its contract with the commissioner. Requirements applicable to managed care programs under chapters 256B, 256D, and 256L, established after the effective date of a contract with the commissioner take effect when the contract is next issued or renewed.

(c) Effective for services rendered on or after January 1, 2003, the commissioner shall withhold five percent of managed care plan payments under this section for the prepaid medical assistance and general assistance medical care programs pending completion of performance targets. The withheld funds will must be returned no sooner than July of the following year if performance targets in the contract are achieved. The commissioner may exclude special demonstration projects under subdivision 23. A managed care plan may include as admitted assets under section 62D.044 any amount withheld under this paragraph that is reasonably expected to be returned.

Sec. 9. Minnesota Statutes 2000, section 256E.06, subdivision 3, is amended to read:

Subd. 3. [PAYMENTS TO COUNTIES.] The commissioner of human services shall make payments for community social services to each county ~~in four installments per on or before July 10 of each year. The commissioner of human services may certify the payments for the first three months of a calendar year based on estimates of the unduplicated number of persons receiving Minnesota family investment program assistance, general assistance, and medical assistance for the prior year. The following three payments shall be adjusted to reflect the actual unduplicated number of persons who received Minnesota family investment program assistance, general assistance, and medical assistance as required by subdivision 1. The commissioner shall ensure that the pertinent payment of the allotment for that quarter is made to each county on the first working day after the end of each quarter of the calendar year, except for the last quarter of the calendar year. The commissioner shall ensure that each county receives its payment of the allotment for that quarter no later than the last working day of that quarter. This scheduling of payments does not require compliance with subdivision 10.~~

Sec. 10. Minnesota Statutes 2000, section 256I.04, subdivision 2a, is amended to read:

Subd. 2a. [LICENSE REQUIRED.] A county agency may not enter into an agreement with an establishment to provide group residential housing unless:

(1) the establishment is licensed by the department of health as a hotel and restaurant; a board and lodging establishment; a residential care home; a boarding care home before March 1, 1985; or a supervised living facility, and the service provider for residents of the facility is licensed under chapter 245A. However, an establishment licensed by the department of health to provide

lodging need not also be licensed to provide board if meals are being supplied to residents under a contract with a food vendor who is licensed by the department of health;

(2) the residence is licensed by the commissioner of human services under Minnesota Rules, parts 9555.5050 to 9555.6265, or certified by a county human services agency prior to July 1, 1992, using the standards under Minnesota Rules, parts 9555.5050 to 9555.6265; or

(3) the establishment is registered under chapter 144D and provides three meals a day, except that an establishment registered under section 144D.025 is not eligible for an agreement to provide group residential housing.

The requirements under clauses (1), (2), and (3) do not apply to establishments exempt from state licensure because they are located on Indian reservations and subject to tribal health and safety requirements.

Sec. 11. Minnesota Statutes 2000, section 256L.12, subdivision 9, as amended by Laws 2002, chapter 220, article 15, section 23, is amended to read:

Subd. 9. [RATE SETTING.] (a) Rates will be prospective, per capita, where possible. The commissioner may allow health plans to arrange for inpatient hospital services on a risk or nonrisk basis. The commissioner shall consult with an independent actuary to determine appropriate rates.

(b) For services rendered on or after January 1, 2003, the commissioner shall withhold .5 percent of managed care plan payments under this section pending completion of performance targets. The withheld funds ~~will~~ must be returned no sooner than July 1 and no later than July 31 of the following year if performance targets in the contract are achieved. A managed care plan may include as admitted assets under section 62D.044 any amount withheld under this paragraph that is reasonably expected to be returned.

Sec. 12. Laws 2002, chapter 220, article 17, section 2, subdivision 6, is amended to read:

Subd. 6. Continuing Care  
Grants

General	(8,907,000)	(26,227,000)
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The amounts that may be spent from this appropriation for each purpose are as follows:

(a) Aging Adult Service  
Grants

General	-0-	(2,638,000)
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[PLANNING AND SERVICE DEVELOPMENT.] The planning and service development grant from Laws 2001, First Special Session chapter 9, article 17, section 2, subdivision 9, is eliminated for fiscal year 2003. Base funding for the 2004-2005 biennium shall be \$550,000 each year. Notwithstanding Laws 2001, First Special Session chapter 9, article 17, section 2, subdivision 9, beginning in fiscal year 2004, the commissioner shall annually distribute \$5,000 to each county. Counties with more than 10,000 persons over age 65 shall receive a distribution of an additional 25 cents for each person over age 65. The amount distributed to each area agency on aging shall be \$2,500.

[COMMUNITY SERVICES DEVELOPMENT

GRANTS.] For fiscal year 2003, base level funding for community services development grants under Minnesota Statutes, section 256.9754, is reduced by \$1,478,000. For fiscal year 2004, base level funding for these grants is reduced by \$768,000. For fiscal year 2005, base level funding shall be \$3,000,000, and this amount shall be the base funding level for these grants for the biennium beginning July 1, 2005. Notwithstanding section 5, this provision shall not expire.

(b) Medical Assistance  
Long-Term Care Waivers and  
Home Care Grants

General	18,471,000	12,833,000
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(c) Medical Assistance  
Long-Term Care Facilities  
Grants

General	(27,382,000)	(31,922,000)
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(d) Group Residential  
Housing Grants

General	4,000	574,000
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~~[FEDERAL FUNDING FOR GROUP RESIDENTIAL HOUSING COSTS.]~~ The commissioner shall seek federal funding to offset costs for group residential housing services under Minnesota Statutes, chapter 256I. Any federal funding received shall be distributed to counties on a pro rata basis according to county spending under Minnesota Statutes, section 256B.19, subdivision 1, clause (3), for the costs of nursing facility placements of persons with disabilities under the age of 65 that have exceeded 90 days. The commissioner shall report to the legislature by January 15, 2003, on the status of additional federal funding for group residential housing costs.

(e) Chemical Dependency  
Entitlement Grants

General	-0-	(84,000)
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[CONSOLIDATED CHEMICAL DEPENDENCY TREATMENT FUND RESERVE TRANSFER.] In fiscal year 2003, \$8,544,000 of funds available in the consolidated chemical dependency treatment fund general reserve account is transferred to the general fund.

(f) Community Social Services  
Block Grants

General	-0-	(4,990,000)
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[CSSA TRADITIONAL APPROPRIATION REDUCTION.] For fiscal year 2003, base level funding for community social service aids under Minnesota Statutes, section 256E.06, subdivisions 1 and 2, is reduced by \$4,700,000. This reduction shall become part of base level funding for the biennium beginning July 1, 2003. Notwithstanding section 5, this provision shall not expire.

[CSSA GRANTS FOR FORMER GRH RECIPIENTS.] For fiscal year 2003, base level funding for community social service aids under Minnesota Statutes, section 256E.06, subdivision 2b, is reduced by \$290,000. This reduction shall become part of base level funding for the biennium beginning July 1, 2003. These reductions shall be made on a pro rata basis to each affected county. Notwithstanding section 5, this provision shall not expire.

Sec. 13. [ACCESS TO AFFORDABLE HOUSING.]

The commissioners of human services and the Minnesota housing finance agency shall make recommendations to the long-term care task force by January 15, 2003, on ways to increase the ability of persons with disabilities to access affordable housing. The recommendations shall include:

(1) income supplement or housing subsidy options that support efforts to relocate persons under the age of 65 from nursing facilities or to divert them from a nursing facility placement;

(2) an analysis of the impacts of the state using a fixed amount attributable to room and board costs for home and community-based waiver recipients in group residential settings;

(3) options to maximize federal funding that result in no additional costs to the state. These options may include the transfer of state funds between income maintenance programs and the Medicaid program. These options may be implemented prior to the report to the task force. Any additional funds made available through implementation of these options and not utilized to support persons relocating from nursing facilities shall be used to reduce the county share enacted in Laws 2002, chapter 220, article 14, section 8; and

(4) alternatives that provide additional incentives to county agencies that successfully discharge persons with disabilities under the age of 65 from nursing facilities.

Sec. 14. [PRIOR AUTHORIZATION REPORT.]

The commissioner of human services shall review prior authorization of prescription drugs in the fee-for-service medical assistance program in terms of the cost effectiveness achieved through prior authorization on prescription drug costs and on other medical assistance costs and evaluate the effect that placing a drug on prior authorization has had on the quality of patient care. The commissioner shall submit the results to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over human services funding by January 15, 2004.

ARTICLE 14

INCOME TAX

Section 1. Minnesota Statutes 2000, section 60D.20, subdivision 2, is amended to read:

Subd. 2. [DIVIDENDS AND OTHER DISTRIBUTIONS.] (a) Subject to the limitations and requirements of this subdivision, the board of directors of any domestic insurer within an insurance holding company system may authorize and cause the insurer to declare and pay any dividend or distribution to its shareholders as the directors deem prudent from the earned surplus of the insurer. An insurer's earned surplus, also known as unassigned funds, shall be determined in accordance with the accounting procedures and practices governing preparation of its annual statement. Dividends which are paid from sources other than an insurer's earned surplus as of the end of the immediately preceding quarter for which the insurer has filed a quarterly or annual statement as appropriate, or are extraordinary dividends or distributions may be paid only as provided in paragraphs (d), (e), and (f).

(b) The insurer shall notify the commissioner within five business days following declaration of a dividend declared pursuant to paragraph (a) and at least ten days prior to its payment. The commissioner shall promptly consider the notification filed pursuant to this paragraph, taking into consideration the factors described in subdivision 4.

(c) The commissioner shall review at least annually the dividends paid by an insurer pursuant to paragraph (a) for the purpose of determining if the dividends are reasonable based upon (1) the adequacy of the level of surplus as regards policyholders remaining after the dividend payments, and (2) the quality of the insurer's earnings and extent to which the reported earnings include extraordinary items, such as surplus relief reinsurance transactions and reserve destrengthening.

(d) No domestic insurer shall pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until: (1) 30 days after the commissioner has received notice of the declaration of it and has not within the period disapproved the payment; or (2) the commissioner has approved the payment within the 30-day period.

(e) For purposes of this section, an extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months exceeds the greater of (1) ten percent of the insurer's surplus as regards policyholders on December 31 of the preceding year; or (2) the net gain from operations of the insurer, if the insurer is a life insurer, or the net income, if the insurer is not a life insurer, not including realized capital gains, for the 12-month period ending on December 31 of the preceding year, but does not include pro rata distributions of any class of the insurer's own securities.

(f) Notwithstanding any other provision of law, an insurer may declare an extraordinary dividend or distribution that is conditional upon the commissioner's approval, and the declaration shall confer no rights upon shareholders until: (1) the commissioner has approved the payment of such a dividend or distribution; or (2) the commissioner has not disapproved the payment within the 30-day period referred to above.

(g) For purposes of state law, dividends paid to an insurer's parent company from an insurer which is a member of an insurance holding company system are not considered income to the parent company.

**[EFFECTIVE DATE.]** This section is effective for dividends paid after December 31, 2000.

Sec. 2. Minnesota Statutes 2000, section 136A.08, subdivision 3, is amended to read:

Subd. 3. [WISCONSIN.] A higher education reciprocity agreement with the state of Wisconsin may include provision for the transfer of funds between Minnesota and Wisconsin ~~provided that an income tax reciprocity agreement between Minnesota and Wisconsin is in effect for the period of time included under the higher education reciprocity agreement.~~ If this provision is included, the amount of funds to be transferred shall be determined according to a formula which is mutually acceptable to the office and a duly designated agency representing Wisconsin. The formula shall recognize differences in tuition rates between the two states and the number of students attending institutions in each state under the agreement. Any payments to Minnesota by Wisconsin shall be deposited by the office in the general fund of the state treasury. The amount required for the payments shall be certified by the director of the office to the commissioner of finance annually.

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

Sec. 3. Minnesota Statutes 2000, section 290.081, is amended to read:

290.081 [INCOME OF NONRESIDENTS, RECIPROCITY.]

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein.

(b) When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of clause paragraph (a) shall not apply. ~~As long as the provisions of clause (a) apply between Minnesota and Wisconsin, the provisions of clause (a) shall apply to any individual who is domiciled in Wisconsin.~~

(c) ~~For the purposes of clause (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without clause (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without clause (a), or vice versa, then the state with the net revenue loss resulting from clause (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.~~

~~Interest shall be payable on all delinquent balances relating to taxable years beginning after December 31, 1977. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due on any delinquent amounts.~~

~~If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.~~

~~The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.~~

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2002.

Sec. 4. Minnesota Statutes 2001 Supplement, section 290.0921, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; charitable contributions under subdivision 5; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to:

(1) a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) a deduction for dividends paid to or received from a corporation which is subject to tax under section 297I.05 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

The deduction under this clause is limited to the amount of distributions of the recipient corporation to another member of the affiliated group of corporations subject to tax under section 297I.05 in the same taxable year.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2000.

Sec. 5. Minnesota Statutes 2001 Supplement, section 290.0921, subdivision 6, is amended to read:

Subd. 6. [DIVIDENDS RECEIVED.] (a) A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.

(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income.

This limitation does not apply to:

(1) dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) dividends paid to or received from a corporation which is subject to tax under section 297I.05 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

The deduction under this clause is limited to the amount of distributions of the recipient corporation to another member of the affiliated group of corporations subject to tax under section 297I.05 in the same taxable year.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2000.

Sec. 6. Minnesota Statutes 2000, section 290.0922, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under section 290.9725 for the taxable year includes a tax equal to the following amounts:



If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:

	less than \$500,000		the tax equals:
\$	500,000 to \$	999,999	\$0 \$50
\$	1,000,000 to \$	4,999,999	\$100 \$150
\$	5,000,000 to \$	9,999,999	\$300 \$450
\$	10,000,000 to \$19,999,999		\$1,000 \$1,500
\$	20,000,000 or more		\$2,000 \$3,000
			\$5,000 \$7,500

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725 and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:

	less than \$500,000		the tax equals:
\$	500,000 to \$	999,999	\$0 \$50
\$	1,000,000 to \$	4,999,999	\$100 \$150
\$	5,000,000 to \$	9,999,999	\$300 \$450
\$	10,000,000 to \$19,999,999		\$1,000 \$1,500
\$	20,000,000 or more		\$2,000 \$3,000
			\$5,000 \$7,500

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2001.

Sec. 7. Minnesota Statutes 2000, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2), and (a)(3), and ~~(a)(4)~~, income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law Number 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:~~

~~(i) the recipient was not a resident of this state for any part of the taxable year in which the wages were received; and~~

~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 24, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

**[EFFECTIVE DATE.]** This section is effective for wages received in tax years beginning after December 31, 2001.

Sec. 8. Minnesota Statutes 2000, section 290.191, subdivision 4, is amended to read:

Subd. 4. **[APPORTIONMENT FORMULA FOR CERTAIN MAIL ORDER BUSINESSES.]** If the business of a corporation, partnership, or proprietorship consists exclusively of the selling of

tangible personal property and services at retail, as defined in section 297A.61, subdivision 4, in response to orders received by United States mail, telephone, facsimile, or other electronic media, and 99 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota based solely upon the percentage that the sales made within this state in connection with its trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period. Property and payroll factors are disregarded. In determining eligibility for this subdivision:

(1) the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities must be disregarded; and

(2) property and payroll at a distribution center outside of Minnesota are disregarded if the sole activity at the distribution center is the filling of orders, and no solicitation of orders occurs at the distribution center.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2001.

Sec. 9. Minnesota Statutes 2001 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989; or

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a corporation which is subject to tax under section 297I.05 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

The deduction under this item is limited to the amount of distributions of the recipient corporation to another member of the affiliated group of corporations subject to tax under section 297I.05 in the same taxable year.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2000.

## ARTICLE 15

### SALES TAX

Section 1. Minnesota Statutes 2000, section 270.60, subdivision 4, is amended to read:

Subd. 4. **[PAYMENTS TO COUNTIES.]** (a) The commissioner shall pay to a county in which an Indian gaming casino is located ten percent of the state share of all taxes generated from activities on reservations and collected under a tax agreement under this section with the tribal government for the reservation located in the county. If the tribe has casinos located in more than one county, the payment must be divided equally among the counties in which the casinos are located.

(b) ~~A county is a qualified county under this subdivision if one of the following conditions is met:~~

~~(1) the county's per capita income is less than 80 percent of the state per capita personal income, based on the most recent estimates made by the United States Bureau of Economic Analysis; or~~

~~(2) 30 percent or more of the total market value of real property in the county is exempt from ad valorem taxation.~~

(e) The commissioner shall make the payments required under this subdivision by February 28 of the year following the year the taxes are collected.

~~(d) (c) An amount sufficient to make the payments authorized by this subdivision, not to exceed \$1,100,000 in any fiscal year, is annually appropriated from the general fund to the commissioner. If the authorized payments exceed the amount of the appropriation, the commissioner shall first proportionately reduce the payments to counties other than qualified counties so that the total amount equals the appropriation. If the authorized payments to qualified counties also exceed the amount of the appropriation, the commissioner shall then proportionately reduce the rate so that the total amount to be paid to qualified counties equals the appropriation.~~

**[EFFECTIVE DATE.]** This section is effective for payments made after December 31, 2002.

Sec. 2. Minnesota Statutes 2001 Supplement, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) For a fiscal year ending before July 1, ~~2002~~ 2006, a vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 62 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 62 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

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

Sec. 3. Minnesota Statutes 2001 Supplement, section 297A.61, subdivision 3, is amended to read:

Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the furnishing, preparing, or serving for a consideration of food or drinks. Notwithstanding section 297A.67, subdivision 2, taxable food includes or drinks include, but is are not limited to, the following:

(1) prepared food sold by the retailer food or drinks sold by the retailer for immediate consumption on the retailer's premises. Food and drinks sold within a building or grounds that require an admission charge for entrance are presumed to be sold for consumption on the premises;

(2) soft drinks food or drinks prepared by the retailer for immediate consumption either on or off the retailer's premises. For purposes of this subdivision, "food or drinks prepared for immediate consumption" means any food product upon which an act of preparation, including, but not limited to, cooking, mixing, sandwich making, blending, heating, or pouring has been performed by the retailer so the food product may be immediately consumed by the purchaser;

(3) candy ice cream, ice milk, frozen yogurt products, or frozen novelties sold in single or individual servings, including, but not limited to, cones, sundaes, and snow cones; and

(4) all food sold through vending machines soft drinks and other beverages, including all carbonated and noncarbonated beverages or drinks sold in liquid form, but not including beverages or drinks which contain milk or milk products, beverages or drinks containing 15 or more percent fruit juice, and noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size;

(5) gum, candy, and candy products;

(6) ice;

(7) all food sold from vending machines;

(8) all food for immediate consumption sold from concession stands and vehicles;

(9) party trays;

(10) all meals and single servings of packaged snack food sold in restaurants and bars; and

(11) bakery products that are:

(i) prepared by the retailer for consumption on the retailer's premises;

(ii) sold at a place that charges admission;

(iii) sold from vending machines; or

(iv) sold in single or individual servings from concession stands, vehicles, bars, and restaurants.

For purposes of this paragraph, "single or individual servings" does not include products when sold in bulk containers or bulk packaging.

For purposes of this paragraph, "premises" means the total space and facilities, including buildings, grounds, and parking lots that are made available or that are available for use by the retailer or customer for the purpose of sale or consumption of prepared food and drinks. The premises of a caterer is the place where the catered food or drinks are served.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of computer software.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property other than the renting or leasing of it for a continuous period of 30 days or more;

(3) parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both one-time initiation fees and periodic membership dues, but do not include fees or charges for pen-raised game or poultry by a game farm or hunting preserve. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities; ~~and~~

(5) delivery of aggregate materials and concrete block; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota department of corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are

not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as members of an affiliated group under United States Code, title 26, section 1504, and that are eligible to file a consolidated tax return for federal income tax purposes.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law if those services:

(1) either (i) originate and terminate in this state; or (ii) originate in this state and terminate outside the state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or (iii) originate outside this state and terminate in this state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or

(2) are rendered by providing a private communications service for which the customer has one or more locations within Minnesota connected to the service and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state.

All charges for mobile telecommunications services, as defined in United States Code, title 4, section 124, are deemed to be provided by the customer's home service provider and sourced to the customer's place of primary use and are subject to tax based upon the customer's place of primary use in accordance with the Mobile Telecommunications Sourcing Act, United States Code, title 4, sections 116 to 126. All other definitions and provisions of the Mobile Telecommunications Sourcing Act as provided in United States Code, title 4, are hereby adopted.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

**[EFFECTIVE DATE.]** This section is effective for sales made after June 30, 2002.

Sec. 4. Minnesota Statutes 2001 Supplement, section 297A.66, subdivision 1, is amended to read:

Subdivision 1. **[DEFINITIONS.]** (a) To the extent allowed by the United States Constitution and the laws of the United States, "retailer maintaining a place of business in this state," or a similar term, means a retailer:

(1) having or maintaining within this state, directly or by a subsidiary or an affiliate, an office, place of distribution, sales or sample room or place, warehouse, or other place of business; or

(2) having a representative, including, but not limited to an affiliate agent, salesperson, canvasser, or solicitor operating in this state under the authority of the retailer or its subsidiary, for any purpose, including the repairing, selling, delivering, installing, or soliciting of orders for the retailer's goods or services, or the leasing of tangible personal property located in this state, whether the place of business or agent, representative, affiliate, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the retailer or, subsidiary, or affiliate is authorized to do business in this state.

(b) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service or a for-hire carrier.

**[EFFECTIVE DATE.]** (a) This section is effective the day following final enactment and is intended to confirm the original intent of the legislature in enacting Minnesota Statutes, section 297A.66, and its predecessor provisions.



(b) A retailer may elect that the provisions of this section apply only to sales it made after August 31, 2002, by notifying the commissioner and by applying for a permit under Minnesota Statutes, section 297A.84, by August 15, 2002, to collect the tax imposed under Minnesota Statutes, chapter 297A. A retailer qualifies under this paragraph only if it:

(1) did not maintain an office, place of distribution, sales or sample room or place, warehouse, or other place of business in Minnesota except through an affiliate or did not have a representative, agent, salesperson, canvasser, or solicitor in Minnesota except through an affiliate; and

(2) has not registered to collect tax under Minnesota Statutes, chapter 297A, as of the date of enactment of this section.

Sec. 5. Minnesota Statutes 2000, section 297A.66, is amended by adding a subdivision to read:

Subd. 4. [AFFILIATED ENTITIES.] (a) An entity is an "affiliate" of the retailer for purposes of subdivision 1, paragraph (a), if:

(1) the entity uses its facilities or employees in this state to advertise, promote or facilitate the establishment or maintenance of a market for sales of items by the retailer to purchasers in this state or for the provision of services to the retailer's purchasers in this state, such as accepting returns of purchases for the retailer, providing assistance in resolving customer complaints of the retailer, or providing other services; and

(2) the retailer and the entity are related parties.

(b) Two entities are related parties under this section if one of the entities meets at least one of the following tests with respect to the other entity:

(1) one or both entities is a corporation, and one entity and any party related to that entity in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of section 318 of the Internal Revenue Code owns directly, indirectly, beneficially, or constructively at least 50 percent of the value of the corporation's outstanding stock;

(2) one or both entities is a partnership, estate, or trust and any partner or beneficiary, and the partnership, estate, or trust and its partners or beneficiaries own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the profits, capital, stock, or value of the other entity or both entities; or

(3) an individual stockholder and the members of the stockholder's family (as defined in section 318 of the Internal Revenue Code) owns directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the value of both entities' outstanding stock.

(c) An entity is an affiliate under the provisions of this subdivision if the requirements of paragraphs (a) and (b) are met during any part of the 12-month period ending on the first day of the month before the month in which the sale was made.

**[EFFECTIVE DATE.]** (a) This section is effective the day following final enactment and is intended to confirm the original intent of the legislature in enacting Minnesota Statutes, section 297A.66, and its predecessor provisions.

(b) A retailer may elect that the provisions of this section apply only to sales it made after August 31, 2002, by notifying the commissioner and by applying for a permit under Minnesota Statutes, section 297A.84, by August 15, 2002, to collect the tax imposed under Minnesota Statutes, chapter 297A. A retailer qualifies under this paragraph only if it:

(1) did not maintain an office, place of distribution, sales or sample room or place, warehouse, or other place of business in Minnesota except through an affiliate or did not have a representative, agent, salesperson, canvasser, or solicitor in Minnesota except through an affiliate; and

(2) has not registered to collect tax under Minnesota Statutes, chapter 297A, as of the date of enactment of this section.

Sec. 6. Minnesota Statutes 2001 Supplement, section 297A.67, subdivision 2, is amended to read:

Subd. 2. ~~[FOOD AND FOOD INGREDIENTS PRODUCTS.] Food and food ingredients are exempt. For purposes of this subdivision, "food" and "food ingredients" mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients do not include candy, soft drinks, food sold through vending machines, and prepared foods. Food and food ingredients do not include alcoholic beverages, dietary supplements, and tobacco. For purposes of this subdivision, "alcoholic beverages" means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume. For purposes of this subdivision, "tobacco" means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco. For purposes of this subdivision, "dietary supplements" means any product, other than tobacco, intended to supplement the diet that:~~

~~(1) contains one or more of the following dietary ingredients:~~

~~(i) a vitamin;~~

~~(ii) a mineral;~~

~~(iii) an herb or other botanical;~~

~~(iv) an amino acid;~~

~~(v) a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; and~~

~~(vi) a concentrate, metabolite, constituent, extract, or combination of any ingredient described in items (i) to (v);~~

~~(2) is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and~~

~~(3) is required to be labeled as a dietary supplement, identifiable by the supplement facts box found on the label and as required pursuant to Code of Federal Regulations, title 21, section 101.36.~~

~~Food products, including, but not limited to, cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, and cocoa and cocoa products are exempt.~~

~~[EFFECTIVE DATE.] This section is effective for sales or purchases made on or after July 1, 2002.~~

Sec. 7. Minnesota Statutes 2000, section 297A.67, subdivision 5, is amended to read:

Subd. 5. [EXEMPT MEALS AT SCHOOLS.] Meals and lunches served at public and private elementary, middle, or secondary schools, universities, or colleges as defined in section 120A.05 are exempt. Meals and lunches served to students at a college, university, and private career school under a board contract, are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2002.

Sec. 8. Minnesota Statutes 2000, section 297A.67, is amended by adding a subdivision to read:

Subd. 13a. [INSTRUCTIONAL MATERIALS.] Instructional materials, other than textbooks, that are prescribed for use in conjunction with a course of study in a post-secondary school, college, university, or private career school to students who are regularly enrolled at such

institutions are exempt. For purposes of this subdivision, "instructional materials" means materials required to be used directly in the completion of the course of study, including, but not limited to, interactive CDs, tapes, and computer software.

Instructional materials do not include general reference works or other items incidental to the instructional process such as pens, pencils, paper, folders, or computers. For purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

**[EFFECTIVE DATE.]** This section is effective for sales after June 30, 2003.

Sec. 9. Minnesota Statutes 2001 Supplement, section 297A.67, subdivision 25, is amended to read:

Subd. 25. [MAINTENANCE OF CEMETERY GROUNDS.] Lawn care and related services used in the maintenance of cemetery grounds are exempt. For purposes of this subdivision, "lawn care and related services" means the services listed in section 297A.61, subdivision 3, paragraph (g), clause (5) (6), item (vi), and "cemetery" means a cemetery for human burial.

Sec. 10. Minnesota Statutes 2001 Supplement, section 297A.67, subdivision 29, is amended to read:

Subd. 29. [ENERGY EFFICIENT PRODUCTS.] (a) A residential lighting fixture or a compact fluorescent bulb is exempt if it has an energy star label.

(b) The following products are exempt if they have an energyguide label that indicates that the product meets or exceeds the standards listed below:

- (1) an electric heat pump hot water heater with an energy factor of at least 1.9;
- (2) a natural gas water heater with an energy factor of at least 0.62; ~~and~~
- (3) a propane gas water heater with an energy factor of at least 0.62;
- (4) a natural gas furnace with an annual fuel utilization efficiency greater than 92 percent; and
- (5) a propane gas furnace with an annual fuel utilization efficiency greater than 92 percent.

(c) A photovoltaic device is exempt. For purposes of this subdivision, "photovoltaic device" means a solid-state electrical device, such as a solar module, that converts light directly into direct current electricity of voltage-current characteristics that are a function of the characteristics of the light source and the materials in and design of the device. A "solar module" is a photovoltaic device that produces a specified power output under defined test conditions, usually composed of groups of solar cells connected in series, in parallel, or in series-parallel combinations.

(d) For purposes of this subdivision, "energy star label" means the label granted to certain products that meet United States Environmental Protection Agency and United States Department of Energy criteria for energy efficiency. For purposes of this subdivision, "energyguide label" means the label that the United States Federal Trade Commissioner requires manufacturers to apply to certain appliances under United States Code, title 16, part 305.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made on or after the day following final enactment and before August 1, 2005.

Sec. 11. Minnesota Statutes 2000, section 297A.67, is amended by adding a subdivision to read:

Subd. 31. [NORTHROP AUDITORIUM.] Sales of admissions to events at the Northrop auditorium are exempt.

**[EFFECTIVE DATE.]** This section is effective for sales or purchases made on or after July 1, 2002.

Sec. 12. Minnesota Statutes 2001 Supplement, section 297A.68, subdivision 3, is amended to read:

Subd. 3. [MATERIALS USED IN PROVIDING CERTAIN TAXABLE SERVICES.] (a) Materials stored, used, or consumed in providing a taxable service listed in section 297A.61, subdivision 3, paragraph (g), clause ~~(5)~~ (6), intended to be sold ultimately at retail are exempt.

(b) This exemption includes, but is not limited to:

(1) chemicals, lubricants, packaging materials, seeds, trees, fertilizers, and herbicides, if these items are used or consumed in providing the taxable service;

(2) chemicals used to treat waste generated as a result of providing the taxable service;

(3) accessory tools, equipment, and other items that are separate detachable units used in providing the service and that have an ordinary useful life of less than 12 months; and

(4) fuel, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of average climate control or lighting, and (ii) it is necessary to produce that particular service.

(c) This exemption does not include machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture, and fixtures used in providing the taxable service.

Sec. 13. Minnesota Statutes 2001 Supplement, section 297A.71, subdivision 23, is amended to read:

Subd. 23. [CONSTRUCTION MATERIALS FOR QUALIFIED LOW-INCOME HOUSING PROJECTS.] (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

(1) the public housing agency or housing and redevelopment authority of a political subdivision;

(2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;

(3) a limited partnership in which the sole general partner is an authority under clause (1) or an entity under clause (2); or

(4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; or

(5) for purposes of qualified low-income housing described in paragraph (b), clause (5), only, an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604.

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

(b) For purposes of this exemption, "qualified low-income housing project" means:

(1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;

(2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit; or

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; or

(5) a housing or mixed-use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937. For a housing or mixed-use project under this clause, the exempt amount must be determined by multiplying each purchase described in paragraph (a) for the project by the ratio of (1) the total gross square footage of units subject to the requirements of section 5 of the United States Housing Act of 1937 to (2) the total gross square footage of all units in the project.

**[EFFECTIVE DATE.]** This section is effective retroactive for sales and purchases made after July 31, 2001. For sales and purchases made after July 31, 2001, and before July 1, 2002, an owner entity under this section may apply on a form prescribed by the commissioner for a refund of the tax paid on the exempt amount as determined under this section.

Sec. 14. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 28. [CONSTRUCTION MATERIALS AND EQUIPMENT; REPLACEMENT AGRICULTURAL PROCESSING FACILITY.] Materials and supplies used or consumed in, and machinery and equipment incorporated into, the construction of a meat-packing or meat-processing facility are exempt if:

- (1) the cost of the project exceeds \$75,000,000; and
- (2) the facility replaces a facility that was destroyed by fire.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made after March 31, 2002, and before January 1, 2005.

Sec. 15. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 29. [HYDROELECTRIC GENERATING FACILITY.] Materials and supplies used or consumed in the construction of a hydroelectric generating facility that meets the requirements of this subdivision are exempt. To qualify for the exemption under this subdivision, a hydroelectric generating facility must:

- (1) utilize two turbine generators at a dam site existing on March 31, 1994;
- (2) be located on publicly owned land and within 2,500 feet of a 13.8 kilovolt distribution circuit; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

**[EFFECTIVE DATE.]** This section is effective for sales made after August 31, 2002, and on or before December 31, 2003.

Sec. 16. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 30. [GUTHRIE THEATER.] Materials, equipment, and supplies used or consumed in construction of the Guthrie Theater, the related parking garage, and the related parking ramp are exempt.

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

Sec. 17. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 31. [CHILDREN'S THEATRE.] Materials, equipment, and supplies used or consumed in construction of a Children's Theatre in the city of Minneapolis are exempt.

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

Sec. 18. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 32. [THIEF RIVER FALLS.] Construction materials and supplies used and consumed in the construction of a community or regional project by the city of Thief River Falls are exempt if the city receives 80 percent or more of the funding for the project from private sources.

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

Sec. 19. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 33. [WALKER ART CENTER.] Materials, equipment, and supplies used or consumed in construction of the Walker Art Center and the related parking garage are exempt.

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

Sec. 20. Minnesota Statutes 2001 Supplement, section 297A.995, subdivision 4, is amended to read:

Subd. 4. [AUTHORITY TO ENTER AGREEMENT.] The commissioner of revenue is authorized and directed to enter into the agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce. In furtherance of the agreement, the commissioner is authorized to act jointly with other states that are members of the agreement to establish standards for certification of a certified service provider and certified automated system and establish performance standards for multistate sellers.

The commissioner of revenue is further directed to negotiate the agreement with the express intention of ensuring uniform sales and use taxation as applied to like-kind transactions.

The commissioner is further authorized to take other actions reasonably required to implement the provisions set forth in this article. Other actions authorized by this section include, but are not limited to, the adoption of rules and regulations and the joint procurement, with other member states, of goods and services in furtherance of the cooperative agreement.

The commissioner or the commissioner's designee is authorized to represent this state before the other states that are signatories to the agreement.

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

Sec. 21. Laws 1990, chapter 604, article 6, section 9, subdivision 1, as amended by Laws 1991, chapter 291, article 8, section 25, is amended to read:

Subdivision 1. [AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 469.190, 477A.016, or other law, in addition to the tax authorized in Laws 1986, chapter 391, section 4, the governing body of the city of Bloomington may impose a tax of up to ~~one~~ two percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more, located in the city. The city may agree with the commissioner of revenue that a tax imposed under this section shall be collected by the commissioner together with the tax imposed by Minnesota Statutes, chapter 297A, and subject to the same interest, penalties, and other rules and that its proceeds, less the cost of collection, shall be remitted to the city. The proceeds of the tax must be used by the Bloomington convention bureau only to market and promote the city as a tourist or

convention center. If the duties of the convention bureau as they existed on January 1, 1991, are assigned to another agency, the tax shall cease.

**[EFFECTIVE DATE; LOCAL APPROVAL.]** This section takes effect the day after the governing body of the city of Bloomington complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 22. Laws 1996, chapter 471, article 2, section 29, is amended to read:

Sec. 29. [CITY OF HERMANTOWN; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales and use tax of up to one percent on sales ~~transactions~~ taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city.

(b) The proceeds of the first one-half of one percent of tax imposed under this section must be used to meet the costs of by the city for the following projects:

- (1) extending a sewer interceptor line;
- (2) construction of a booster pump station, reservoirs, and related improvements to the water system; and
- (3) construction of a police and fire station.

(c) Revenues received from the remaining one-half of one percent of the tax authorized under this section must be used by the city to pay all or part of the capital and administrative costs of developing, acquiring, constructing, and initially furnishing and equipping for the following projects:

- (1) construction of a community education and recreation center that includes a senior citizens center, fitness center, swimming pool, community meeting and education room, community technology library, and indoor track;
- (2) renovation or construction of an addition to the school's existing ice facility;
- (3) construction of a new city hall;
- (4) construction of a new public works garage;
- (5) construction of frontage roads and other traffic control measures along Highway 53 within the city of Hermantown; and
- (6) construction of bleachers, and outdoor soccer, football, and track facilities at the school.

(d) Authorized expenses include, but are not limited to, acquiring property, paying construction, administrative, and operating expenses related to the development of the projects listed in paragraph (c), paying debt service on bonds or other obligations, including lease obligations, issued to finance construction, expansion, or improvement of the projects listed in paragraph (c), and other compatible uses, including but not limited to, parking, lighting, and landscaping.

Subd. 2. [REFERENDUM.] (a) If the Hermantown city council proposes to impose the sales tax authorized by this section, it shall conduct a referendum on the issue.

(b) If the Hermantown city council initially imposes the tax at a rate less than one percent and proposes increasing it at a later date up to the authorized rate in subdivision 1, it shall conduct a referendum on the increase.

(c) The question of imposing or increasing the tax must be submitted to the voters at a special

or general election. The tax may not be imposed unless a majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. This subdivision applies notwithstanding any city charter provision to the contrary.

Subd. 3. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF TAXES.] A sales tax imposed under this section must be reported and paid to the commissioner of revenue with the state sales taxes, and be subject to the same penalties, interest, and enforcement provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of collection, shall be remitted at least quarterly to the city. The commissioner shall deduct from the proceeds remitted an amount that equals the indirect statewide cost as well as the direct and indirect department costs necessary to administer, audit, and collect the tax. The amount deducted shall be deposited in the state general fund.

Subd. 3a. [BONDING AUTHORITY.] (a) The city may issue general obligation bonds under Minnesota Statutes, chapter 475, to finance the costs in subdivision 1, paragraph (c). The total amount of bonds issued for the projects under subdivision 1, paragraph (c), may not exceed \$12,900,000 in the aggregate. An election to approve the bonds is not required.

(b) The bonds are not included in computing any debt limitation applicable to the city and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(c) The taxes authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them.

Subd. 4. [TERMINATION.] The portion of the tax authorized under this section to finance the improvements described in subdivision 1, paragraph (b), terminates at the later of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the second month next succeeding a determination by the city council that sufficient funds have been received from that portion of the tax dedicated to finance the those improvements described in subdivision 1, clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the improvements. The portion of the tax authorized under this section to finance the improvements described in subdivision 1, paragraph (c), terminates when the revenues raised are sufficient to finance those improvements, up to an amount equal to \$12,900,000 plus any interest, premium, and other costs associated with the bonds issued under subdivision 3a. The city council may terminate this portion of the tax earlier. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

Subd. 5. [LOCAL APPROVAL; EFFECTIVE DATE.] This section is effective the day after final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Hermantown.

[EFFECTIVE DATE.] This section is effective the day after final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Hermantown.

Sec. 23. Laws 1998, chapter 389, article 8, section 37, subdivision 2, is amended to read:

Subd. 2. [APPOINTMENT OF MEMBERS.] The citizen review panel must consist of 17 members, each of whom represents one of the district councils consists of three residents from each of the seven city council wards, for a total of 21 members. The mayor must appoint the members, and the appointments are subject to confirmation by a majority vote of the city council. Members serve for a term of four years. Elected officials and employees of the city are ineligible to serve as members of the panel.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of St. Paul and compliance with Minnesota Statutes, section 645.021.

Sec. 24. Laws 2001, First Special Session chapter 5, article 12, section 11, the effective date, is amended to read:



[EFFECTIVE DATE.] This section is effective for January 1, 2002, however, for contracts entered into before January 1, 2002, the sale price for aggregate materials and concrete block does not include delivery charges until January 1, 2005.

Sec. 25. Laws 2001, First Special Session chapter 5, article 12, section 82, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective January 1, 2003 for sales and purchases made after December 31, 2005.

Sec. 26. [ROCHESTER LODGING TAX.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional tax of two percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 2. [DISPOSITION OF PROCEEDS.] The gross proceeds from any tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

[EFFECTIVE DATE.] This section is effective for lodging furnished on or after July 1, 2002.

Sec. 27. [REPEALER.]

(a) Minnesota Statutes 2000, section 297A.68, subdivision 26, is repealed effective for sales and purchases made after June 30, 2003.

(b) Minnesota Statutes 2001 Supplement, section 297A.61, subdivision 31, is repealed, effective July 1, 2002.

## ARTICLE 16 PROPERTY TAX

Section 1. Minnesota Statutes 2001 Supplement, section 126C.21, subdivision 4, is amended to read:

Subd. 4. [TACONITE DEDUCTIONS.] (1) Notwithstanding any provisions of any other law to the contrary, the adjusted net tax capacity used in calculating general education aid may include only that property that is currently taxable in the district.

(2) For districts that received payments under sections 298.018; 298.225; 298.28; 298.34 to 298.39; 298.391 to 298.396; and 298.405, ~~or~~ any law imposing a tax upon severed mineral values; or recognized revenue under section 477A.15; the general education aid must be reduced in the final adjustment payment by the difference between the dollar amount of the payments received pursuant to those sections, or revenue recognized under section 477A.15 in the fiscal year to which the final adjustment is attributable and the amount that was calculated, pursuant to section 126C.48, subdivision 8, as a reduction of the levy attributable to the fiscal year to which the final adjustment is attributable. If the final adjustment of a district's general education aid for a fiscal year is a negative amount because of this clause, the next fiscal year's general education aid to that district must be reduced by this negative amount in the following manner: there must be withheld from each scheduled general education aid payment due the district in such fiscal year, 15 percent of the total negative amount, until the total negative amount has been withheld. The amount reduced from general education aid pursuant to this clause must be recognized as revenue in the fiscal year to which the final adjustment payment is attributable.

Sec. 2. [126C.445] [TREE GROWTH REPLACEMENT REVENUE.]

For taxes payable in 2003 and later, a school district may levy an amount not to exceed its miscellaneous revenue for tree growth revenue for taxes payable in 2002.

Sec. 3. Minnesota Statutes 2001 Supplement, section 126C.48, subdivision 8, is amended to read:

Subd. 8. [TACONITE PAYMENT AND OTHER REDUCTIONS.] (1) Reductions in levies pursuant to sections 126C.48, subdivision 1, and 273.138, must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 298.018; 298.225; 298.28, except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values; or recognized revenue under section 477A.15 must not include a portion of these aids in their permissible levies pursuant to those sections, but instead must reduce the permissible levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized under section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized under section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times five percent.

For levy year 2002 only, 77 percent of the amounts distributed under section 298.225; 298.28 except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); and 100 percent of the amounts distributed under sections 298.018; 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values, or recognized revenue under section 477A.15 shall be used for purposes of the calculations under this paragraph.

~~(3) The amount of any increased levy authorized by referendum pursuant to section 126C.17, subdivision 9, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by section 126C.43, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision. In no instance may this subdivision reduce the levy of a school district before application of this subdivision by greater than 75 percent.~~

(4) Before computing the reduction pursuant to this subdivision of the health and safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

~~(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 298.018; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values; and not deducted from general education aid pursuant to section 126C.21, subdivision 4, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the St. Louis county auditor in the following amount by March 15 of each year, the amount required to be subtracted from the previous fiscal year's general education aid pursuant to section 126C.21, subdivision 4, which is in excess of the general education aid earned for that fiscal year. The county auditor shall deposit any amounts received pursuant to this clause in the St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135. To the extent the levy reduction calculated under paragraph 2 exceeds the limitation in paragraph 3, an amount equal to the excess must be distributed from the school district's distribution under sections 298.225 and 298.28 in the following year to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution. The commissioner of revenue shall certify the distributions of cities and towns under this paragraph to the county auditor by September 30 of the year preceding distribution. The county auditor shall reduce the proposed and final levies of cities and towns receiving distributions by the amount of their distribution. Distributions to the cities and towns shall be made at the times provided under section 298.27.~~

## Sec. 4. [177.356] [TAX-SUBSIDIZED ENERGY PROJECTS.]

Construction, erection, remodeling, or repair of an electric energy generating plant or other energy facility that is specifically identified by a law and granted special tax treatment by that law is a project as defined in section 177.42, subdivision 2. A contract for such a project must comply with section 177.43.

Sec. 5. Minnesota Statutes 2001 Supplement, section 272.02, subdivision 22, is amended to read:

Subd. 22. [WIND ENERGY CONVERSION SYSTEMS.] ~~(a) Small scale wind energy conversion systems installed after January 1, 1991, and used as an electric power source are exempt.~~

~~"Small scale wind energy conversion systems" are wind energy conversion systems, as defined in section 216C.06, subdivision 12, including the foundation or support pad, which (i) are used as an electric power source; (ii) are located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings.~~

~~(b) Medium scale wind energy conversion systems installed after January 1, 1991, are treated as follows: (i) the foundation and support pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt. "Medium scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which: (i) are used as an electric power source; (ii) are located within one county and owned by the same owner; and (iii) produce more than two but equal to or less than 12 megawatts of energy as measured by nameplate ratings.~~

~~(c) Large scale wind energy conversion systems installed after January 1, 1991, are treated as follows: 25 percent of the market value of all property is taxable, including (i) the foundation and support pad; (ii) the associated supporting and protective structures; and (iii) the turbines, blades, transformers, and its related equipment. "Large scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which (i) are used as an electric power source; and (ii) produce more than 12 megawatts of energy as measured by nameplate ratings.~~

~~(d) The total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:~~

- ~~(1) located within five miles of the wind energy conversion system;~~
- ~~(2) constructed within the same calendar year as the wind energy conversion system; and~~
- ~~(3) under common ownership.~~

~~In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.~~

~~(e) In making a determination under paragraph (d), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.~~

All real and personal property of a wind energy conversion system as defined in section 272.029, subdivision 2, is exempt from property tax in lieu of payments received under section 272.028 or 272.029, except the land on which it is located remains taxable.

Sec. 6. Minnesota Statutes 2000, section 272.02, subdivision 42, is amended to read:

Subd. 42. [PROPERTY LEASED TO SCHOOL DISTRICTS.] Property that is leased or rented to a school district is exempt from taxation if it meets the following requirements:

- (1) the lease must be for a period of at least 12 consecutive months;
- (2) the terms of the lease must either:
  - (i) require the school district to pay a nominal consideration for use of the building; or
  - (ii) provide that the consideration that would otherwise be charged to the school district for lease or rental of the property, which must be no greater than market rent, will be reduced by an amount equal to the property tax foregone due to the exemption, as verified by the assessor. The owner of the property must provide the information required by the assessor to verify these conditions;

(3) the school district must use the property to provide direct instruction in any grade from kindergarten through grade 12; special education for handicapped children; adult basic education as described in section 124D.52; preschool and early childhood family education; or community education programs, including provision of administrative services directly related to the educational program at that site; and

(4) the lease must provide that the school district has the exclusive use of the property during the lease period.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 and thereafter.

Sec. 7. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 50. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a combined cycle natural gas turbine electric generation facility of 43 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize a combined cycle gas turbine generator fueled by natural gas;
- (2) be connected to an existing 115-kilovolt high-voltage electric transmission line that is within one mile of the facility;
- (3) be located on an underground natural gas storage aquifer;
- (4) be designed as an intermediate load facility; and
- (5) have received, by resolution, the approval from the governing body of the county for the exemption of personal property under this subdivision.

Construction of the facility must be commenced after January 1, 2002, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

**[EFFECTIVE DATE.]** This section is effective for the 2002 assessment and thereafter.

Sec. 8. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 51. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility of more than 40 megawatts and less than 50 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be located within two miles of parallel existing 36-inch natural gas pipelines and an existing 115-kilovolt high-voltage electric transmission line;
- (3) be designed to provide peaking, emergency backup, or contingency services; and
- (4) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422.

Construction of the facility must be commenced after January 1, 2001, and before January 1, 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

**[EFFECTIVE DATE.]** This section is effective for the 2002 assessment and thereafter.

Sec. 9. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 52. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must be sited on an energy park that (i) is located on an active mining site, or on a former mining or industrial site where mining or industrial operations have terminated, (ii) is within a tax relief area as defined in section 273.134, (iii) has on-site access to existing railroad infrastructure, (iv) has direct rail access to a Great Lakes port, (v) has sufficient private water resources on site, and (vi) is designed to host at least 500 megawatts of electrical generation.

Construction of the first 250 megawatts of the facility must be commenced after January 1, 2002, and before January 1, 2005. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, 2010.

**[EFFECTIVE DATE.]** This section is effective for assessment year 2003 and thereafter.

Sec. 10. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 53. [SMALL BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction the facility must:

- (1) have a generation capacity of less than 25 megawatts;
- (2) provide process heating needs in addition to electrical generation; and
- (3) utilize agricultural by-products from the malting process and other biomass fuels as its primary fuel source.

Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

**[EFFECTIVE DATE.]** This section is effective for assessment year 2003, and thereafter.

Sec. 11. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 54. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 3.2 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize two turbine generators at a dam site existing on March 31, 1994;

(2) be located on publicly owned land and within 2,500 feet of a 13.8 kilovolt distribution circuit; and

(3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after January 1, 2002, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

**[EFFECTIVE DATE.]** This section is effective for the 2002 assessment and thereafter.

Sec. 12. Minnesota Statutes 2001 Supplement, section 272.028, is amended to read:

272.028 [PAYMENT IN LIEU OF PERSONAL PROPERTY TAX; WIND GENERATION FACILITIES.]

A developer of a new or existing ~~medium or large scale~~ wind energy conversion system, as defined under section 272.02, subdivision 22, paragraphs (b) and (c); 272.029, subdivision 2, may negotiate with the ~~city or town and the county~~ where the wind energy conversion system is located to establish a payment in lieu of tax on personal property used to generate electric power. The in lieu payment is to provide fees or compensation to the host jurisdictions to maintain public infrastructure and services. A host jurisdiction includes a city or town and the county in which a facility is located. The payment in lieu of personal property tax may be based on production capacity, historical production, or other factors agreed upon by the parties. The payment in lieu of tax agreement must be signed by the parties and filed with the commissioner of revenue and the county recorder. Upon execution and filing of the agreement, the personal property to which the in lieu payment applies shall be deemed exempt from tax under section 272.02, subdivision 22, paragraphs (b) and (c). This exemption shall be effective for the assessment year in which the in lieu payment is agreed upon and shall remain exempt for the same duration as the in lieu payments are in effect.

Sec. 13. [272.029] [WIND ENERGY PRODUCTION TAX.]

Subdivision 1. [PRODUCTION TAX.] A tax is imposed on the production of electricity from a wind energy conversion system installed after January 1, 1991, and that is used as an electric power source.

Subd. 2. [DEFINITIONS.] (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given that term in section 216C.06, subdivision 12;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of between 2 and 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(4) "small scale wind energy conversion system" means a wind energy conversion system of 2 megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) The total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

- (2) constructed within the same calendar year as the wind energy conversion system; and
- (3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

Subd. 3. [RATE OF TAX.] The owner of a wind energy conversion system shall pay a tax based on the following schedule:

(1) for a large scale wind energy conversion system, .12 cents per kilowatt-hour of electricity produced by the system; and

(2) for a medium scale wind energy conversion system, .036 cents per kilowatt-hour of electricity produced by the system; and

(3) for a small scale wind energy conversion system of less than 2 megawatts, but greater than .25 megawatts capacity, .012 cents per kilowatt-hour of electricity produced by the system; and

(4) small scale wind energy conversion systems with the capacity of .25 megawatts or less, and small scale energy conversion systems with a capacity of less than two megawatts that are owned by a political subdivision, are exempt from the wind energy production tax.

Subd. 4. [REPORTS.] An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before March 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this subdivision for the current year. If an owner of a wind energy conversion system subject to taxation under subdivision 3 fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 40 percent.

On or before March 31, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

Subd. 5. [PAYMENT OF TAX; COLLECTION.] The amount of production tax determined under subdivision 4 must be paid to the county treasurer at the time and in the manner provided for payment of property taxes under section 277.01, subdivision 3, and, if unpaid, are subject to the same enforcement, collection, and interest and penalties as delinquent personal property taxes. Except to the extent inconsistent with this section, the provisions of section 277.01 to 277.24 and 278.01 to 278.13 apply to the taxes imposed under this section, and for purposes of those provisions the taxes imposed under this section are considered personal property taxes.

Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor and the county treasurer to all taxing jurisdictions in which the wind energy conversion system is located, in the same proportion that each of the taxing jurisdiction's current year's net tax capacity based tax rate is to the current year's total net tax capacity based rate.

Subd. 7. [ALTERNATIVE PAYMENT FOR CURRENT FACILITIES.] Prior to December 31, 2002, facilities installed or contracted for before January 1, 2002, may negotiate a payment in

lieu of wind energy production tax pursuant to section 272.028. Any wind energy conversion systems installed or contracted for between January 1, 1991, and January 1, 2002, for which an agreement is executed pursuant to section 272.028 is exempt from the wind energy production tax established in this section.

[EFFECTIVE DATE.] This section is effective for all energy produced by wind energy conversion systems as of January 1, 2003.

Sec. 14. Minnesota Statutes 2000, section 273.11, subdivision 16, is amended to read:

Subd. 16. [VALUATION EXCLUSION FOR CERTAIN IMPROVEMENTS.] Improvements to homestead property made before January 2, ~~2003~~ 2013, shall be fully or partially excluded from the value of the property for assessment purposes provided that (1) the house is at least 45 years old at the time of the improvement and (2) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than \$400,000.

For purposes of determining this eligibility, "house" means land and buildings.

The age of a residence is the number of years since the original year of its construction. In the case of a residence that is relocated, the relocation must be from a location within the state and the only improvements eligible for exclusion under this subdivision are (1) those for which building permits were issued to the homeowner after the residence was relocated to its present site, and (2) those undertaken during or after the year the residence is initially occupied by the homeowner, excluding any market value increase relating to basic improvements that are necessary to install the residence on its foundation and connect it to utilities at its present site. In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. The improvements for a single project or in any one year must add at least \$5,000 to the value of the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader or construction of or improvements to no more than one two-car garage per residence qualify for the provisions of this subdivision. If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for exclusion under this subdivision provided that a building permit was obtained for the improvement between January 2, 1992, and January 2, 1993. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application must be filed within three years of the date the building permit was issued for the improvement. If the property lies in a jurisdiction which is not subject to a building permit process, the application must be filed within three years of the date the improvement was made. The assessor may require proof from the taxpayer of the date the improvement was made. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

No exclusion for an improvement may be granted by a local board of review or county board of equalization, and no abatement of the taxes for qualifying improvements may be granted by the county board unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed.

The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made. After ten years the amount of the qualifying value shall be added back as follows:

(1) 50 percent in the two subsequent assessment years if the qualifying value is equal to or less than \$10,000 market value; or



(2) 20 percent in the five subsequent assessment years if the qualifying value is greater than \$10,000 market value.

If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

The total qualifying value for a homestead may not exceed \$50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed \$25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70 years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The \$25,000 and \$50,000 maximum qualifying value under this subdivision may result from multiple improvements to the homestead.

If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increases the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

Sec. 15. Minnesota Statutes 2000, section 273.11, is amended by adding a subdivision to read:

Subd. 20. [VALUATION OF CLASS 4D CERTIFIED PROPERTY.] In determining the market value of class 4d rental property certified under section 462A.071, the assessor shall reduce the value of the property by its restricted use value. "Restricted use value" is the amount of market value reduction that results from the restrictions on uses that qualify the property for certification as class 4d under section 273.13, subdivision 25, paragraph (e). The assessor shall determine the restricted use value of the property using guidelines set by the commissioner of revenue.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2003, payable in 2004, and thereafter.

Sec. 16. Minnesota Statutes 2001 Supplement, section 273.124, subdivision 11, is amended to read:

Subd. 11. [LIMITATION ON HOMESTEAD REDUCTIONS.] If the assessor has classified a property as both homestead and nonhomestead, the greater of (1) the value attributable to the portion of the property classified as class 1 or class 2a; or (2) \$76,000, is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23. The limitation in this subdivision does not apply to buildings containing fewer than four residential units or to a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead. Treatment of property under this paragraph terminates when (1) the property is sold or (2) the property is no longer used for homestead purposes by the person homesteading it for taxes payable in 2001.

If the assessor has classified a property as both homestead and nonhomestead, the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

**[EFFECTIVE DATE.]** This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 17. Minnesota Statutes 2001 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a class rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any blind person, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total household income, as defined in section 290A.03, subdivision 5, from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and

(iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. The first \$500,000 of market value of class 1c property has a class rate of one percent, and the remaining market value of class 1c property has a class rate of one percent, with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

(e) Class 1e includes property used as a bed and breakfast lodging facility. As used in this subdivision, a "bed and breakfast lodging facility" means property that:

(1) provides rooms for rent to guests who are staying for a continuous period of less than 30 days;

(2) is located on the same parcel as the homestead of the owner or a parcel contiguous to the parcel on which the homestead of the owner is located;

(3) does not include a facility at which meals are regularly provided to the public, other than meals served to persons who rent rooms, or meals provided at special events which must be conducted at no more than 12 times each year; and

(4) is zoned as residential property.

The market value of class 1e property has the same class rates as class 1a property under paragraph (a).

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 and thereafter.

Sec. 18. Minnesota Statutes 2001 Supplement, section 273.1384, subdivision 2, is amended to read:

Subd. 2. [AGRICULTURAL HOMESTEAD MARKET VALUE CREDIT.] Property classified as class 2a agricultural homestead is eligible for an agricultural credit. The credit is equal to ~~0.2~~ 0.3 percent of the first \$115,000 of the property's market value. The credit under this subdivision is limited to ~~\$230~~ \$345 for each homestead.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 and thereafter.

Sec. 19. Minnesota Statutes 2000, section 273.1398, subdivision 3, is amended to read:

Subd. 3. [DISPARITY REDUCTION AID.] For taxes payable in ~~1995~~ 2003, and subsequent years, the amount of disparity aid certified for each taxing district within each unique taxing jurisdiction for ~~taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed. For the purposes of this aid determination, disparity reduction aid certified for taxes payable in the prior year for a taxing entity other than a town or school district is deemed to be county government disparity reduction aid. For taxes payable in 1992 and subsequent years, shall equal 87 percent of its disparity reduction aid for taxes payable in 2001. The amount of disparity aid certified to each taxing jurisdiction shall be reduced by any reductions required in the current year or permanent reductions required in previous years under section 477A.0132.~~

Sec. 20. Minnesota Statutes 2001 Supplement, section 275.025, subdivision 1, is amended to read:

Subdivision 1. [LEVY AMOUNT.] The state general levy is levied against commercial-industrial property and seasonal recreational property, as defined in this section. The state general levy on seasonal recreational property is ~~\$592,000,000~~ \$31,200,000 for taxes payable in ~~2002~~ 2003. For taxes payable in subsequent years, the levy on seasonal recreational property is increased each year by multiplying the amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The state general levy on commercial-industrial property is imposed at the rate of 57.933 percent for taxes payable in 2003 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F. Beginning in fiscal year 2004, and in each year thereafter, the commissioner of finance shall deposit in an education reserve account, which account is hereby established, the increased amount of the state general levy received for deposit in the general fund for that year over the amount of the state general levy received for deposit in the general fund in fiscal year 2003 except that the proceeds of the levy imposed on electric generation attached machinery is deposited in the general fund. The amounts in the education reserve account do not lapse or cancel each year, but remain until appropriated by law for education aid or higher education funding.

Sec. 21. Minnesota Statutes 2001 Supplement, section 275.025, subdivision 2, is amended to read:

Subd. 2. [COMMERCIAL-INDUSTRIAL TAX CAPACITY.] For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, except for 25 percent of the value of electric generation attached machinery under class 3 and all property described in section 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and thereafter.

Sec. 22. Minnesota Statutes 2001 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state determined portion of the school district levy, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, state determined school tax net of the education homestead credit under section 273.1382, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year;

(ii) the tax change due to spending factors, defined as the proposed tax minus the constant spending tax amount;

(iii) the tax change due to other factors, defined as the constant spending tax amount minus the actual current year tax; and

(iv) the proposed tax amount.

In the case of a town or the state determined school tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school

district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul library agency shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

- (2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and
- (3) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) If a statutory or home rule charter city or a town has exercised the local levy option provided by section 473.388, subdivision 7, it may include in the notice of its proposed taxes the amount of its proposed taxes attributable to its exercise of the option. In the first year of the city or town's exercise of this option, the statement shall include an estimate of the reduction of the metropolitan council's tax on the parcel due to exercise of that option. The metropolitan council's levy shall be adjusted accordingly.

Sec. 23. Minnesota Statutes 2000, section 275.08, subdivision 1d, is amended to read:

Subd. 1d. [ADDITIONAL ADJUSTMENT.] If, after computing each local government's adjusted local tax rate within a unique taxing jurisdiction pursuant to subdivision 1c, the auditor finds that the total adjusted local tax rate of all local governments combined is less than ~~90 percent of gross tax capacity for taxes payable in 1989 and~~ 90 50 percent of net tax capacity for taxes payable in 1990 2003 and thereafter, the auditor shall increase each local government's adjusted local tax rate proportionately so the total adjusted local tax rate of all local governments combined equals 90 50 percent. The total amount of the increase in tax resulting from the increased local tax rates must not exceed the amount of disparity aid allocated to the unique taxing district under section 273.1398. The auditor shall certify to the department of revenue the difference between the disparity aid originally allocated under section 273.1398, subdivision 3, and the amount necessary to reduce the total adjusted local tax rate of all local governments combined to 90 50 percent. Each local government's disparity reduction aid payment under section 273.1398, subdivision 6, must be reduced accordingly.

Sec. 24. Minnesota Statutes 2001 Supplement, section 275.70, subdivision 5, is amended to read:

Subd. 5. [SPECIAL LEVIES.] "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that didn't exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353 that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (5), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the department of corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the department of corrections. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) for counties only, to pay the costs reasonably expected to be incurred in 2002 related to the redistricting of election districts and establishment of election precincts under sections 204B.135 and 204B.14, the notice required by section 204B.14, subdivision 4, and the reassignment of voters in the statewide registration system, not to exceed \$1 per capita, provided that the county shall distribute a portion of the amount levied under this clause equal to 25 cents times the population of the city to all cities in the county with a population of 30,000 or more; ~~and~~

(15) to pay for court administration costs as required under section 273.1398, subdivision 4b; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this section is limited to one-third of the aid reduction under section 273.1398, subdivision 4a; and

(16) to pay amounts attributable to increases in the cost of health insurance coverage purchased by the local government unit for its employees, to the extent the amount reasonably anticipated to



be payable for that purpose in the year in which the taxes are payable exceeds the amount paid for that purpose in calendar year 2001.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 only.

Sec. 25. Minnesota Statutes 2001 Supplement, section 275.71, subdivision 2, is amended to read:

Subd. 2. [LEVY LIMIT BASE.] (a) The levy limit base for a local governmental unit for taxes levied in 2001 is equal to the greater of:

(1) the sum of its adjusted levy limit base for taxes levied in 1999 plus the amount it levied in 1999 under Minnesota Statutes 1999 Supplement, section 275.70, subdivision 5, clauses (8) and (13), multiplied by:

(i) one plus the percentage growth in the implicit price deflator for the 12-month period ending March 30, 2000;

(ii) one plus a percentage equal to the annual percentage increase in the estimated number of households, if any, for the most recent 12-month period that was available on July 1, 2000; and

(iii) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 24, except for state-assessed utility and railroad operating property, for the most recent year for which data was available as of July 1, 2000; or

(2) an amount equal to:

(i) the sum of the amount it levied in 2000 plus the amount of aids it was certified to receive in calendar year 2001 under sections 273.1398, 298.282, 477A.011 to 477A.03, prior to any aid reductions under section 273.1399, subdivision 5, 477A.06, and 477A.065; less

(ii) the amount it levied in 2000 that would qualify as special levies under section 275.70, subdivision 6, for taxes levied in 2001. The local governmental unit shall provide the commissioner of revenue with sufficient information to make this calculation.

(b) If the governmental unit was not subject to levy limits for taxes levied in 1999, its levy limit base for taxes levied in 2001 is equal to the amount calculated under paragraph (a), clause (2).

(c) The levy limit base for a local governmental unit for taxes levied in 2002 is equal to its adjusted levy limit base in the previous year, plus the amount of tree growth tax it received in calendar year 2001 under sections 270.31 to 270.39, and subject to any adjustments under section 275.72.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 only.

Sec. 26. Minnesota Statutes 2001 Supplement, section 275.71, subdivision 4, is amended to read:

Subd. 4. [ADJUSTED LEVY LIMIT BASE.] (a) For taxes levied in 2001 and 2002, the adjusted levy limit base is equal to the levy limit base computed under subdivisions 2 and 3 or section 275.72, multiplied by:

(1) one plus a percentage equal to the percentage growth in the implicit price deflator, provided that the increase under this clause shall be no less than two percent;

(2) one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 24, except for state-assessed utility and railroad operating property, for the most recent year for which data is available.

(b) For counties only, for taxes levied in 2001 and 2002, the adjusted levy limit base is also reduced by any amount of levy reduction required under section 275.07, subdivision 1, paragraph (b), clause (ii).

Sec. 27. Minnesota Statutes 2001 Supplement, section 298.225, subdivision 1, is amended to read:

Subdivision 1. (a) The distribution of the taconite production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), ~~40.5~~ 31.2 percent of the amount distributed pursuant to this section and section 298.28, with respect to ~~1983~~ production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

Sec. 28. Minnesota Statutes 2000, section 298.27, is amended to read:

298.27 [COLLECTION AND PAYMENT OF TAX.]

The taxes provided by section 298.24 shall be paid directly to each eligible county and the iron range resources and rehabilitation board. The commissioner of revenue shall notify each producer of the amount to be paid each recipient prior to February 15. Every person subject to taxes imposed by section 298.24 shall file a correct report covering the preceding year. The report must contain the information required by the commissioner. The report shall be filed on or before February 1. A remittance equal to 50 percent of the total tax required to be paid hereunder in 2003 and 100 percent of the total tax required to be paid hereunder in 2004 and thereafter shall be paid on or before February 24. A remittance equal to the remaining total tax required to be paid hereunder in 2003 shall be paid on or before August 24. On or before February 25, and in 2003, August 25, the county auditor shall make distribution of the ~~payment~~ payments previously received by the county in the manner provided by section 298.28. Reports shall be made and hearings held upon the determination of the tax in accordance with procedures established by the commissioner of revenue. The commissioner of revenue shall have authority to make reasonable rules as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such rules may require the production of such information as may be reasonably necessary or convenient for the determination and apportionment of the tax. All the provisions of the occupation tax law with reference to the assessment and determination of the occupation tax, including all provisions for appeals from or review of the orders of the commissioner of revenue relative thereto, but not including provisions for refunds, are applicable to the taxes imposed by section 298.24 except in so far as inconsistent herewith. If any person subject to section 298.24 shall fail to make the report provided for in this section at the time and in the manner herein

provided, the commissioner of revenue shall in such case, upon information possessed or obtained, ascertain the kind and amount of ore mined or produced and thereon find and determine the amount of the tax due from such person. There shall be added to the amount of tax due a penalty for failure to report on or before February 1, which penalty shall equal ten percent of the tax imposed and be treated as a part thereof.

If any person responsible for making a tax payment at the time and in the manner herein provided fails to do so, there shall be imposed a penalty equal to ten percent of the amount so due, which penalty shall be treated as part of the tax due.

In the case of any underpayment of the tax payment required herein, there may be added and be treated as part of the tax due a penalty equal to ten percent of the amount so underpaid.

A person having a liability of \$120,000 or more during a calendar year must remit all liabilities by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

Sec. 29. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] (a) ~~22.28~~ 17.15 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c), except as otherwise provided in paragraph (f).

(b) ~~4.46~~ 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) ~~17.82~~ 13.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts in which the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution from a fund that receives a distribution in 1998 of 21.3 cents per ton. On July 15 of 1999, and each year thereafter, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve \$25 times the number of pupil units in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of children, families, and learning.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) ~~Effective with for the distribution in 2003 and thereafter only,~~ five percent of the distributions to school districts under paragraphs (b), (c), and (e); subdivision 6, paragraph (c); subdivision 11; and 100 percent of the distributions to school districts under section 477A.15, shall be distributed to the general fund. ~~The remainder shall be distributed to the cities and townships within each school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution added to the sums available for expenditure under section 298.293 as governed by section 298.296.~~

Sec. 30. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 6, is amended to read:

Subd. 6. [PROPERTY TAX RELIEF.] (a) In 2002 and thereafter, 35.9 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), and less any amount required to be deducted under paragraph (d), must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, ~~.7282~~ .5607 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

(d) Two cents per taxable ton must be deducted from the amount allocated to the St. Louis county auditor under paragraph (a).

Sec. 31. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. [TACONITE ECONOMIC DEVELOPMENT FUND.] (a) 30.1 cents per ton for distributions in 2002 and thereafter must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in 2004 or any subsequent year in which total industry production falls below 30 million tons. Distribution shall only be made to a taconite producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

Sec. 32. Minnesota Statutes 2000, section 298.28, subdivision 9b, is amended to read:

Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per ton for distributions in 1999, 2000, 2001, and 2002, and 2003 must be paid to the taconite environmental fund for use under section 298.2961. ~~No distribution may be made under this paragraph in any year in which total industry production falls below 30,000,000 tons.~~

Sec. 33. Minnesota Statutes 2000, section 298.28, subdivision 11, is amended to read:

Subd. 11. [REMAINDER.] (a) The proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in subdivisions 2 to 10a, as certified by the commissioner of revenue, and paragraphs (b), (c), and (d), and (e) have been made, together with interest earned on all money distributed under this section prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(b) There shall be distributed to each city, town, and county the amount that it received under section 294.26 in calendar year 1977; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake county and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake county and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(c) There shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22. The amount distributed under this paragraph shall be expended within or for the benefit of the tax relief area defined in section 273.134.

(d) There shall be distributed to each school district ~~81~~ 62 percent of the amount that it received under section 294.26 in calendar year 1977.

(e) In 2003 only, \$100,000 must be distributed to a township located in a taconite tax relief area as defined in section 273.134, paragraph (a), that received \$119,259 of homestead and agricultural credit aid and \$182,014 in local government aid in 2001.

Sec. 34. Minnesota Statutes 2001 Supplement, section 298.296, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURE OF FUNDS.] ~~Before January 1, 2003,~~ (a) Funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust.

(b) Additionally, upon recommendation by the board, up to \$13,000,000 from the corpus of the trust may be made available for use as provided in subdivision 4, and up to \$10,000,000 from the corpus of the trust may be made available for use as provided in section 298.2961.

(c) ~~On and after January 1, 2003, Funds may be expended on projects and for administration from any assets of the trust~~ Additionally, an amount equal to 20 percent of the value of the corpus of the trust on the date of enactment of this act, not including the funds authorized in paragraph

(b), may be expended on projects and for administration from any assets of the trust. Funds may be expended under this paragraph only if approved by the board upon an affirmative vote of at least ten of its members.

(d) Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

(e) Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

**[EFFECTIVE DATE.]** This section is effective January 1, 2003.

Sec. 35. Minnesota Statutes 2001 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **[CITY AID BASE.]** (a) ~~Except as provided in paragraphs (b) to (e) otherwise in this subdivision,~~ "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed \$5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(g) Beginning in 2002, the city aid base for a city is equal to the sum of its city aid base in 2001 and the amount of additional aid it was certified to receive under section 477A.06 in 2001. For 2002 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2001.

(h) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(i) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(j) The city aid base for a city is increased by \$225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

(4) the city received less than \$30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

(k) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(l) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(m) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(n) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;



(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and

(4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(o) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(p) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(q) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(r) The city aid base for a city that is located outside of the metropolitan area defined in section 473.121, subdivision 2, and has a population of 1,000 or less is increased in calendar year 2003 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased by an amount equal to the positive difference between the sum of the aids received in calendar year 2001 by the city under sections 273.1398, subdivision 2, and 477A.013, subdivision 9, after any reduction under Minnesota Statutes 2000, section 273.1399, and the aid the city received in calendar year 2002 under section 477A.013, subdivision 9.

Sec. 36. Minnesota Statutes 2001 Supplement, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional \$20,000,000 in 2000.

(d) Aid payments to cities in 2002 under section 477A.013, subdivision 9, are limited to the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3, and increased by \$140,000,000. For aids payable in 2003, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by \$2,700,000 to pay the aids provided in section 477A.011, subdivision 36, paragraph (r). For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2003 under section 477A.06. For aids payable in 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

(e) Reimbursements made to counties under section 477A.0123 in calendar year 2004 and thereafter are limited to an amount equal to the maximum allowed appropriation under this section in the previous year, multiplied by a percent to be established by law.

Sec. 37. [477A.08] [UTILITY TAX BASE REPLACEMENT AID.]

Subdivision 1. [AID AMOUNT.] A county is eligible for aid under this section if the sum of its net tax capacity for assessment year 2000 of public utility real property and personal property consisting of tools, implements and machinery of a pipeline system transporting or distributing gas, crude oil or petroleum products is greater than 40 percent of its total net tax capacity for that year. For aid payable in 2003, each county is eligible for aid equal to the sum of:

(1) 0.9 percent of the assessment year 2000 taxable market value of public utility real property valued at less than \$150,000;

(2) 1.4 percent of the taxable market value of public utility real property valued at more than \$150,000; and

(3) 1.4 percent of the taxable market value of tools, implements and machinery of pipeline systems transporting or distributing gas, crude oil, or petroleum products multiplied by the jurisdiction's local tax rate for taxes payable in 2001.

Subd. 2. [APPROPRIATION.] The amount required to make the payments under this section is annually appropriated from the general fund to the commissioner of revenue.

Sec. 38. Laws 1989, chapter 211, section 8, as amended by Laws 1992, chapter 505, section 3, is amended to read:

Sec. 8. [COOK COUNTY; HOSPITAL DISTRICT.]

Subdivision 1. [CREATION; REFERENDUM.] The board of commissioners of Cook county may by resolution create a Cook county hospital district. The resolution providing for creation of the district must be published in the official newspaper of the county. If within ten days after the publication a petition is filed with the county board that is signed by qualified voters of the county at least equal in number to ten percent of the number of voters voting at the most recent election of county commissioners, requesting a referendum on the resolution, it shall not be effective until it is approved by a majority of qualified voters voting on the question at a special or general election.

Subd. 2. [OPERATION OF DISTRICT.] A hospital district created under this section shall be subject to Minnesota Statutes, sections ~~397.06 to 397.102~~ 447.32, except subdivision 1, to 447.41, and except as provided otherwise in this act.

Subd. 3. [BOARD.] Notwithstanding Minnesota Statutes, section ~~397.06~~ 447.32, the board of the district shall be comprised of one member from each county commissioner district elected by the voters at the first general election in the county after the resolution has become effective. At

the 1992 general election, the board members from districts one, three, and five shall be elected to two-year terms and board members from districts two and four to four-year terms. Their successors shall be elected to regular four-year terms in 1994, 1996, and thereafter. Terms shall begin on the first day of January following the election.

If members are elected in 1990, their terms shall be two years. When the district is first created, the county commissioner from each district shall appoint a member of the board to serve until the commencement of the term of a successor.

~~When a vacancy occurs, the county commissioner from the district affected majority of the remaining members of the board of the hospital district shall appoint a member to serve until January 1 following the next general election in the county, when at which a successor shall be elected for a full regular term if the full regular term of the seat that had the vacancy is expiring on that January 1 or otherwise, for the unexpired remainder of the regular that seat's term.~~

Subd. 4. [TAX LEVY.] (a) ~~The tax levied under Minnesota Statutes, section 397.09 447.34, shall not exceed \$300,000 in any year, and its proceeds may be used for all purposes of the hospital district for taxes levied in 2002.~~

(b) ~~For taxes levied in 2003, and thereafter, the tax levied under Minnesota Statutes, section 447.34, must not exceed the greater of: (1) \$300,000, or (2) \$300,000 multiplied by the ratio of the most recent available annual medical care expenditure category of the revised Consumer Price Index, U.S. citywide average, for all urban consumers prepared by the United States Department of Labor to the same annual index for 2001.~~

Subd. 5. [TERRITORY.] The territory of the entire county of Cook is the hospital district.

Subd. 6. [REFERENCES.] The county acts in the place of cities and towns for purposes of Minnesota Statutes, sections 447.32, except subdivision 1, to 447.41; and all references made to hospital districts in Minnesota Statutes, sections 447.32, except subdivision 1, to 447.41, apply to the Cook county hospital district.

Subd. 7. [APPLICATION.] Minnesota Statutes, section 447.38, subdivision 2, does not apply to the hospital district created under this section.

**[EFFECTIVE DATE.]** For purposes of Minnesota Statutes, section 645.021, subdivisions 2 and 3, Cook county and the Cook county hospital district are the local governmental units affected. This section is effective the day after the latter of the governing bodies of:

(1) Cook county and its chief clerical officer; and

(2) the Cook county hospital district and its chief clerical officer;

timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 39. Laws 2001, First Special Session chapter 5, article 3, section 96, is amended to read:

Sec. 96. [REPEALER.]

(a) Minnesota Statutes 2000, sections 273.13, subdivision 24a; 273.1382; 273.1399; 275.078; 275.08, subdivision 1e; 473.446, subdivisions 1a and 1b; and 473.3915, are repealed effective for taxes levied in 2001, payable in 2002, and thereafter and aids or credits payable in 2002 and thereafter.

(b) Laws 1988, chapter 426, section 1; Laws 1988, chapter 702, section 16; Laws 1992, chapter 511, article 2, section 52, as amended by Laws 1997, chapter 231, article 2, section 50, and Laws 1998, chapter 389, article 3, section 32; Laws 1996, chapter 471, article 8, section 45; Laws 1999, chapter 243, article 6, section 14; Laws 1999, chapter 243, article 6, section 15; and Laws 2000, chapter 490, article 6, section 17, are repealed effective for taxes levied in 2001, payable in 2002 and thereafter.

(c) Minnesota Statutes 2000, sections 126C.30; 126C.31; 126C.32; 126C.33; 126C.34; 126C.35; and 126C.36, are repealed effective July 1, 2001.

(d) Minnesota Statutes 2000, section 273.126 and 462A.071, are repealed effective for property taxes payable in 2004, and any agreement entered into pursuant to the provisions of those sections expires, effective January 1, 2004, regardless of the term of the agreement.

Sec. 40. [COOK COUNTY; EXPENDITURE OF ROAD AND BRIDGE LEVY.]

Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Cook county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

**[EFFECTIVE DATE.]** This section is effective the day after the governing body of Cook county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 41. [DELAYED DUE DATE FOR CERTAIN PROPERTY TAXES.]

Notwithstanding Minnesota Statutes, sections 278.03, subdivision 1, and 279.01, subdivision 1, for taxes payable in 2002 only, property taxes due by May 15 on class 1c property and class 4c seasonal residential recreational property used for commercial purposes will be considered to be timely paid if they are paid by July 15, 2002, and no penalties shall accrue to the first one-half property tax payment as provided in this section if paid by July 15. On July 16, a penalty shall accrue and thereafter be charged upon all unpaid taxes. On class 1c property the penalty is at a rate of two percent until July 31, and four percent on August 1. On class 4c seasonal residential recreational property used for commercial purposes, the penalty is four percent until July 31 and eight percent August 1. Thereafter, for both class 1c and class 4c seasonal residential recreational property used for commercial purposes, on the first day of September and on the first day of October, an additional penalty of one percent shall accrue and be charged on unpaid taxes. The remaining one-half property taxes must be paid and penalties accrue as provided in subdivision 1.

Sec. 42. [PROPERTY TAX ASSESSMENT OF LOW-INCOME HOUSING, RULES.]

The commissioner of revenue shall develop guidelines for use by assessors in calculating the restricted use value of class 4d property under Minnesota Statutes, section 273.11, subdivision 20.

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

Sec. 43. [SOUTHWEST REGIONAL DEVELOPMENT COMMISSION LEVY FOR DEBT.]

(a) In addition to other levies authorized by law, the Southwest Regional Development Commission may levy in each year through 2010, payable through 2011, an additional amount sufficient to retire its remaining debt in connection with the Prairie Expo project located in Worthington, not to exceed \$232,080 annually.

(b) The commission may issue bonds or other obligations under Minnesota Statutes, chapter 475, in an aggregate principal amount not to exceed \$1,632,224 to retire the debt sooner. In that case the levy authorized in paragraph (a) may be used for debt service on the bonds or other obligations.

**[EFFECTIVE DATE; LOCAL APPROVAL.]** This section is effective the day after:

(1) the governing body of the Southwest Regional Development Commission and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3; and

(2) the governing body of each county in the development region and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 44. [ST. PAUL LIBRARY AGENCY.]

(a) Notwithstanding any law or charter to the contrary, the city council of the city of St. Paul may, by ordinance, establish an independent library agency, a public body corporate and politic, which is a governmental subdivision of the state of Minnesota. The library agency shall be

responsible for all libraries and library operations within the city of St. Paul. The actions of the city council as library board shall be subject to mayoral veto and override of that veto in the same manner as other actions of the city council.

(b) All employees of the library agency shall be employees of the city of St. Paul.

(c) The city may transfer any real or personal property used or to be used for library purposes to the library agency.

(d) The library board shall designate from among its members a chair, secretary, and treasurer, and may adopt bylaws.

(e) The director of the library agency shall be appointed by the mayor.

[EFFECTIVE DATE.] This section is effective the day after the governing body of St. Paul and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 45. [ST. PAUL LIBRARY TAX LEVIES; FISCAL MATTERS.]

Subdivision 1. [BUDGET TO CITY.] Annually, at a time fixed by charter, resolution, or ordinance of the city, the library board shall send its budget to the city council. The budget must include a detailed written estimate of the amount of money that the library board expects to need from the city to operate the library agency during the next fiscal year in excess of any expected receipts from other sources.

Subd. 2. [FISCAL YEAR.] The fiscal year of the library agency must be the same as the fiscal year of the city.

Subd. 3. [CITY LEVY.] The city shall, at the request of the library board, levy a tax in any year for the benefit of the library agency. The amount collected pursuant to the levy must be used by the city treasurer exclusively for operations of the library agency.

[EFFECTIVE DATE.] This section is effective the day after the governing body of St. Paul and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 46. [ST. PAUL LIBRARY AGENCY GENERAL OBLIGATION BONDS.]

Subdivision 1. [POWER; PROCEDURE.] The St. Paul library agency may issue bonds in the principal amount authorized by the city council. The bonds may be issued in anticipation of income from any source. The bonds may be issued:

(1) to secure funds needed by the library agency to pay for acquired real or personal property;  
or

(2) for capital improvements to property owned or used by the library.

The bonds must be in the amount and form and bear interest at the rate set by the city council. Except as otherwise provided in this section, the issuance of the bonds is governed by Minnesota Statutes, chapter 475. The library agency when issuing the bonds is a municipality under Minnesota Statutes, chapter 475. Notwithstanding any city charter provision or any general or special law to the contrary, the bonds may be issued and sold without submission of the question to the electors of the city, provided that the ordinance of the city council authorizing issuance of the bonds by the library agency is subject to provisions in the city charter pertaining to the procedure for referendum on ordinances enacted by the city council.

Subd. 2. [OUTSIDE DEBT LIMIT.] Bonds issued by the library agency must not be included in the net debt of the city of St. Paul. Money received under this section must not be included in a per capita limit on taxing or spending in the city charter. The library agency is also exempt from the limit.

Subd. 3. [PLEDGE.] The bonds must be secured by the pledge of the full faith, credit, and resources of the city of St. Paul. The city council must first decide whether the issuance of the bonds by the library agency is proper in each case and, if so, the amount of bonds to issue. The city council shall give specific consent in an ordinance to the pledge of the city's full faith, credit, and resources. The city shall pay the principal amount of the bonds and the interest on them from taxes levied under this section to make the payment or from library board income from any source.

[EFFECTIVE DATE.] This section is effective the day after the governing body of St. Paul and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 47. [CITY OF AFTON; EARLY TERMINATION OF AGRICULTURAL PRESERVE.]

Notwithstanding Minnesota Statutes, sections 473H.08 and 473H.09, providing for the duration and early termination of a metropolitan agricultural preserve, the city of Afton may initiate expiration of a parcel of land from an agricultural preserve for which the landowner has previously initiated expiration under Minnesota Statutes, section 473H.08, subdivision 2, located in the city of Afton, Washington county, and described as:

the Northeast Quarter of the Northeast Quarter of Section 29, Township 28 North, Range 20 West of the Fourth Principal Meridian.

The effective date of the expiration may be on any date after the effective date of this section as determined by the Afton city council, once the council has otherwise complied with the procedural requirements of Minnesota Statutes, sections 473H.04 and 473H.08. All benefits accruing to the parcel as an agricultural preserve, including benefits relating to the valuation and assessment of the parcel for ad valorem property taxes under Minnesota Statutes, chapter 273, and section 473H.10, shall cease on the date of expiration.

[EFFECTIVE DATE.] This section is effective without local approval on the day following final enactment.

Sec. 48. [ADDITIONAL DISTRIBUTION.]

The difference between the distribution to school districts under Minnesota Statutes, sections 298.225 and 298.28, as amended by this act, and the amount the districts would have received under Minnesota Statutes 2000, sections 298.225 and 298.28 for distributions in 2004 only, shall be added to the sums available for expenditure under Minnesota Statutes, section 298.293, as governed by Minnesota Statutes, section 298.296.

Sec. 49. [REPEALER.]

Laws 2001, First Special Session chapter 5, article 3, section 88, is repealed.

[EFFECTIVE DATE.] This section is effective July 1, 2002.

#### ARTICLE 17

#### LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2000, section 272.0212, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTION.] All qualified property in a zone is exempt to the extent and for the duration provided by the zone designation and under sections 469.1731 to 469.1735 to the extent limited by this section.

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

Sec. 2. Minnesota Statutes 2000, section 272.0212, subdivision 4, is amended to read:

Subd. 4. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "City" means a statutory or home rule charter city.

(c) "Qualified property" means class 3 and:

(1) class 1, 3, 4, and 5 property as defined in section 273.13 that is located in a zone and is newly constructed after the zone was designated, including the land that contains the improvements; and

(2) property qualifying under subdivision 6.

(e) (d) "Zone" means a border city development zone designated under the provisions of section 469.1731.

**[EFFECTIVE DATE.]** This section is effective beginning for assessment year 2003.

Sec. 3. Minnesota Statutes 2000, section 272.0212, is amended by adding a subdivision to read:

Subd. 6. [NEWLY CONSTRUCTED PROPERTY.] (a) This subdivision applies in the following cities:

(1) The governing body of a city authorized to establish a zone may, by resolution, grant an exemption under the provisions of this subdivision.

(2) The governing body of a city, other than a city under clause (1), that is located in a county containing a city that is authorized to establish a zone may, by resolution, grant an exemption under the provisions of this subdivision.

(b) The authority under this subdivision applies to the entire area of the city and is not limited to the designated area of a zone.

(c) An exemption under this subdivision may only be granted:

(1) to property, excluding land, that is not qualified property under subdivision 4, paragraph (c), clause (1), and that is classified as:

(i) class 1 under section 273.13, subdivision 22;

(ii) class 2 for the house and garage only under section 273.13, subdivision 23; or

(iii) class 4 for the portion of the property used for residential occupancy under section 273.13, subdivision 25; and

(2) for the first two assessment years immediately following the year that the construction has begun.

(d) In order to grant an exemption under this subdivision, the city must approve the exemption before building permits are issued for construction of the property. The city must notify the official, designated by the governing body of the county, of each exemption by no later than June 1 of the first assessment year to which the exemption applies.

(e) The provisions of subdivision 2, clauses (2) and (3), and subdivision 5, do not apply to this subdivision.

**[EFFECTIVE DATE.]** This section is effective beginning for assessment year 2003.

Sec. 4. Minnesota Statutes 2000, section 290.06, is amended by adding a subdivision to read:

Subd. 29. [REGIONAL INVESTMENT CREDIT.] (a) A credit is allowed against the tax imposed by this chapter for investment in a qualifying regional angel investment network fund. The credit equals 25 percent of the taxpayer's investment made in the fund for the taxable year, but not to exceed the lesser of:

(1) the liability for tax under this chapter, including the applicable alternative minimum tax; or

(2) the amount of the certificate under paragraph (c) provided to the taxpayer by the fund.

(b) For purposes of this subdivision, a regional angel investment network fund means a pool investment fund that:

(1) is organized as a limited liability company and consists of members who are accredited investors within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a), and at least one member of which is certified as a community development financial institution by the United States Department of Treasury; and

(2) primarily makes equity investments in emerging companies that are located in local communities in Minnesota outside of the metropolitan area as defined in section 473.121, subdivision 2.

(c) Regional angel investment network funds may apply to the commissioner of trade and economic development for certification as a qualifying regional angel investment net fund. The application must be in the form and made under procedures specified by the commissioner of trade and economic development. The commissioner of trade and economic development may certify up to ten qualifying funds and provide certificates entitling investors in the funds to credits under this subdivision of up to \$250,000 for each (\$2,500,000 in total credits authorized). In awarding certificates under this paragraph, the commissioner of trade and economic development shall seek to certify funds that are broadly dispersed across the entire state outside of the metropolitan area, as defined in section 473.121, subdivision 2.

(d) The commissioner may require a taxpayer to provide a copy of the credit certificate under paragraph (c) to verify the taxpayer's entitlement to a credit under this subdivision.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitation under paragraph (a), clause (1), the excess is a credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph may not exceed the taxpayer's liability for tax less the credit for the taxable year.

(f) \$2,500,000 is appropriated from the general fund in fiscal year 2003 to the commissioner of trade and economic development for the regional investment credit. This appropriation is available until expended.

[EFFECTIVE DATE.] This section is effective the day following final enactment and for taxable years beginning after December 31, 2001. It applies to investments made after the fund has been certified by the commissioner of trade and economic development under this section.

Sec. 5. Minnesota Statutes 2001 Supplement, section 469.1734, subdivision 6, is amended to read:

Subd. 6. [SALES TAX EXEMPTION; EQUIPMENT; CONSTRUCTION MATERIALS.] (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

(1) are used in connection with a trade or business;

(2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and

(3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct:



(1) a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone; or

(2) housing that is located in a zone.

The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and section 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735. The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

**[EFFECTIVE DATE.]** This section is effective for sales made after June 30, 2002.

Sec. 6. Minnesota Statutes 2001 Supplement, section 469.1763, subdivision 6, is amended to read:

Subd. 6. **[POOLING PERMITTED FOR DEFICITS.]** (a) This subdivision applies only to districts for which the request for certification was made before August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments to be collected from properties located within the district that are available for the calendar year; plus

(iii) total increments from properties located in other districts in the municipality that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First Special Session chapter 5, or the elimination of the general education tax levy under Laws 2001, First Special Session chapter 5.

(c) A preexisting obligation means:

(1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a binding contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before August 1, 2001, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district; and

(2) binding contracts entered into before August 1, 2001, to the extent that the contracts require payments secured by a pledge of increments from the tax increment financing district.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality. The municipality may use this authority only after it has first used all available increments of the receiving development authority to eliminate the insufficiency and exercised any permitted action under section 469.1792, subdivision 3, for preexisting districts of the receiving development authority to eliminate the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) may only be exercised after obtaining approval of the use of the increments, in writing, by the commissioner of revenue;

(2) is an exception to the restrictions under section 469.176, subdivision 4i, and the other provisions of this section, and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(3) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The existence of a guarantee of obligations by the individual or entity that would receive the payment under this paragraph is disregarded in the determination of eligibility to pool under this subdivision. The authority to transfer increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

**[EFFECTIVE DATE.]** This section is effective for increments payable in 2002 and thereafter.

Sec. 7. Minnesota Statutes 2001 Supplement, section 469.1792, subdivision 1, is amended to read:

Subdivision 1. **[SCOPE.]** This section applies only to an authority with a preexisting district for which:

(1)(i) the increments from the district were insufficient to pay preexisting obligations as a result of the class rate changes or the elimination of the state-determined general education property tax levy under this act, or both; or

~~(ii) (2)(i) the development authority has a binding contract with a person requiring the authority to pay to the person an amount that may not exceed the increment from the district or a specific development within the district and as a result of the reduction in increment because of the class rate changes or the elimination of the state-determined general education property tax levy under this act, or both; and~~

~~(ii) the authority is unable to pay the full amount under the contract from the pledged increments or other increments from the district that would have been due if the class rate changes or elimination of the state-determined general education property tax levy or both had not been made under Laws 2001, First Special Session chapter 5; and~~

~~(2) the municipality exercised its full authority to pool under section 469.1763, subdivision 6, and the transfer of increments did not eliminate the insufficiency under clause (1), item (i), or the inability to pay the full amount under clause (1), item (ii); or~~

~~(3) the authority amends its tax increment financing plan to establish an affordable housing account to which increments are pledged.~~

[EFFECTIVE DATE.] This section is effective for actions taken and resolutions approved after June 30, 2002.

Sec. 8. Minnesota Statutes 2001 Supplement, section 469.1792, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

~~(b) "Preexisting district" means a tax increment financing district for which the request for certification was made before August 1, 2001. "Affordable housing account" means an account in which increment is deposited solely for affordable housing activities as defined in section 469.174, subdivision 11. Increment from the affordable housing account may be spent by an authority anywhere within its area of operation. Notwithstanding the definition of a project under section 469.174, increments may be spent to assist housing that meets the requirements under section 469.1761. Any transfers of increment to the affordable housing account shall be outside the limitations imposed by section 469.1763, subdivision 2.~~

~~(c) "Preexisting district" means a tax increment financing district for which the request for certification was made before August 1, 2001.~~

~~(d) "Preexisting obligation" means:~~

~~(1) a bond or binding contract that:~~

~~(1) (i) was issued or approved before August 1, 2001, or was issued pursuant to a binding contract entered into before August 1, 2001; and~~

~~(2) (ii) is secured by increments from a preexisting district; and~~

~~(2) any tax increment eligible expense specifically described in the preexisting plan which the authority intends to finance with tax increments generated from the preexisting district. Modification of a preexisting plan after August 1, 2001, to increase tax increment eligible expenses within a preexisting district shall not be considered a preexisting obligation.~~

~~(e) "Preexisting plan" means a tax increment financing plan approved and adopted by an authority prior to August 1, 2001, in conjunction with the preexisting district.~~

[EFFECTIVE DATE.] This section is effective for actions taken and resolutions approved after June 30, 2002.

Sec. 9. [469.1794] [TIF GRANTS; APPROPRIATIONS.]

Subdivision 1. [TIF GRANTS.] (a) In calendar year 2003 and thereafter, the commissioner of

revenue shall pay grants to municipalities for deficits in tax increment financing districts caused by the changes in class rates and the elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5. Municipalities must submit applications for the grants in a form prescribed by the commissioner no later than August 1 for grants payable during the calendar year. The maximum grant equals the lesser of:

(1) for taxes payable in the year before the grant is paid, the reduction in the tax increment financing district's revenues derived from increment resulting from the class rate changes and the elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5; or

(2) the amount due during the calendar year to pay:

(i) a preexisting obligation as defined in section 469.1763, subdivision 6, but excluding the additional amount of a preexisting obligation that the municipality elects to include under paragraph (f) of that subdivision with respect to a preexisting obligation to a developer or property owner in the district or an assignee or successor in interest; less

(ii) the municipality's total tax increments, including unspent increments from previous years;

(iii) the amount of any state aid reductions that would have applied to any district in the municipality for the calendar year, if Minnesota Statutes 2000, section 273.1399, had not been repealed; and

(iv) the amount of any unpaid local contributions that the municipality would have been required to make for the calendar year under an election under Minnesota Statutes 2000, section 273.1399, subdivision 6, if that subdivision had not been repealed.

(b) The commissioner of revenue may require applicants for grants under this section to provide any information the commissioner deems appropriate. The commissioner shall calculate the amount under paragraph (a), clause (2), based on the reports for the tax increment financing district or districts filed with the state auditor on or before August 1 of the year in which the grant is to be paid.

(c) This subdivision applies only to deficits in tax increment districts for which:

(1) the request for certification of the district, or a district transferred under special law, was made before August 1, 2001;

(2) all timely reports have been filed with the state auditor, as required by section 469.175; and

(3) the authority and municipality have exercised any permitted action under section 469.1792, subdivision 3, to increase increments to pay preexisting obligations as defined under this section.

(d) The commissioner shall pay the grants under this section by December 26 of the year.

(e) For the purposes of this section, "tax increments" and "revenues derived from tax increments" have the meanings given in section 469.174, subdivision 25, except that the definition applies to all tax increment districts, regardless of when the request for certification was made and regardless of when the revenues were received, notwithstanding the effective date of section 469.174, subdivision 25. For purposes of this section, "bonds" and "binding contracts" do not include interfund loans.

(f) If the district was authorized or certified pursuant to a special law and the special law permitted original tax capacity to be reduced to zero, the required dates under paragraph (a), clause (2), and paragraph (c), clause (1), are extended to December 31, 2001.

Subd. 2. [APPROPRIATION.] \$10,000,000 is appropriated in fiscal year 2003 to the commissioner of revenue from the general fund to make grants under this section.

Sec. 10. Minnesota Statutes 2001 Supplement, section 469.1813, subdivision 6, is amended to read:

Subd. 6. [DURATION LIMIT.] (a) A political subdivision may grant an abatement for a period no longer than ten years, except as provided under ~~paragraph~~ paragraphs (b) and (c). The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement.

(b) A political subdivision proposing to abate taxes for a parcel may request, in writing, that the other political subdivisions in which the parcel is located grant an abatement for the property. If one of the other political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel by the requesting political subdivision and any other participating political subdivision is increased to 15 years. If the political subdivision which declined to grant an abatement later grants an abatement for the parcel, the 15-year duration limit is reduced by one year for each year that the declining political subdivision grants an abatement for the parcel during the period of the abatement granted by the requesting political subdivision. The duration limit may not be reduced below the limit under paragraph (a).

(c) For a property that is used in the operation of a qualified business, as defined in section 469.193, a political subdivision may grant an abatement for a period of up to 20 years, notwithstanding paragraph (a) or (b).

**[EFFECTIVE DATE.]** This section is effective for abatement resolutions approved after June 30, 2002.

Sec. 11. [469.193] [DEFINITION OF QUALIFIED BUSINESS.]

(a) The definition of a "qualified business" in this section applies for purposes of section 469.1813, subdivision 6.

(b) To be a "qualified business," the operations of the business that qualify for tax or other state provided incentives must be:

(1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2; and  
(2) at least 50 percent of the payroll of the business is for employees engaged in one of the following lines of business or any combination of them:

(i) manufacturing;

(ii) agricultural processing;

(iii) mining;

(iv) research and development;

(v) warehousing; or

(vi) qualified high technology.

(c)(1) "Manufacturing" means the material staging and production of tangible personal property by procedures commonly regarded as manufacturing, processing, fabrication, or assembling which changes some existing material into new shapes, new qualities, or new combinations.

(2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code of 1986.

(3) "Agricultural processing" means transforming, packaging, sorting, or grading livestock or livestock products, agricultural commodities, or plants or plant products into goods that are used for intermediate or final consumption including goods for nonfood use.

(4) "Research and development" means qualified research as defined in section 41(d) of the Internal Revenue Code of 1986.

(5) "Qualified high technology" means one or more of the following activities:

(i) advanced computing, which is any technology used in the design and development of any of the following:

(A) computer hardware and software;

(B) data communications; and

(C) information technologies;

(ii) advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology;

(iii) biotechnology, which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes;

(iv) electronic device technology, which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices;

(v) engineering or laboratory testing related to the development of a product;

(vi) technology that assists in the assessment or prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology, or development of alternative energy sources;

(vii) medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated; or

(viii) advanced vehicles technology which is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric vehicle is a road vehicle that draws propulsion energy only from an on-board source of electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from both a consumable fuel and a rechargeable energy storage system.

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

Sec. 12. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, and Laws 1997, chapter 231, article 10, section 13, is amended to read:

Subdivision 1. **[CREATION OF PROJECTS.]** (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, Richfield, and Columbia Heights, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of Minneapolis, St. Paul, and Duluth, each authority may designate ~~up to 100~~ not more than 200 parcels in the city to be included in a housing replacement district over the life of the district. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

Sec. 13. [CITY OF ALBERT LEA; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] The governing body of the city of Albert Lea may create a redevelopment tax increment financing district as provided in this section. The city or its port authority may be the "authority" for the purposes of Minnesota Statutes, sections 469.174 to 469.179.

Subd. 2. [DEFINITIONS.] (a) For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Redevelopment parcel" means the property in the city of Albert Lea bounded by Main Street, Garfield Avenue, Front Street, the Union Pacific railway line, and Albert Lea lake.

(c) "Reconstruction parcel" means the property in the city of Albert Lea described as lot 1, block 5, Habben First Addition.

Subd. 3. [SPECIAL RULES.] (a) The district established under this section is subject to the provisions of Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) The district may consist of the redevelopment parcel and the reconstruction parcel.

(c) Minnesota Statutes, section 469.174, subdivision 10, paragraph (f), does not apply to the district, and if the city finds that the redevelopment parcel meets the criteria described in Minnesota Statutes, section 469.174, subdivision 10, paragraph (a), clause (1), then both the redevelopment parcel and the reconstruction parcel and the district as a whole are considered to meet those criteria.

(d) Expenditures for activities, as defined in Minnesota Statutes, section 469.1763, subdivision 1, paragraph (b), anywhere within the district are considered costs of correcting conditions that allow designation of redevelopment districts within the meaning of Minnesota Statutes, section 469.176, subdivision 4j.

(e) For the purposes of Minnesota Statutes, section 469.1763, subdivision 3, expenditures on the redevelopment parcel are considered to have been expended on an activity within the district if a qualifying action occurs within ten years after certification of the district.

[EFFECTIVE DATE.] This section is effective upon local approval in compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 14. [CITY OF MINNEAPOLIS TAX INCREMENT DISTRICT; HAZARDOUS SUBSTANCE SUBDISTRICT ALLOWED; DURATION EXTENSION.]

(a) Upon approval of the city council of the city of Minneapolis, the Minneapolis community development agency may take the following actions with respect to the east Hennepin and University tax increment district:

(1) notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, extend the duration of the district for a period of up to seven years, or until all amounts payable to the developers and to the agency to reimburse the agency's provision of \$1,100,000 of city of Minneapolis HOME funds to assist low-income housing are repaid, whichever is shorter; and

(2) notwithstanding Minnesota Statutes, section 469.175, subdivision 7d, create a hazardous

substance subdistrict encompassing the entire east Hennepin and University tax increment district, and continue the subdistrict for the time, not to exceed the duration of the underlying district, necessary to reimburse the project developers the amount of \$950,000 to repay the Hennepin county hazardous substance loan funds that were loaned to the developers and used for remediation within the district.

(b) Minnesota Statutes, section 469.1782, subdivision 2, does not apply to the duration extension under this section.

(c) This section is effective upon compliance by the Minneapolis city council with the requirements of Minnesota Statutes, section 645.021.

Sec. 15. [CITY OF MINNEAPOLIS TAX INCREMENT DISTRICT; DURATION EXTENSION.]

(a) Upon approval of the city council of the city of Minneapolis, the Minneapolis community development agency may, with respect to the southeast Minneapolis industrial area redevelopment area phase 4 tax increment financing district, notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, extend the duration of the district for a period of up to six years.

(b) This section is effective upon compliance by the Minneapolis city council with the requirements of Minnesota Statutes, section 645.021.

(c) Upon payment in full of the Minneapolis community development agency amended and restated tax increment revenue note, in the original face amount of \$1,000,000, issued December 4, 1997, the district shall terminate and the authority granted under this section shall terminate.

(d) Minnesota Statutes, section 469.1782, subdivision 2, does not apply to the duration extension under this section.

Sec. 16. [GRANT TO WASHBURN-CROSBY PROJECT.]

Notwithstanding the requirements of Minnesota Statutes, section 469.1794, the commissioner of revenue shall pay a one-time grant of \$2,600,000 from the fund established in that section for the Washburn-Crosby Mill City Museum project as provided under Laws 2001, First Special Session chapter 5, article 15, section 39. The grant must be disbursed on July 1, 2002, from the appropriation under section 7.

Sec. 17. [RUSHFORD TAX INCREMENT FINANCING EXTENSION.]

The governing body of the city of Rushford may elect to extend the duration of its downtown redevelopment tax increment financing district by up to two additional years. The city may apply for a grant under Minnesota Statutes, section 469.1799, for any deficit that occurs during any year of the district's duration, including the extension.

[EFFECTIVE DATE.] This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2; and 645.021.

Sec. 18. [CITY OF WEST ST. PAUL TAX INCREMENT DISTRICT EXTENSION.]

The governing body of the city of West St. Paul may elect to extend the duration of its South Robert Street redevelopment tax increment financing district by up to five additional years.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of West St. Paul, and compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.

## ARTICLE 18

### GENERAL PUBLIC FINANCE PROVISIONS

Section 1. Minnesota Statutes 2000, section 117.075, is amended to read:



117.075 [COURT TO APPOINT COMMISSIONERS.]

Upon proof being filed of the service of such notice, the court, at the time and place therein fixed or to which the hearing may be adjourned, shall hear all competent evidence offered for or against the granting of the petition, regulating the order of proof as it may deem best. If the proposed taking shall appear to be necessary and such as is authorized by law, the court by an order shall appoint three disinterested commissioners, and at least two alternates, residents of the county, to ascertain and report the amount of damages that will be sustained by the several owners on account of such taking.

Before appointing a commissioner, the court shall inquire whether each prospective commissioner has any relationship, business or otherwise, to any of the parties in the proceeding, or any interest in the proceeding which may constitute a conflict of interest, or which may create the appearance of impropriety should that person be appointed. Responses to this inquiry must be either written or on the record and made available by the court to any party in the proceeding before and after appointment. No person who might have difficulty in rendering an unbiased decision may be appointed to serve. The court, in its discretion, may appoint one registered, practicing attorney to the commission who is knowledgeable in eminent domain matters. All other commissioners appointed must be persons actively engaged in the occupation of real estate sales or real estate appraising or persons knowledgeable in real estate values. The order shall fix the time and place of the first meeting of the three commissioners and prescribe their compensation. At the first meeting at the office of the court administrator of district court the appointees must be sworn by the court administrator or an authorized deputy and shall take and sign the following oath before assuming their duties as commissioners:

(TITLE OF PROCEEDING)

..... does swear under penalty of perjury as follows:

I will faithfully and justly perform to the best of my ability, all the duties of the office and trust which I now assume as commissioner in the above entitled proceeding. I further swear that, except as disclosed in writing or on the record, I have no interest in any of the lands in the above proceeding or any present or past relationship, business or personal, with any of the parties to the above proceeding or any other actual or potential conflict of interest, and that I will render fair and impartial decisions, so help me God.

The order may, in the discretion of the court, limit the title or easement to be acquired by the petitioner by defining the rights and privileges which the owner of any of the lands may exercise therein in subordination to the public uses to which it is appropriated. In case any commissioner fails to act or fails to meet the qualifications required by this section, the court without further notice may appoint another in that commissioner's place.

The court administrator of court in each county shall post in the courthouse in a prominent place a notice that a qualified person may apply to have the person's name placed upon a list of potential commission appointees for eminent domain proceedings. The notice must contain the language of the oath which the commissioners are required to take upon appointment and shall list the other qualifications set forth in this section. The court shall give due consideration to the names appearing on the list, but is not bound to make appointments from the list.

Sec. 2. Minnesota Statutes 2000, section 118A.05, subdivision 5, is amended to read:

Subd. 5. [GUARANTEED INVESTMENT CONTRACTS.] Agreements or contracts for guaranteed investment contracts may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries. The credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Agreements or contracts for guaranteed investment contracts may also be entered into if they are issued or guaranteed by other financial institutions whose short- and long-term unsecured debt is rated in the highest rating category by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded below "A", the government entity must have withdrawal rights.

Sec. 3. Minnesota Statutes 2000, section 287.01, subdivision 3, is amended to read:

Subd. 3. [DEBT.] "Debt" means the principal amount of an obligation to pay money that is secured in whole or in part by a mortgage of an interest in real property. An obligation of a political subdivision and a loan made with the proceeds of the obligation constitute a single debt.

Sec. 4. Minnesota Statutes 2000, section 373.01, subdivision 3, is amended to read:

Subd. 3. [CAPITAL NOTES.] A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than five years and shall be issued on terms and in a manner the board determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds. For purposes of this subdivision, "capital equipment" means public safety, ambulance, road construction or maintenance, medical, and data processing equipment and computer hardware and software.

Sec. 5. Minnesota Statutes 2000, section 410.32, is amended to read:

410.32 [CITIES AUTHORIZED TO ISSUE CAPITAL NOTES FOR CERTAIN EQUIPMENT ACQUISITIONS.]

Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment having and computer software, provided such equipment or software has an expected useful life at least as long as the term of the notes. The notes shall be payable in not more than five years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the market value of taxable property in the city for that year. A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds. Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city. Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 6. Minnesota Statutes 2000, section 412.301, is amended to read:

412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase public safety equipment, ambulance equipment, road construction or maintenance equipment, and other capital equipment having and computer software, provided such equipment or software has an expected useful life at least as long as the terms of the certificates or notes. Such certificates or notes shall be payable in not more than five years and shall be issued on such terms and in such manner as the council may determine. If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 7. Minnesota Statutes 2000, section 465.73, is amended to read:

465.73 [TOWN HALLS; FIRE HALLS OR RESCUE EQUIPMENT; LOANS TO POLITICAL SUBDIVISIONS.]

For purposes of constructing, repairing, or acquiring city halls, town halls, fire halls or fire or rescue equipment any, or libraries or child care facilities if otherwise authorized by law, a city, county, or town may borrow up not to \$250,000 exceed \$450,000 from (i) funds granted to a rural electric cooperative organized under chapter 308A by, the United States Department of Agriculture Rural Business-Cooperative Service or (ii) directly from or in the form of funds guaranteed by the Farmers Home Administration Rural Housing Service or other agency of the United States Department of Agriculture on by a note secured by a mortgage or other security agreement on the property purchased with the borrowed funds. The city, county, or town may pledge its full faith and credit and assign or pledge the revenues, if any, from the town-halls, fire or rescue department, or fire hall or facilities or equipment so financed together with any other properly available funds, including taxes levied pursuant to section 475.61 to the Farmers Home Administration or other agency of the United States Department of Agriculture or its guaranteed lender or a rural electric cooperative organized under chapter 308A as its grantee to repay to secure the loan. The amount of the obligation shall not be obligation of the note is not to be included when computing the net debt of the city, county, or town. An election shall not be required to authorize the note and mortgage or assignment of revenues, nor is the approval of the voters required for the issuance of the note.

Sec. 8. Minnesota Statutes 2000, section 469.012, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE OF POWERS.] An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 469.001 to 469.047, except that the power to levy and collect taxes or special assessments is limited to the power provided in sections 469.027 to 469.033. Its powers include the following powers in addition to others granted in sections 469.001 to 469.047:

(1) to sue and be sued; to have a seal, which shall be judicially noticed, and to alter it; to have perpetual succession; and to make, amend, and repeal rules consistent with sections 469.001 to 469.047;

(2) to employ an executive director, technical experts, and officers, agents, and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal services it requires, to call upon the chief law officer of the city or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies in its area of operation, provided that those local public bodies, if requested, shall make the services available;

(3) to delegate to one or more of its agents or employees the powers or duties it deems proper;

(4) within its area of operation, to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) subject to the provisions of section 469.026, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation, to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by chapter 117, to acquire real property which it may deem necessary for its purposes, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.003 or to provide decent, safe, and sanitary housing for persons of low and moderate income, or is necessary to carry out a redevelopment project. Real property needed or convenient for a project may be acquired by the authority for the project by condemnation pursuant to this section. This includes Prior to adoption of a resolution authorizing acquisition of property by condemnation, the governing body of the authority must hold a public hearing on the proposed acquisition after published notice in a newspaper of general circulation in the municipality, which must be made at least one time not less than ten days nor

more than 30 days prior to the date of the hearing. The notice must reasonably describe the property to be acquired and state that the purpose of the hearing is to consider acquisition by exercise of the authority's powers of eminent domain. Not less than ten days before the hearing, notice of the hearing must also be mailed to the owner of each parcel proposed to be acquired, but failure to give mailed notice or any defects in the notice does not invalidate the acquisition. For the purpose of giving mailed notice, owners are determined in accordance with section 429.031, subdivision 1, paragraph (a). Property acquired by condemnation under this section may include any property devoted to a public use, whether or not held in trust, notwithstanding that the property may have been previously acquired by condemnation or is owned by a public utility corporation, because the public use in conformity with the provisions of sections 469.001 to 469.047 shall be deemed a superior public use. Property devoted to a public use may be so acquired only if the governing body of the municipality has approved its acquisition by the authority. An award of compensation shall not be increased by reason of any increase in the value of the real property caused by the assembly, clearance or reconstruction, or proposed assembly, clearance or reconstruction for the purposes of sections 469.001 to 469.047 of the real property in an area;

(7) within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) but without the adoption of a resolution provided for in clause (6), real property, and to demolish, remove, rehabilitate, or reconstruct the buildings and improvements or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill, and construct foundations or otherwise prepare the site for improvements. The authority may dispose of the property pursuant to section 469.029, provided that the provisions of section 469.029 requiring conformance to an urban renewal plan shall not apply. The authority may finance these activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 469.033 or by means of contributions from the municipality provided for in section 469.041, clause (9), or by any combination of those means. Real property with buildings or improvements thereon shall only be acquired under this clause when the buildings or improvements are substandard. The exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain and is currently vacant, buildings and improvements which are vacated and substandard. Notwithstanding the prior sentence, in cities of the first class the exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain, buildings and improvements which are substandard. For the purpose of this clause, substandard buildings or improvements mean hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combination of these or other factors that are detrimental to the safety or health of the community. The exercise of the power of eminent domain under this clause is subject to the notice and hearing requirements described in clause (6);

(8) within its area of operation, to determine the level of income constituting low or moderate family income. The authority may establish various income levels for various family sizes. In making its determination, the authority may consider income levels that may be established by the Department of Housing and Urban Development or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use that determination as a basis for the maximum amount of income for admissions to housing development projects or housing projects owned or operated by it;

(9) to provide in federally assisted projects any relocation payments and assistance necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto;

(10) to make an agreement with the governing body or bodies creating the authority which provides exemption from all ad valorem real and personal property taxes levied or imposed by the body or bodies creating the authority. In the case of low-rent public housing that received financial assistance under the United States Housing Act of 1937, or successor federal legislation, an

authority may make an agreement with the governing body or bodies creating the authority to provide exemption from all real and personal property taxes levied or imposed by the state, city, county, or other political subdivision, for which the authority shall make payments in lieu of taxes to the state, city, county, or other political subdivisions as provided in section 469.040. The governing body shall agree on behalf of all the applicable governing bodies affected that local cooperation as required by the federal government shall be provided by the local governing body or bodies in whose jurisdiction the project is to be located, at no cost or at no greater cost than the same public services and facilities furnished to other residents;

(11) to cooperate with or act as agent for the federal government, the state or any state public body, or any agency or instrumentality of the foregoing, in carrying out any of the provisions of sections 469.001 to 469.047 or of any other related federal, state, or local legislation; and upon the consent of the governing body of the city to purchase, lease, manage, or otherwise take over any housing project already owned and operated by the federal government;

(12) to make plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements, and plans for the enforcement of laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements, and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements. The authority may develop, test, and report methods and techniques, and carry out demonstrations and other activities for the prevention and elimination of slums and blight;

(13) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal government, the state government, state public bodies, or from any other public or private sources;

(14) to include in any contract for financial assistance with the federal government any conditions that the federal government may attach to its financial aid of a project, not inconsistent with purposes of sections 469.001 to 469.047, including obligating itself (which obligation shall be specifically enforceable and not constitute a mortgage, notwithstanding any other laws) to convey to the federal government the project to which the contract relates upon the occurrence of a substantial default with respect to the covenants or conditions to which the authority is subject; to provide in the contract that, in case of such conveyance, the federal government may complete, operate, manage, lease, convey, or otherwise deal with the project until the defaults are cured if the federal government agrees in the contract to reconvey to the authority the project as then constituted when the defaults have been cured;

(15) to issue bonds for any of its corporate purposes and to secure the bonds by mortgages upon property held or to be held by it or by pledge of its revenues, including grants or contributions;

(16) to invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control or in the manner and subject to the conditions provided in section 118A.04 for the deposit and investment of public funds;

(17) within its area of operation, to determine where blight exists or where there is unsafe, unsanitary, or overcrowded housing;

(18) to carry out studies of the housing and redevelopment needs within its area of operation and of the meeting of those needs. This includes study of data on population and family groups and their distribution according to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages, desirable patterns for land use and community growth, and other factors affecting the local housing and redevelopment needs and the meeting of those needs; to make the results of those studies and analyses available to the public and to building, housing, and supply industries;

(19) if a local public body does not have a planning agency or the planning agency has not produced a comprehensive or general community development plan, to make or cause to be made a plan to be used as a guide in the more detailed planning of housing and redevelopment areas;

(20) to lease or rent any dwellings, accommodations, lands, buildings, structures, or facilities included in any project and, subject to the limitations contained in sections 469.001 to 469.047 with respect to the rental of dwellings in housing projects, to establish and revise the rents or charges therefor;

(21) to own, hold, and improve real or personal property and to sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein;

(22) to insure or provide for the insurance of any real or personal property or operations of the authority against any risks or hazards;

(23) to procure or agree to the procurement of government insurance or guarantees of the payment of any bonds or parts thereof issued by an authority and to pay premiums on the insurance;

(24) to make expenditures necessary to carry out the purposes of sections 469.001 to 469.047;

(25) to enter into an agreement or agreements with any state public body to provide informational service and relocation assistance to families, individuals, business concerns, and nonprofit organizations displaced or to be displaced by the activities of any state public body;

(26) to compile and maintain a catalog of all vacant, open and undeveloped land, or land which contains substandard buildings and improvements as that term is defined in clause (7), that is owned or controlled by the authority or by the governing body within its area of operation and to compile and maintain a catalog of all authority owned real property that is in excess of the foreseeable needs of the authority, in order to determine and recommend if the real property compiled in either catalog is appropriate for disposal pursuant to the provisions of section 469.029, subdivisions 9 and 10;

(27) to recommend to the city concerning the enforcement of the applicable health, housing, building, fire prevention, and housing maintenance code requirements as they relate to residential dwelling structures that are being rehabilitated by low- or moderate-income persons pursuant to section 469.029, subdivision 9, for the period of time necessary to complete the rehabilitation, as determined by the authority;

(28) to recommend to the city the initiation of municipal powers, against certain real properties, relating to repair, closing, condemnation, or demolition of unsafe, unsanitary, hazardous, and unfit buildings, as provided in section 469.041, clause (5);

(29) to sell, at private or public sale, at the price or prices determined by the authority, any note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made for the purpose of economic development, job creation, redevelopment, or community revitalization by a public agency to a business, for-profit or nonprofit organization, or an individual;

(30) within its area of operation, to acquire and sell real property that is benefited by federal housing assistance payments, other rental subsidies, interest reduction payments, or interest reduction contracts for the purpose of preserving the affordability of low- and moderate-income multifamily housing;

(31) to apply for, enter into contracts with the federal government, administer, and carry out a section 8 program. Authorization by the governing body creating the authority to administer the program at the authority's initial application is sufficient to authorize operation of the program in its area of operation for which it was created without additional local governing body approval. Approval by the governing body or bodies creating the authority constitutes approval of a housing program for purposes of any special or general law requiring local approval of section 8 programs undertaken by city, county, or multicounty authorities; and

(32) to secure a mortgage or loan for a rental housing project by obtaining the appointment of receivers or assignments of rents and profits under sections 559.17 and 576.01, except that the limitation relating to the minimum amounts of the original principal balances of mortgages specified in sections 559.17, subdivision 2, clause (2); and 576.01, subdivision 2, does not apply.

Sec. 9. Minnesota Statutes 2000, section 469.034, subdivision 2, is amended to read:

Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors and the maturities may extend to not more than 30 years from the estimated date of completion. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the taxable market value of the general jurisdiction governmental unit whose general obligation which includes a tax on property is pledged, or (2) \$3,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located, and will be owned by the authority for the term of the bonds. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

Sec. 10. Minnesota Statutes 2000, section 469.102, subdivision 2, is amended to read:

Subd. 2. [DETAIL; MATURITY.] The authority with the consent of its city's council shall set the date, denominations, place of payment, form, and details of the bonds. The bonds must mature serially. The first installment is due in not more than three years and the last in not more than ~~20~~ 30 years from the date of issuance.

Sec. 11. Minnesota Statutes 2000, section 469.153, is amended by adding a subdivision to read:

Subd. 13. [RELATED PUBLIC IMPROVEMENTS.] "Related public improvements" means any public improvements described in section 429.021, that are acquired and constructed in connection with the project and are financed by the contracting party under the revenue agreement.

Sec. 12. Minnesota Statutes 2000, section 469.155, subdivision 3, is amended to read:

Subd. 3. [REVENUE BONDS.] (a) It may issue revenue bonds, in anticipation of the collection of revenues of a project to be situated within the state, to finance, in whole or in part, the cost of the acquisition, construction, reconstruction, improvement, betterment, or extension thereof and of any related public improvements.

(b) It may issue revenue bonds to purchase the obligations of local government units located in whole or in part within the boundaries of the municipality. The proceeds of bonds issued to purchase obligations as provided under this paragraph may be disbursed or otherwise used to pay underwriter's or placement fees, expenses, or other costs of issuance and sale for the bonds only on a pro rata basis determined with respect to the portion of the proceeds that are used to purchase the obligations. The municipality may not pay the underwriter's or placement fees, expenses, or other costs of issuance and sale out of other money.

Sec. 13. Minnesota Statutes 2000, section 469.155, subdivision 4, is amended to read:

Subd. 4. [REFINANCING NONPROFIT FACILITIES.] It may issue revenue bonds to pay, purchase, or discharge all or any part of the outstanding indebtedness of a contracting party that is an organization described in section 501(c)(3) of the Internal Revenue Code ~~primarily engaged in health care-related activities or in activities for mentally or physically disabled persons or that is engaged primarily in the operation of one or more nonprofit hospitals or nursing homes~~ previously incurred in the acquisition or betterment of its existing facilities to the extent deemed necessary by the governing body of the municipality or redevelopment agency; this may include any unpaid interest on the indebtedness accrued or to accrue to the date on which the indebtedness is finally paid, and any premium the governing body of the municipality or redevelopment agency determines to be necessary to be paid to pay, purchase, or defease the outstanding indebtedness. If revenue bonds are issued for this purpose, the refinancing and the existing properties of the contracting party shall be deemed to constitute a project under section 469.153, subdivision 2, clause (b), (c), or (d).

Sec. 14. Minnesota Statutes 2000, section 469.155, subdivision 8, is amended to read:

Subd. 8. [IMPLEMENTATION OF POWERS AND COVENANTS; CONSTRUCTION AND ACQUISITION BY CONTRACTING PARTY.] It may make all contracts, execute all instruments, and do all things necessary or convenient in the exercise of the powers granted in sections 469.152 to 469.165, or in the performance of its covenants or duties, or in order to secure the payment of its bonds. It may enter into a revenue agreement authorizing the contracting party, subject to any terms and conditions the municipality or redevelopment agency finds necessary or desirable and proper, to provide for the construction, acquisition, and installation of the buildings, improvements, and equipment to be included in the project and any related public improvements by any means legally available to the contracting party and in the manner determined by the contracting party and without advertisement for bids unless advertisement by the contracting party is otherwise required by law.

Sec. 15. Minnesota Statutes 2000, section 469.157, is amended to read:

469.157 [DETERMINATION OF COST OF PROJECT.]

In determining the cost of a project, the governing body may include all cost and estimated cost of the acquisition, construction, reconstruction, improvement, betterment, and extension of the project and any related public improvements, all engineering, inspection, fiscal, legal, administrative, and printing expense, the interest which it is estimated will accrue during the construction period and for six months thereafter on money borrowed or which it is estimated will be borrowed pursuant to sections 469.152 to 469.165, working capital for the project not to exceed five percent of bond proceeds, and bond reserves and premiums for insurance of lease rentals pledged to pay the bonds.

Sec. 16. Minnesota Statutes 2000, section 473.251, is amended to read:

473.251 [METROPOLITAN LIVABLE COMMUNITIES FUND.]



The metropolitan livable communities fund is created and consists of the following accounts:

- (1) the tax base revitalization account;
- (2) the livable communities demonstration account;
- (3) the local housing incentives account; ~~and~~
- (4) the inclusionary housing account; and
- (5) the redevelopment revolving loan account.

Sec. 17. Minnesota Statutes 2000, section 473.252, subdivision 3, is amended to read:

Subd. 3. [DISTRIBUTION OF FUNDS.] (a) The council must use the funds in the account to make grants to municipalities or development authorities for the cleanup of polluted land in the metropolitan area. A grant to a metropolitan county or a development authority must be used for a project in a participating municipality. The council shall prescribe and provide the grant application form to municipalities. The council must consider the probability of funding from other sources when making grants under this section.

(b)(1) The legislature expects that applications for grants will exceed the available funds and the council will be able to provide grants to only some of the applicant municipalities. If applications for grants for qualified sites exceed the available funds, the council shall make grants that provide the highest return in public benefits for the public costs incurred, that encourage ~~commercial and industrial~~ development that will lead to the preservation or growth of living-wage jobs or the production of affordable housing, and that enhance the tax base of the recipient municipality.

(2) In making grants, the council shall establish regular application deadlines in which grants will be awarded from the available money in the account. If the council provides for application cycles of less than six-month intervals, the council must reserve at least 40 percent of the receipts of the account for a year for application deadlines that occur in the second half of the year. If the applications for grants exceed the available funds for an application cycle, no more than one-half of the funds may be granted to projects in a statutory or home rule charter city and no more than three-quarters of the funds may be granted to projects located in cities of the first class.

(c) A municipality may use the grant to provide a portion of the local match requirement for project costs that qualify for a grant under sections 116J.551 to 116J.557.

Sec. 18. [473.256] [REDEVELOPMENT REVOLVING LOAN PROGRAM.]

Subdivision 1. [DEFINITIONS.] (a) For the purpose of this section, "municipality" means a statutory or home rule charter city or town participating in the local housing incentives program under section 473.254, or a county in the metropolitan area.

(b) For the purpose of this section, "development authority" means a housing and redevelopment authority, economic development authority, or a port authority in the metropolitan area.

Subd. 2. [SOURCES OF FUNDS.] The council must credit to the redevelopment revolving loan account established in section 473.251:

- (1) gifts or grants from private or public entities given for the purposes of this section;
- (2) any money appropriated to the council specifically for the purposes of the redevelopment revolving loan account;
- (3) all money paid to the council by recipients of loans, and all interest on proceeds and payments;
- (4) loans of available funds held by the council for other purposes, provided that such loans meet the conditions in subdivision 4; and

(5) the proceeds of any property tax levy made pursuant to the provisions of subdivision 4, paragraph (b).

Subd. 3. [DISTRIBUTION OF FUNDS.] (a) The council must use the funds in the account to make repayments of amounts loaned to the account under subdivision 4 and to make loans to municipalities or development authorities for projects which have a reasonable probability of resulting in lower housing costs in the metropolitan area. Eligible projects include, without limitation, those which support housing production and ensure integration of land use and transportation needs in development of the community. A loan to a metropolitan county or a development authority must be used for a project in a statutory or home rule charter city or town participating in the local housing incentives program under section 473.254. The council must prescribe and provide the loan application form to municipalities and development authorities.

(b) Loans from the redevelopment revolving loan account must be made under terms and conditions determined by the council, but including at least the following:

(1) loans must be made at an interest rate comparable to that which would be earned by funds invested by the council; and

(2) loans must be secured at a minimum by either:

(i) a pledge of the full faith and credit of the municipality in which the project is located; or

(ii) a pledge of other properties or assets of the types, and in the amounts, that is satisfactory to the council.

(c) The council may require the local governmental unit to provide matching funds in a percentage determined by the council.

Subd. 4. [LOANS FROM AVAILABLE FUNDS.] (a) The council is authorized to loan to the redevelopment revolving loan account any available funds held by the council for other purposes but only in such a manner as to ensure full repayment of principal and interest to the source fund. Loans of the funds must be under terms and conditions determined by the council, but including at least the following:

(1) not more than \$50,000,000 of the funds must be on loan to the redevelopment revolving loan account at any time;

(2) the schedule for repayment of loaned funds must be structured in such a manner that funds will be available at the times required by the source program; and

(3) money loaned to the redevelopment revolving loan account must bear interest at an amount comparable to that which would be earned by the source funds if invested in accordance with the council's regular investment strategy.

(b) In the event of any shortfall or default in repayment of principal and interest on loans to the redevelopment revolving loan account as they become due, the council is required to levy a tax on all taxable property in the metropolitan area to provide sufficient funds to make up the shortfall or default. This tax must be certified, levied, and collected in the manner provided by section 473.13. The tax is in addition to that authorized by section 473.249, and any other law and does not affect the amount or rate of taxes which may be levied by the council or any metropolitan agency or local governmental unit.

Sec. 19. Minnesota Statutes 2000, section 473.39, is amended by adding a subdivision to read:

Subd. 1i. [OBLIGATIONS.] After July 1, 2002, in addition to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, and 1h, the council may issue certificates of indebtedness, bonds, or other obligations under this section for capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. The amount of the obligations issued under this subdivision in any year must not exceed an amount equal to the following limitations, except as provided in this subdivision:

(1) for 2003, the limitation is \$50,000,000; and

(2) for each subsequent year, the limitation is equal to the last year's limitation calculated under this subdivision adjusted for inflation using the United States Department of Labor's Bureau of Labor Statistics Minneapolis-St. Paul Consumer Price Index for All Urban Consumers (CPI-U) for the last taxes-payable year. For any year in which the council does not issue obligations totaling the limitation calculated under this subdivision, the remaining available limitation amount may be carried forward to later years. The council may issue obligations in a carry-forward year in an amount exceeding the annual limitation for that year by the limitation amount carried forward, but the limitation amount carried forward is not a permanent increase in the annual limitation calculated under this subdivision.

Sec. 20. Minnesota Statutes 2001 Supplement, section 475.58, subdivision 1, is amended to read:

Subdivision 1. [APPROVAL BY ELECTORS; EXCEPTIONS.] Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

(1) to pay any unpaid judgment against the municipality;

(2) for refunding obligations;

(3) for an improvement or improvement program, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement or by an improvement within the improvement program, or of taxes levied upon the increased value of property within a district for the development of which the improvement is undertaken, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or taxes and not less than 20 percent of the cost of the improvement or the improvement program is to be assessed against benefited property or is to be paid from the proceeds of federal grant funds or a combination thereof, or is estimated to be received from such taxes within the district;

(4) payable wholly from the income of revenue producing conveniences;

(5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;

(6) under the provisions of a law which permits the issuance of obligations of a municipality without an election;

(7) to fund pension or retirement fund liabilities pursuant to section 475.52, subdivision 6;

(8) under a capital improvement plan under section 373.40; and

(9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds); ~~if the proceeds of the bonds are not used for a purpose prohibited under section 469.176, subdivision 4g, paragraph (b); and~~

(10) to pay for reconstruction of streets if special assessments were levied to pay all or a portion of the initial costs of such streets.

Sec. 21. Minnesota Statutes 2000, section 475.67, subdivision 13, is amended to read:

Subd. 13. [CROSSOVER REFUNDING OBLIGATIONS.] Crossover refunding obligations may be issued by a municipality without regard to the limitations in subdivisions 4 to 10. The proceeds of crossover refunding obligations, less any proceeds applied to payment of the costs of their issuance, shall be deposited in a debt service fund irrevocably appropriated to the payment of principal of and interest on the refunding obligations until the date the proceeds are applied to

payment of the obligations to be refunded. The debt service fund shall be maintained as an escrow account with a suitable financial institution within or without the state and amounts in it shall be invested in securities described in subdivision 8 or in an investment contract or similar agreement with a bank or, insurance company, or other financial institution meeting the requirements of section 118A.05, subdivision 5. Excess proceeds, if any, of the tax levy pursuant to section 475.61, subdivision 1, made with respect to the obligations to be refunded, and any other available amounts, may be deposited in the escrow account. In the resolution authorizing the issuance of crossover refunding obligations, the governing body may pledge to their payment any source of payment of the obligations to be refunded. The resolution may provide that the refunding obligations are payable solely from the escrow account prior to the date scheduled for payment of the obligations to be refunded and that the obligations to be refunded shall not be discharged if the amounts on deposit in the escrow account on that date are insufficient. Subdivision 12 applies to crossover refunding obligations, but the present value of debt service on the refunding and refunded obligations shall be determined as of the date the proceeds are applied to payment of the obligations to be refunded. Subject to section 475.61, subdivision 3, in the case of general obligation bonds, taxes shall be levied pursuant to section 475.61 and appropriated to the debt service fund in the amounts needed, together with estimated investment income of the debt service fund and any other revenues available upon discharge of the obligations refunded, to pay when due the principal of and interest on the refunding obligations. The levy so imposed may be reduced by earnings to be received from investments on hand in the debt service fund to the extent the applicable recording officer certifies to the county auditor that the earnings are expected to be received in amounts and at such times as to be sufficient, together with the remaining levy, to satisfy the purpose of the levy requirements under section 475.61.

Sec. 22. Minnesota Statutes 2000, section 641.23, is amended to read:

641.23 [FUNDS, HOW PROVIDED.]

Before any contract is made for the erection of a county jail, sheriff's residence, or both, the county board shall either levy a sufficient tax to provide the necessary funds, or issue county bonds therefor in accordance with the provisions of chapter 475, provided that, ~~unless the issuance of the bonds is approved by the majority of voters voting on the question of their issuance, no election is required if~~ the amount of all bonds issued for this purpose and interest on them which are due and payable in any year shall does not exceed an amount equal to 0.09671 percent of market value of taxable property within the county, as last determined before the bonds are issued.

Sec. 23. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788, section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, sections 1, Laws 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, and Laws 1998, chapter 389, article 3, section 27, is amended to read:

Subd. 2. For each of the years ~~through~~ 2003 to 2013, the city of St. Paul is authorized to issue bonds in the aggregate principal amount of ~~\$15,000,000~~ \$20,000,000 for each year; ~~or in an amount equal to one-fourth of one percent of the assessors estimated market value of taxable property in St. Paul, whichever is greater, provided that no more than 15,000,000 of bonds is authorized to be issued in any year, unless St. Paul's local general obligation debt as defined in this section is less than six percent of market value calculated as of December 31 of the preceding year; but at no time shall the aggregate principal amount of bonds authorized exceed \$18,000,000 in 1998, \$18,000,000 in 1999, \$19,000,000 in 2000, \$19,000,000 in 2001, \$19,500,000 in 2002, and \$20,000,000 in 2003.~~

Sec. 24. [CITY OF ST. PAUL; ECONOMIC DEVELOPMENT RESERVE BOND PROGRAM.]

Subdivision 1. [AUTHORIZATION TO ISSUE BONDS.] Notwithstanding any contrary provision of the St. Paul city charter, the St. Paul city council may by a resolution adopted by five members authorize the issuance and sale of general obligation bonds of the city in the amount of up to \$5,000,000 annually in the years 2002, 2003, 2004, and 2005, and pledge the full faith and credit of the city to the payment of the bonds. The bonds shall be issued and sold under Minnesota Statutes, chapter 475, except that an election is not required, unless within 30 days of the effective

date of this section a petition signed by eight percent of the registered voters of the city who voted at the last city mayoral election is filed with the city clerk requesting a referendum on the question of the authority to issue the bonds. If a petition is filed, the authority to issue the bonds under this section is not effective until approved by a majority of the voters of the city voting on the question at a general or special election.

Subd. 2. [USE OF PROCEEDS.] The proceeds of the bonds issued under subdivision 1 must be used exclusively to fund one or more reserve funds to be pledged for the payment of debt service on revenue bonds issued by the city of St. Paul, the St. Paul housing and redevelopment authority, or the St. Paul port authority for projects described in subdivision 3.

Subd. 3. [PROJECT APPROVAL.] The proceeds of the bonds issued under subdivision 1 shall be pledged to or expended to pay debt service on bonds issued to finance only projects that have been reviewed and approved by the St. Paul city council.

Subd. 4. [AUTHORITY CUMULATIVE.] The authority granted to the city of St. Paul to issue bonds under this section is in addition to the authority provided by any other law.

Subd. 5. [EFFECTIVE DATE.] This section is effective upon the approval of the governing body of the city of St. Paul and upon compliance with Minnesota Statutes, section 645.021.

#### Sec. 25. [ANOKA COUNTY DEBT AUTHORITY.]

Subdivision 1. [AUTHORITY TO INCUR DEBT.] To finance the cost of designing, constructing, and acquiring public safety communication system infrastructure and equipment, the governing body of Anoka may issue:

(1) capital improvement bonds under the provisions of Minnesota Statutes, section 373.40, as if the infrastructure and equipment qualified as a "capital improvement" within the meaning of Minnesota Statutes, section 373.40, subdivision 1, paragraph (b); or

(2) capital notes under the provisions of Minnesota Statutes, section 373.01, subdivision 3, as if the equipment qualified as "capital equipment" within the meaning of Minnesota Statutes, section 373.01, subdivision 3.

Subd. 2. [TREATMENT OF LEVY.] The county may report the tax attributable to any levy to pay bonds or notes issued under this section as a separate line item on the property tax statement. The levy to pay the notes or bonds is exempt from the limits on the amount or rate of tax imposed under any other provision of law.

Subd. 3. [EXPIRATION.] This section expires ten years after the first day on which the county issues a note or bond under this section. The county may not issue a bond or note under this section with a maturity or payment date after the expiration date of this section. No property tax may be levied under this section for taxes payable in a calendar year after the calendar year in which this section expires. Expiration of this section does not affect the obligation to pay or the authority to collect taxes levied under this section before its expiration.

[EFFECTIVE DATE.] This section is effective the day following final enactment without local approval.

#### Sec. 26. [APPLICATION.]

Sections 16 to 19 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

#### Sec. 27. [EFFECTIVE DATE.]

Section 8 is effective August 1, 2002, and applies to resolutions adopted on or after that date.

The remainder of this article is effective the day after final enactment.

## STATE TREASURER DUTIES

## Section 1. [TRANSFER.]

All powers, responsibilities, and duties of the state treasurer are transferred to the commissioner of finance under Minnesota Statutes, section 15.039, except as otherwise prescribed in this article and Laws 1998, chapter 387, and except that Minnesota Statutes, section 15.039, subdivision 7, does not apply to the state treasurer or deputy state treasurer.

Sec. 2. Minnesota Statutes 2000, section 7.26, is amended to read:

## 7.26 [DELIVERY OF DUPLICATES; BOND.]

Such duplicate obligation when executed shall be delivered by the ~~state treasurer~~ commissioner of finance to the owner of the original obligation, the owner's guardian, or the representative of the owner's estate; provided, such owner, guardian, or representative shall first file with the ~~state treasurer~~ commissioner a bond in the full amount of such obligation and unpaid interest to maturity, with sufficient sureties, approved by the same authority as state depository bonds, indemnifying the state against any loss thereon by reason of the existence of the original obligation or any coupon thereto attached, unless such bond is waived as hereinafter provided; and, provided, such owner, guardian, or representative shall furnish satisfactory proof to the ~~state treasurer~~ commissioner that such original obligation and coupons have not been found or presented for payment up to the time of such delivery; and, if any thereof have been found or presented, duplicates shall be delivered only of such as have not been found or presented. A record of the issuance and delivery of each duplicate obligation and attached coupons shall be made by the ~~state treasurer and forthwith reported by the treasurer to the commissioner of finance, who shall also make a record of the same.~~ Such duplicate obligations and coupons, when issued and delivered as hereinbefore provided shall have the same force and effect as the originals.

Sec. 3. Minnesota Statutes 2000, section 16A.27, subdivision 5, is amended to read:

Subd. 5. [CHARGES, COMPENSATING BALANCES.] The commissioner may, ~~after consulting with the state treasurer, agree that the treasurer may~~ pay a depository a reasonable charge from appropriated money, maintain appropriate compensating balances with the depository, or purchase non-interest-bearing certificates of deposit from the depository for performing depository related services.

Sec. 4. Minnesota Statutes 2000, section 16A.626, is amended to read:

## 16A.626 [ELECTRONIC PAYMENTS.]

(a) For purposes of this section, the terms defined in this paragraph have the meaning given them. "Agency" means a state officer, employee, board, commission, authority, department, entity, or organization of the executive branch of state government. "Government services transaction" means the conduct of business between an agency and an individual or business entity where the individual or business entity is paying a license or permit fee or tax or purchasing goods or services.

(b) Notwithstanding any other provision of law, rule, or regulation to the contrary, an agency may accept credit cards, charge cards, debit cards, or other method of electronic funds transfer for payment in government services transactions, including electronic transactions.

(c) The commissioner of finance, ~~in consultation with the state treasurer,~~ shall contract with one or more entities for the purpose of enabling agencies to accept and process credit cards and other electronic financial transactions. All agencies shall process their credit card and other electronic financial transactions through the contracts negotiated by the commissioner of finance, unless the commissioner of finance grants a waiver allowing an agency to negotiate its own contract with an entity. These contracts must be approved by the commissioner of finance.

(d) Agencies that accept credit cards, charge cards, debit cards, or other method of electronic funds transfer for payment may impose a convenience fee to be added to each transaction, except

that the department of revenue shall not impose a fee under this section on any payment of tax that is required by law or rule to be made by electronic funds transfer. The total amount of such convenience fee must be equal to the transaction fee charged by a processing contractor for such credit services during the most recent collection period. An agency imposing a convenience fee must notify the person using the credit services of the fee before the transaction is processed. Fees collected under this section are appropriated to the agency collecting the fee for purposes of paying the processing contractor.

(e) A convenience fee imposed by an agency under this section is in addition to any tax, fee, charge, or cost otherwise imposed for a license, permit, tax, service, or good provided by the agency.

(f) Credit card, charge card, debit card, or other method of electronic funds transfer account numbers are nonpublic data not on individuals as defined in section 13.02, subdivision 9, or private data on individuals as defined in section 13.02, subdivision 12.

Sec. 5. Minnesota Statutes 2000, section 35.08, is amended to read:

35.08 [KILLING OF DISEASED ANIMALS.]

If the board decides upon the killing of an animal affected with tuberculosis, paratuberculosis, or brucellosis, it shall notify the animal's owner or keeper of the decision. If the board, through its executive director, orders that an animal may be transported for immediate slaughter to any abattoir where the meat inspection division of the United States Department of Agriculture maintains inspection, or where the animal and plant health inspection service of the United States Department of Agriculture or the board establishes field postmortem inspection, the owner must receive the value of the net salvage of the carcass.

Before the animal is removed from the premises of the owner, the representative or authorized agent of the board must agree with the owner in writing as to the value of the animal. In the absence of an agreement, three competent, disinterested persons, one appointed by the board, one by the owner, and a third by the first two, shall appraise the animal at its full replacement cost taking into consideration the purpose and use of the animal.

The appraisal made under this section must be in writing, signed by the appraisers, and certified by the board to the commissioner of finance, who shall draw a warrant on the state treasurer for the amount due the owner.

Sec. 6. Minnesota Statutes 2001 Supplement, section 35.09, subdivision 3, is amended to read:

Subd. 3. [EMERGENCIES.] (a) When it is determined by the board that it is necessary to eradicate any dangerous, infectious, communicable disease among domestic animals in the state, the presence of which constitutes an emergency declared by resolution of the board, order of the governor, or by the United States Department of Agriculture, the board may take reasonable and necessary steps to suppress and eradicate the disease. The board may cooperate with the animal and plant health inspection service of the United States Department of Agriculture, federally recognized Indian tribes, state or local government agencies, or any other private or public entity in the suppression and eradication of the disease.

(b) When an emergency has been declared, the board may appraise and destroy animals affected with, or which have been exposed to the disease, or which are highly susceptible to exposure to the disease because of proximity to diseased animals, appraise and destroy personal property in order to remove the infection and complete the cleaning and disinfection of the premises, temporarily commandeer real property under paragraph (c) for the purpose of disposing of animals, and do any act and incur any other expense reasonably necessary to suppress the disease.

(c) The governor, at the request of the board, may temporarily commandeer agricultural or other suitable nonresidential land under the provisions of chapter 12 to be used for disposal of the destroyed animals when an emergency has been declared by the governor under section 35.0661 and the board determines that:

- (1) the owner of destroyed animals lacks sufficient land to properly dispose of the animals;
- (2) the animals cannot be transported to other sites;
- (3) no landowner within the appropriate area will consent to voluntarily provide land for animal disposal;
- (4) time pressures prevent formal condemnation procedures; and
- (5) other means of animal disposal are either impractical or contrary to good disease control practices.

After the land has been used for animal disposal, possession shall return to the owner or occupant. Damages resulting from the temporary taking shall be paid in the same amount and manner as if the land had been temporarily condemned for other public purposes.

(d) The board may accept, on behalf of the state, the rules adopted by the animal and plant health inspection service of the United States Department of Agriculture pertaining to the disease, authorized under an act of Congress, or the portion of the regulations deemed necessary, suitable, or applicable, and cooperate with the animal and plant health inspection service of the United States Department of Agriculture, in the enforcement of those rules. Alternatively, the board may follow the procedure only as to quarantine, inspection, condemnation, appraisal, compensation, destruction, burial of animals, disinfection, or other acts the board considers reasonably necessary for the suppression of the disease, as agreed upon and adopted by the board and representatives or authorized agents of the animal and plant health inspection service of the United States Department of Agriculture.

(e) For the purpose of compensation under paragraph (f), appraisals of animals or personal property destroyed in order to remove the infection and complete the cleaning and disinfection of premises where the animals are found, must be made by an appraisal board consisting of a representative of the board, a representative of the animal and plant health inspection service of the United States Department of Agriculture, and the owner of the animals or the owner's representative. Notwithstanding any law to the contrary, when, in the judgment of the board, physical appraisal of the animals to be killed or personal property to be destroyed poses a disease threat, appraisals may be conducted after the animals are killed based on documents, testimony, or other relevant evidence. Appraisals must be in writing and signed by the appraisers, and must be made at the true market value of all animals and personal property appraised, unless otherwise provided by applicable federal law or regulation when compensation is paid by federal funds.

(f) Upon destruction of animals or personal property, or temporary commandeering of real property, and burial or other disposition of the carcasses of the animals in accordance with the law and rules of the board and the animal and plant health inspection service of the United States Department of Agriculture, and the completion of the cleaning and disinfection of the premises, the board shall certify the appraisal or the condemnation award to the commissioner of finance, who shall draw a warrant ~~on the state treasurer~~ for the proper amount payable to the owner, excluding any compensation received by the owner from other sources, from appropriations made available for this purpose.

(g) No entity of any kind may begin or proceed with any proceeding to collect a debt from the owner of animals or personal property destroyed under this subdivision, until the owner has received compensation under paragraph (d). For purposes of this paragraph, "proceeding to collect a debt" includes foreclosure, repossession, garnishment, levy, contract for deed cancellation, an action to obtain a court judgment, a proceeding to collect real estate taxes or special assessments, eviction, and any other in-court and out-of-court proceedings to collect a debt. The term does not include sending bills or other routine communications to the owner. If an entity refuses to comply with this paragraph after being informed that the owner qualifies for relief under this paragraph, the owner may apply to the district court in the county in which the owner resides for a court order directing the entity to comply with this paragraph and to reimburse the owner for reasonable attorney fees incurred in obtaining the court order. This paragraph does not affect the validity of a mortgage foreclosure, contract for deed cancellation or other proceeding involving the title to real



property, unless the owner records in the office of the county recorder, or files in the office of the registrar of titles, prior to completion of the proceeding to collect a debt, a certified copy of a court order, which includes a legal description of the property, determining that the owner qualifies for relief under this paragraph. For purposes of proceedings involving title to real property, the court order must provide that it expires 90 days after the court order was applied for, unless the court extends the court order prior to that date for good cause shown. A certified copy of any extension of the court order must be recorded or filed in order to affect the validity of a proceeding affecting the title to real property. For purposes of this paragraph, "completion of a proceeding to collect a debt" means, in the case of a mortgage foreclosure under chapter 580 or 581 or of a foreclosure of any other lien on real property, the filing or recording of the sheriff's certificate of sale; and, in the case of a contract for deed cancellation under section 559.21, the end of the cancellation period provided in that section.

Sec. 7. Minnesota Statutes 2000, section 49.24, subdivision 13, is amended to read:

Subd. 13. [DISPOSITION OF UNCLAIMED DIVIDENDS.] Upon the liquidation of any financial institution liquidated by the commissioner as statutory liquidator, if any dividends or other moneys set apart for the payment of claims remain unpaid, and the places of residence of the owners thereof are unknown to the commissioner, the commissioner may pay same into the state treasury as hereinafter provided. Whenever the commissioner shall be satisfied that the process of liquidation should not be further continued the commissioner may make and certify triplicate lists of any such unclaimed dividends or other moneys, specifying the name of each owner, the amount due, and the last known address. Upon one of such lists, to be retained by the commissioner shall be endorsed the commissioner's order that such unclaimed moneys be forthwith deposited in the state treasury. When so deposited, one of said lists shall be delivered to the ~~state treasurer and another to the~~ commissioner of finance and the commissioner shall retain in the commissioner's office such records and proofs concerning said claims as the commissioner may have, which shall thereafter remain on file in the office. ~~The treasurer~~ commissioner of finance shall execute upon the list retained by the commissioner a receipt for such money, which shall operate as a full discharge of the commissioner on account of such claims. At any time within six years after such receipt, but not afterward, the claimant may apply to the commissioner for the amount so deposited for the claimant's benefit, and upon proof satisfactory to the governor, the attorney general and the commissioner, or to a majority of them, they shall give an order to the commissioner of finance to issue a warrant ~~upon the treasurer~~ for such amount, and such warrant shall thereupon be issued. If no such claim be presented within six years, the commissioner shall so note upon the commissioner's copy of said list and certify the fact to the commissioner of finance ~~and treasurer~~ who shall make like entries upon the commissioner of finance's corresponding lists ~~in their hands~~; and all further claims to said money shall be barred. Provided, that the ~~state treasurer~~ commissioner of finance shall transfer to the commissioner of commerce's liquidation fund created by this section not to exceed 50 percent of the amount so turned over by the commissioner, to be used to partially defray expenses in connection with the liquidation of closed banks and the conduct of the liquidation division, in such amounts and at such times as the commissioner shall request.

There is hereby appropriated to the persons entitled to such amounts, from such moneys in the state treasury not otherwise appropriated, an amount sufficient to make such payment.

Sec. 8. Minnesota Statutes 2000, section 49.24, subdivision 16, is amended to read:

Subd. 16. [TRANSFERS TO LIQUIDATION FUND.] The following moneys shall be transferred to and deposited in the commissioner of commerce's liquidation fund:

(1) All moneys paid to the ~~state treasurer~~ commissioner of finance by the commissioner out of funds of any financial institution in the commissioner's hands as reimbursement for services and expenses pursuant to the provisions of subdivision 7.

(2) All moneys in the possession of the commissioner set aside for the purpose of meeting unforeseen and contingent expenses incident to the liquidation of closed financial institutions, which funds have been or shall be hereafter established by withholding portions of final liquidating dividends in such cases.

(3) All moneys which the commissioner shall request the ~~state treasurer~~ commissioner of finance to transfer to such fund pursuant to the provisions of subdivision 13.

(4) All moneys in the possession of the commissioner now carried on the commissioner's books in "stamp account," "suspense account," and "unclaimed deposit account."

(5) All moneys in the possession of the commissioner which the commissioner may be authorized by order of any district court having jurisdiction of any liquidation proceedings to transfer to such fund, or to use for any of the purposes for which the fund is established.

(6) All moneys in the possession of the commissioner carried on the commissioner's books in the "unclaimed bonds account." At any time within ~~one year after the effective date of Laws 1945, chapter 128, or within~~ six years after any bond the proceeds of the sale of which constitute a portion of the moneys in this paragraph referred to came into the possession of the commissioner as liquidator of any financial institution, ~~whichever is later,~~ any claimant thereto may apply to the commissioner for the proceeds of the sale of such bond, and, upon proof satisfactory to the governor, the attorney general, and the commissioner, or a majority of them, they shall give an order to the commissioner of finance to issue a warrant ~~upon the treasurer~~ for such amount, without interest, and such warrant shall thereupon be issued and the amount thereof paid out of the commissioner of commerce's liquidation fund. If no such claim be presented within such period, all further claims to the proceeds of any such bond shall be barred.

(7) All sums which the commissioner may receive from the sale of personal property of liquidated financial institutions where the final dividend has been paid and no disposition of said property made by any order of the court, and the proceeds of sales of any personal property used by the liquidation division which have been purchased with funds of financial institutions in liquidation.

Sec. 9. Minnesota Statutes 2000, section 84A.11, is amended to read:

84A.11 [WHEN BONDS PAID IN PART BY COUNTIES.]

A county containing a portion of the preserve may voluntarily assume, in the manner specified in this section, the obligation to pay a portion of the principal and interest of the bonds issued before April 19, 1929, and remaining unpaid at maturity, of any school district or town in the county and wholly or partly within the preserve. The portion must bear the same proportion to the whole of the unpaid principal and interest as the 1928 assessed valuation of lands then acquired by the state under sections 84A.01 to 84A.11 in that school district or town bears to the total 1928 assessed valuation of the school district or town.

This assumption must be evidenced by a resolution of the county board. A copy of the resolution must be certified to the commissioner of finance within one year after the passage of sections 84A.01 to 84A.11.

After that time, if any bonds remain unpaid at maturity, the county board shall, upon demand of the governing body of the school district or town or of a bondholder, provide for the payment of the portion assumed. The county board shall levy general taxes on all the taxable property of the county for that purpose, or shall issue its bonds to raise the sum needed conforming to law respecting the issuance of county refunding bonds. The proceeds of these taxes or bonds must be paid by the county treasurer to the treasurers of the respective school districts or towns.

If a county fails to adopt and certify this resolution, the commissioner of finance shall withhold from the payments to be made to the county, under section 84A.04, a sum equal to that portion of the principal and interest of these outstanding bonds that bears the same proportion to the whole principal and interest as the 1928 assessed valuation of lands acquired by the state within the preserve bears to the total 1928 assessed valuation of the school district or town. The money withheld must be set aside in the state treasury and not paid to the county until the full principal and interest of these school district and town bonds is paid.

If any bonds remain unpaid at maturity, upon the demand of the governing body of the school district or town, or a bondholder, the commissioner of finance shall issue to the treasurer of the

school district or town a warrant ~~on the state treasurer~~ for that portion of the past due principal and interest computed as in the case of the county liability authorized to be voluntarily assumed. Money received by a school district or town under this section must be applied to the payment of these past due bonds and interest.

Sec. 10. Minnesota Statutes 2000, section 84A.23, subdivision 4, is amended to read:

Subd. 4. [DRAINAGE DITCH BONDS; REPORTS.] (a) Immediately after a project is approved and accepted and then after each distribution of the tax collections on the June and November tax settlements, the county auditor shall certify to the commissioner of finance the following information relating to bonds issued to finance or refinance public drainage ditches wholly or partly within the projects, and the collection of assessments levied on account of the ditches:

(1) the amount of principal and interest to become due on the bonds before the next tax settlement and distribution;

(2) the amount of money collected from the drainage assessments and credited to the funds of the ditches; and

(3) the amount of the deficit in the ditch fund of the county chargeable to the ditches.

(b) On approving the certificate, the commissioner of finance shall draw a warrant ~~on the state treasurer~~, payable out of the fund pertaining to the project, for the amount of the deficit in favor of the county.

(c) As to public drainage ditches wholly within a project, the amount of money paid to or for the benefit of the county under paragraph (b) must never exceed the principal and interest of the bonds issued to finance or refinance the ditches outstanding at the time of the passage and approval of sections 84A.20 to 84A.30, less money on hand in the county ditch fund to the credit of the ditches. The liabilities must be reduced from time to time by the amount of all payments of assessments after April 25, 1931, made by the owners of lands assessed before that date for benefits on account of the ditches.

(d) As to public drainage ditches partly within and partly outside a project, the amount paid from the fund pertaining to the project to or for the benefit of the county must never exceed a certain percentage of bonds issued to finance and refinance the ditches so outstanding, less money on hand in the county ditch fund to the credit of the ditches on April 25, 1931. The percentage must bear the same proportion to the whole amount of these bonds as the original benefits assessed against lands within the project bear to the original total benefits assessed to the entire system of the ditches. This liability shall be reduced from time to time by the payments of all assessments extended after April 25, 1931, made by the owners of lands within the project of assessments for benefits assessed before that date on account of a ditch.

(e) The commissioner of finance may provide and prescribe forms for reports required by sections 84A.20 to 84A.30 and require any additional information from county officials that the commissioner of finance considers necessary for the proper administration of sections 84A.20 to 84A.30.

Sec. 11. Minnesota Statutes 2000, section 84A.33, subdivision 4, is amended to read:

Subd. 4. [DITCH BONDS; FUNDS; PAYMENTS TO COUNTIES.] (a) Upon the approval and acceptance of a project and after each distribution of the tax collections for the June and November tax settlements, the county auditor shall certify to the commissioner of finance the following information about bonds issued to finance or refinance public drainage ditches wholly or partly within the projects, and the collection of assessments levied for the ditches:

(1) the amount of principal and interest to become due on the bonds before the next tax settlement and distribution;

(2) the amount of money collected from the drainage assessments and credited to the funds of

the ditches, not already sent to the ~~state treasurer~~ commissioner of finance as provided in sections 84A.31 to 84A.42; and

(3) the amount of the deficit in the ditch fund of the county chargeable to the ditches.

(b) On approving this certificate of the county auditor, the commissioner of finance shall draw a warrant ~~on the state treasurer~~, payable out of the fund provided for in sections 84A.31 to 84A.42, and send it to the county treasurer of the county. These funds must be credited to the proper ditch of the county and placed in the ditch bond fund of the county, which is created, and used only to pay the ditch bonded indebtedness of the county assumed by the state under sections 84A.31 to 84A.42. The total amount of warrants drawn must not exceed in any one year the total amount of the deficit provided for under this section.

(c) The state is subrogated to all title, right, interest, or lien of the county in or on the lands so certified within these projects.

(d) As to public drainage ditches wholly within a project, the amount paid to, or for the benefit of, the county under this subdivision must never exceed the principal and interest of the bonds issued to finance or refinance a ditch outstanding on April 22, 1933, less money on hand in the county ditch fund to the credit of a ditch. These liabilities must be reduced from time to time by the amount of any payments of assessments extended after April 22, 1933, made by the owners of lands assessed before that date for benefits on account of the ditches.

As to public drainage ditches partly within and partly outside a project the amount paid from the fund pertaining to the project to or for the benefit of the county must never exceed a certain percentage of bonds issued to finance and refinance a ditch so outstanding, less money on hand in the county ditch fund to the credit of a ditch on April 22, 1932. The percentage must bear the same proportion to the whole amount of the bonds as the original benefits assessed against these lands within the project bear to the original total benefits assessed to the entire system for a ditch. This liability must be reduced from time to time by the payments of all assessments extended after April 22, 1933, made by the owners of lands within the project of assessments for benefits assessed before that date on account of a ditch.

Sec. 12. Minnesota Statutes 2000, section 84A.40, is amended to read:

84A.40 [COUNTY MAY ASSUME BONDS.]

Any county where a project or portion of it is located may voluntarily assume, in the manner specified in this section, the obligation to pay a portion of the principal and interest of the bonds issued before the approval and acceptance of the project and remaining unpaid at maturity, of any school district or town in the county and wholly or partly within the project. The portion must bear the same proportion to the whole of the unpaid principal and interest as the last net tax capacity, before the acceptance of the project, of lands then acquired by the state under sections 84A.31 to 84A.42 in the school districts or towns bears to the total net tax capacity for the same year of the school district or town. This assumption must be evidenced by a resolution of the county board of the county. A copy of the resolution must be certified to the commissioner of finance within one year after the acceptance of the project.

Later, if any of the bonds remains unpaid at maturity, the county board shall, upon demand of the governing body of the school district or town or of a bondholder, provide for the payment of the portion assumed. The county shall levy general taxes on all the taxable property of the county for that purpose, or issue its bonds to raise the sum needed, conforming to law respecting the issuance of county refunding bonds. The proceeds of taxes or bonds must be paid by the county treasurer to the treasurer of the school district or town. No payments shall be made by the county to the school district or town until the money in the treasury of the school district or town, together with the money to be paid by the county, is sufficient to pay in full each of the bonds as it becomes due.

If a county fails to adopt and certify the resolution, the commissioner of finance shall withhold from the payments to be made to the county under section 84A.32 a sum equal to that portion of

the principal and interest of the outstanding bonds that bears the same proportion to the whole of the bonds as the above determined net tax capacity of lands acquired by the state within the project bears to the total net tax capacity for the same year of the school district or town. Money withheld from the county must be set aside in the state treasury and not paid to the county until the full principal and interest of the school district and town bonds have been paid.

If any bonds remain unpaid at maturity, upon the demand of the governing body of the school district or town, or a bondholder, the commissioner of finance shall issue to the treasurer of the school district or town a warrant ~~on the state treasurer~~ for that portion of the past due principal and interest computed as in the case of the county's liability authorized in this section to be voluntarily assumed. Money received by a school district or town under this section must be applied to the payment of past-due bonds and interest.

Sec. 13. Minnesota Statutes 2000, section 85A.05, subdivision 2, is amended to read:

Subd. 2. [ISSUANCE OF BONDS.] Upon request by resolution of the Minnesota zoological board and upon authorization as provided in subdivision 1 the commissioner of finance shall sell and issue Minnesota zoological garden bonds in the aggregate amount requested, upon sealed bids and upon such notice, at such price, in such form and denominations, bearing interest at such rate or rates, maturing in such amounts and on such dates, without option of prepayment or subject to prepayment upon such notice and at such times and prices, payable at such bank or banks within or outside the state, with such provisions for registration, conversion, and exchange and for the issuance of notes in anticipation of the sale or delivery of definitive bonds, and in accordance with such further rules, as the commissioner of finance shall determine, subject to the approval of the attorney general, but not subject to chapter 14, including section 14.386. The bonds shall be executed by the commissioner of finance ~~and attested by the state treasurer~~ under their official seals ~~seal~~. ~~The signatures of the officers~~ signature on the bonds and any appurtenant interest coupons and ~~their seals~~ the seal may be printed, lithographed, engraved, or stamped thereon, except that each bond shall be authenticated by the manual signature on its face of ~~one of the officers~~ the commissioner of finance or of an officer of a bank designated by them as authenticating agent. The commissioner of finance shall ascertain and certify to the purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota, subject to the approval of the attorney general.

Sec. 14. Minnesota Statutes 2000, section 94.53, is amended to read:

94.53 [WARRANT TO COUNTY TREASURERS; FEDERAL LOANS TO COUNTIES.]

It shall be the duty of the commissioner of finance to transmit warrants on the state treasury to the county treasurers of the respective counties for the sum that may be due in accordance with sections 94.52 to 94.54, which sum or sums are hereby appropriated out of the state treasury from the amounts received from the United States government pursuant to the aforesaid act of Congress. The commissioner of finance, upon being notified by the federal government or any agencies thereof that a loan has been made to any such county the repayment of which is to be made from such fund, is authorized to transmit a warrant or warrants ~~on the state treasurer~~ to the federal government or any agency thereof sufficient to repay such loan out of any money apportioned or due to such county under the provisions of such act of Congress, approved May 23, 1908 (Statutes at Large, volume 35, page 260).

Sec. 15. Minnesota Statutes 2000, section 115A.58, subdivision 2, is amended to read:

Subd. 2. [ISSUANCE OF BONDS.] Upon request by the director and upon authorization as provided in subdivision 1, the commissioner of finance shall sell Minnesota state waste management bonds. The bonds shall be in the aggregate amount requested, and sold upon sealed bids upon the notice, at the price in the form and denominations, bearing interest at the rate or rates, maturing in the amounts and on the dates (with or without option of prepayment upon notice and at specified times and prices), payable at a bank or banks within or outside the state (with provisions, if any, for registration, conversion, and exchange and for the issuance of temporary bonds or notes in anticipation of the sale or delivery of definitive bonds), and in accordance with

further provisions as the commissioner of finance shall determine, subject to the approval of the attorney general, but not subject to chapter 14, including section 14.386. The bonds shall be executed by the commissioner of finance ~~and attested by the state treasurer under their official seals seal.~~ The ~~signatures of the officers~~ signature on the bonds and any interest coupons and ~~their seals~~ the seal may be printed, lithographed, engraved, stamped, or otherwise reproduced thereon, except that each bond shall be authenticated by the manual signature on its face of ~~one of the officers~~ the commissioner of finance or of an authorized representative of a bank designated by the commissioner of finance as registrar or other authenticating agent. The commissioner of finance shall ascertain and certify to the purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota, subject to the approval of the attorney general.

Sec. 16. Minnesota Statutes 2000, section 116.16, subdivision 4, is amended to read:

Subd. 4. [DISBURSEMENTS.] Disbursements for the water pollution control program shall be made by the ~~state treasurer upon order of the~~ commissioner of finance at the times and in the amounts requested by the agency or the Minnesota public facilities authority in accordance with the applicable state and federal law governing such disbursements; except that no appropriation or loan of state funds for any project shall be disbursed to any municipality until and unless the agency has by resolution determined the total estimated cost of the project, and ascertained that financing of the project is assured by:

(1) a grant to the municipality by an agency of the federal government within the amount of funds then appropriated to that agency and allocated by it to projects within the state; or

(2) a grant of funds appropriated by state law; or

(3) a loan authorized by state law; or

(4) the appropriation of proceeds of bonds or other funds of the municipality to a fund for the construction of the project; or

(5) any or all of the means referred to in clauses (1) to (4); and

(6) an irrevocable undertaking, by resolution of the governing body of the municipality, to use all funds so made available exclusively for the construction of the project, and to pay any additional amount by which the cost of the project exceeds the estimate, by the appropriation to the construction fund of additional municipal funds or the proceeds of additional bonds to be issued by the municipality; and

(7) conformity of the project and of the loan or grant application with the state water pollution control plan as certified to the federal government and with all other conditions under applicable state and federal law for a grant of state or federal funds of the nature and in the amount involved.

Sec. 17. Minnesota Statutes 2000, section 116.17, subdivision 2, is amended to read:

Subd. 2. [ISSUANCE OF BONDS.] Upon request by resolution of the agency and upon authorization as provided in subdivision 1 the commissioner of finance shall sell and issue Minnesota state water pollution control bonds in the aggregate amount requested, upon sealed bids and upon such notice, at such price, in such form and denominations, bearing interest at a rate or rates, maturing in amounts and on dates, with or without option of prepayment upon notice and at specified times and prices, payable at a bank or banks within or outside the state, with provisions, if any, for registration, conversion, and exchange and for the issuance of temporary bonds or notes in anticipation of the sale or delivery of definitive bonds, and in accordance with further provisions, as the commissioner of finance shall determine, subject to the approval of the attorney general, but not subject to chapter 14, including section 14.386. The bonds shall be executed by the commissioner of finance ~~and attested by the state treasurer under their official seals seal.~~ The ~~signatures~~ signature of the ~~officers~~ commissioner on the bonds and any appurtenant interest coupons and ~~their seals~~ the seal may be printed, lithographed, engraved, stamped, or otherwise reproduced thereon, except that each bond shall be authenticated by the manual signature on its face of ~~one of the officers~~ the commissioner or of an authorized representative of a bank

designated by the commissioner as registrar or other authenticating agent. The commissioner of finance shall ascertain and certify to the purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota, subject to the approval of the attorney general.

Sec. 18. Minnesota Statutes 2001 Supplement, section 122A.21, is amended to read:

122A.21 [TEACHERS' AND ADMINISTRATORS' LICENSES; FEES.]

Each application for the issuance, renewal, or extension of a license to teach must be accompanied by a processing fee in an amount set by the board of teaching by rule. Each application for issuing, renewing, or extending the license of a school administrator or supervisor must be accompanied by a processing fee in the amount set by the board of teaching. The processing fee for a teacher's license and for the licenses of supervisory personnel must be paid to the executive secretary of the appropriate board. The executive secretary of the board shall deposit the fees with the state treasurer, as provided by law, and report each month to the commissioner of finance the amount of fees collected. The fees as set by the board are nonrefundable for applicants not qualifying for a license. However, a fee must be refunded by the state treasurer commissioner of finance in any case in which the applicant already holds a valid unexpired license. The board may waive or reduce fees for applicants who apply at the same time for more than one license.

Sec. 19. Minnesota Statutes 2000, section 126C.72, subdivision 2, is amended to read:

Subd. 2. [ISSUANCE AND SALE OF BONDS; COMMISSIONER OF FINANCE.] Upon receipt of each such certification, subject to authorization as provided in subdivision 4, the commissioner of finance shall from time to time as needed issue and sell state of Minnesota school loan bonds in the aggregate principal amount stated in the commissioner's certificate, for the prompt and full payment of which, with the interest thereon, the full faith, credit, and taxing powers of the state are hereby irrevocably pledged. The commissioner of finance shall credit the net proceeds of the sale of the bonds to the purposes for which they are appropriated by section 126C.66, subdivision 1. The bonds shall be issued and sold at such price, in such manner, in such number of series, at such times, and in such form and denominations, shall bear such dates of issue and of maturity, either without option of prior redemption or subject to prepayment upon such notice and at such times and prices, shall bear interest at such rate or rates and payable at such intervals, shall be payable at such bank or banks within or without the state, with such provisions for registration, conversion, and exchange, and for the issuance of notes in anticipation of the sale and delivery of definitive bonds, and in accordance with such further provisions as the commissioner of finance shall determine subject to the limitations stated in this subdivision (but not subject to chapter 14, including section 14.386). The maturity date must not be more than 20 years after the date of issue of any bond and the principal amounts. The due dates must conform as near as may be with the commissioner's estimates of dates and amounts of payments to be received on debt service and capital loans. The bonds and any interest coupons attached to them must be executed by the commissioner of finance and attested by the state treasurer under their official seals seal. The signatures signature of these officers the commissioner and their seals the seal may be printed, lithographed, stamped, engraved, or otherwise reproduced thereon. Each bond must be authenticated by the manual signature on its face of one of the officers commissioner or a person authorized to sign on behalf of a bank or trust company designated by the commissioner to act as registrar or other authenticating agent. The commissioner of finance is authorized and directed to ascertain and certify to purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota in accordance with their terms.

Sec. 20. Minnesota Statutes 2000, section 127A.40, is amended to read:

127A.40 [MANNER OF PAYMENT OF STATE AIDS.]

It shall be the duty of the commissioner to deliver to the commissioner of finance a certificate for each district entitled to receive state aid under the provisions of this chapter. Upon the receipt of such certificate, it shall be the duty of the commissioner of finance to draw a warrant upon the state treasurer in favor of the district for the amount shown by each certificate to be due to the

district. The commissioner of finance shall transmit such warrants to the district together with a copy of the certificate prepared by the commissioner.

Sec. 21. Minnesota Statutes 2000, section 161.05, subdivision 3, is amended to read:

Subd. 3. [CERTIFICATE.] Before the ~~state treasurer~~ commissioner of finance shall make any such loan, the commissioner shall file with the commissioner of finance ~~and the state treasurer~~ a certificate showing the amount of disbursements from the trunk highway fund which are to be repaid to the state by the federal government.

Sec. 22. Minnesota Statutes 2000, section 161.07, is amended to read:

161.07 [MANNER OF PAYMENTS.]

Subdivision 1. [ABSTRACT FOR PAYMENT.] In all cases of payments to be made as herein authorized by the commissioner out of the trunk highway fund, the same shall be made in the following manner. The commissioner shall furnish verified abstracts of the same, prepared in ~~triplicate~~ duplicate, one of which shall be delivered to the commissioner of finance, ~~one to the state treasurer~~, and one to be retained by the commissioner of transportation. The abstract shall contain the name, residence, and the amount due each claimant and designate the contract or purpose for which the payment is made.

Subd. 2. [PAYMENT.] The copy of the abstracts delivered to the commissioner of finance shall be accompanied by the original voucher or vouchers, together with the proof of claim for each item included in such abstracts. If there be sufficient money in the proper fund, the commissioner of finance shall issue a warrant ~~upon the state treasurer~~ for the gross amount shown by such abstract. The ~~state treasurer~~ commissioner of finance shall deliver checks to the several persons entitled thereto as shown by such abstracts, and shall preserve in the ~~treasurer's~~ commissioner's office a record of each check and remittance showing the date of each issue, ~~the name of the payee~~, and any other facts tending to evidence its payment.

Sec. 23. Minnesota Statutes 2000, section 167.50, subdivision 2, is amended to read:

Subd. 2. [ISSUANCE AND SALE.] The bonds shall be issued and sold upon competitive bids after published notice. The bonds shall be issued and sold at the times and prices (not less than par and accrued interest), in the form and denominations, bearing interest at the rate or rates, maturing on dates, with or without option of prior redemption upon notice and at specified times and prices, payable at a bank or banks, within or without the state, with provisions for registration, conversion, and exchange and for the issuance of temporary bonds or notes in anticipation of the sale and delivery of definitive bonds, and in accordance with such further provisions, as the commissioner of finance may determine, subject to the approval of the attorney general (but not subject to the provisions of chapter 14, including 14.386). Each bond shall mature within 20 years from its date of issue and shall be executed by the commissioner of finance ~~and attested by the state treasurer~~ under their official seals. ~~The signatures~~ signature of ~~these officers~~ the commissioner on the face of and any interest coupons appurtenant to any bond, and ~~their seals~~ the seal may be printed, lithographed, stamped, engraved, or otherwise reproduced thereon, provided that the signature of one of the officers, or of an authorized representative of a corporate registrar or other agent designated by the commissioner of finance to authenticate the bonds, shall be manually subscribed on the face of each bond.

Sec. 24. Minnesota Statutes 2000, section 174.51, subdivision 2, is amended to read:

Subd. 2. [SALE; GENERAL OBLIGATIONS.] The bonds shall be sold upon sealed bids and upon notice, at a price, in form and denominations, bearing interest at a rate or rates, maturing in amounts and on dates, without option of prior redemption or subject to prepayment upon notice and at times and prices, payable at a bank or banks within or outside the state, with or without provisions for registration, conversion, exchange, and issuance of temporary bonds or notes in anticipation of the sale or delivery of definitive bonds, and in accordance with further provisions, as the commissioner of finance shall determine subject to the approval of the attorney general, but not subject to the provisions of chapter 14, including section 14.386. Each bond shall mature



within 20 years from its date of issue and shall be executed by the commissioner of finance and ~~attested by the state treasurer under their official seals~~ seal. The ~~signatures~~ signature on the bonds and on any interest coupons and the ~~seals~~ seal may be printed or otherwise reproduced, except that each bond shall be authenticated by the manual signature on its face of ~~one of the officers~~ the commissioner of finance or of a person authorized to sign on behalf of a bank designated by the ~~commissioner of finance~~ as registrar or other authenticating agent. The commissioner of finance shall ascertain and certify to the purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota, subject to the approval of the attorney general.

Sec. 25. Minnesota Statutes 2000, section 176.181, subdivision 2, is amended to read:

Subd. 2. [COMPULSORY INSURANCE; SELF-INSURERS.] (1) Every employer, except the state and its municipal subdivisions, liable under this chapter to pay compensation shall insure payment of compensation with some insurance carrier authorized to insure workers' compensation liability in this state, or obtain a written order from the commissioner of commerce exempting the employer from insuring liability for compensation and permitting self-insurance of the liability. The terms, conditions and requirements governing self-insurance shall be established by the commissioner pursuant to chapter 14. The commissioner of commerce shall also adopt, pursuant to clause (2)(c), rules permitting two or more employers, whether or not they are in the same industry, to enter into agreements to pool their liabilities under this chapter for the purpose of qualifying as group self-insurers. With the approval of the commissioner of commerce, any employer may exclude medical, chiropractic and hospital benefits as required by this chapter. An employer conducting distinct operations at different locations may either insure or self-insure the other portion of operations as a distinct and separate risk. An employer desiring to be exempted from insuring liability for compensation shall make application to the commissioner of commerce, showing financial ability to pay the compensation, whereupon by written order the commissioner of commerce, on deeming it proper, may make an exemption. An employer may establish financial ability to pay compensation by providing financial statements of the employer to the commissioner of commerce. Upon ten days' written notice the commissioner of commerce may revoke the order granting an exemption, in which event the employer shall immediately insure the liability. As a condition for the granting of an exemption the commissioner of commerce may require the employer to furnish security the commissioner of commerce considers sufficient to insure payment of all claims under this chapter, consistent with subdivision 2b. If the required security is in the form of currency or negotiable bonds, the commissioner of commerce shall deposit it with the ~~state treasurer~~ commissioner of finance. In the event of any default upon the part of a self-insurer to abide by any final order or decision of the commissioner of labor and industry directing and awarding payment of compensation and benefits to any employee or the dependents of any deceased employee, then upon at least ten days' notice to the self-insurer, the commissioner of commerce may by written order to the ~~state treasurer~~ commissioner of finance require the ~~treasurer~~ commissioner of finance to sell the pledged and assigned securities or a part thereof necessary to pay the full amount of any such claim or award with interest thereon. This authority to sell may be exercised from time to time to satisfy any order or award of the commissioner of labor and industry or any judgment obtained thereon. When securities are sold the money obtained shall be deposited in the state treasury to the credit of the commissioner of commerce and awards made against any such self-insurer by the commissioner of commerce shall be paid to the persons entitled thereto by the ~~state treasurer~~ commissioner of finance upon warrants prepared by the commissioner of commerce and ~~approved by the commissioner of finance~~ out of the proceeds of the sale of securities. Where the security is in the form of a surety bond or personal guaranty the commissioner of commerce, at any time, upon at least ten days' notice and opportunity to be heard, may require the surety to pay the amount of the award, the payments to be enforced in like manner as the award may be enforced.

(2)(a) No association, corporation, partnership, sole proprietorship, trust or other business entity shall provide services in the design, establishment or administration of a group self-insurance plan under rules adopted pursuant to this subdivision unless it is licensed, or exempt from licensure, pursuant to section 60A.23, subdivision 8, to do so by the commissioner of commerce. An applicant for a license shall state in writing the type of activities it seeks authorization to engage in and the type of services it seeks authorization to provide. The license shall be granted only when

the commissioner of commerce is satisfied that the entity possesses the necessary organization, background, expertise, and financial integrity to supply the services sought to be offered. The commissioner of commerce may issue a license subject to restrictions or limitations, including restrictions or limitations on the type of services which may be supplied or the activities which may be engaged in. The license is for a two-year period.

(b) To assure that group self-insurance plans are financially solvent, administered in a fair and capable fashion, and able to process claims and pay benefits in a prompt, fair and equitable manner, entities licensed to engage in such business are subject to supervision and examination by the commissioner of commerce.

(c) To carry out the purposes of this subdivision, the commissioner of commerce may promulgate administrative rules pursuant to sections 14.001 to 14.69. These rules may:

(i) establish reporting requirements for administrators of group self-insurance plans;

(ii) establish standards and guidelines consistent with subdivision 2b to assure the adequacy of the financing and administration of group self-insurance plans;

(iii) establish bonding requirements or other provisions assuring the financial integrity of entities administering group self-insurance plans;

(iv) establish standards, including but not limited to minimum terms of membership in self-insurance plans, as necessary to provide stability for those plans;

(v) establish standards or guidelines governing the formation, operation, administration, and dissolution of self-insurance plans; and

(vi) establish other reasonable requirements to further the purposes of this subdivision.

Sec. 26. Minnesota Statutes 2000, section 176.581, is amended to read:

176.581 [PAYMENT TO STATE EMPLOYEES.]

Upon a warrant prepared by the commissioner of the department of employee relations ~~and approved by the commissioner of finance~~, and in accordance with the terms of the order awarding compensation, the ~~state treasurer~~ commissioner of finance shall pay compensation to the employee or the employee's dependent. These payments shall be made from money appropriated for this purpose.

Sec. 27. Minnesota Statutes 2000, section 190.11, is amended to read:

190.11 [CAMP GROUNDS AND MILITARY RESERVATIONS.]

The adjutant general shall have charge of the camp grounds and military reservations of the state and shall be responsible for the protection and safety thereof, and promulgate rules for the maintenance of order thereon, for the enforcement of traffic rules and for all other lawful rules as may be ordered for the operation, care and preservation of existing facilities and installations on all state military reservations.

The adjutant general shall keep in repair all state buildings, and other improvements thereon, including water pipes laid by the state on highways leading thereto and of all military property connected with the grounds and may make such further improvements thereon as the good of the service requires.

Private property may be acquired by condemnation, upon the application of the adjutant general, for camp ground, rifle range, and other military purposes. All damages, cost, and expense incurred in condemning such property shall be paid by the ~~state treasurer~~ commissioner of finance, upon certificate of the adjutant general ~~and warrant of the commissioner of finance~~, from any unexpended balance of the military fund after meeting the demands of the national guard.

Sec. 28. Minnesota Statutes 2000, section 241.08, subdivision 1, is amended to read:

Subdivision 1. The chief executive officer of each institution under the jurisdiction of the commissioner of corrections shall have the care and custody of all money belonging to inmates thereof which may come into the chief executive officer's hands, keep accurate accounts thereof, and pay them out under rules prescribed by law under section 243.23, subdivision 3, or by the commissioner of corrections, taking vouchers therefor. All such money received by any officer or employee shall be paid to the chief executive officer forthwith. Every such executive officer, at the close of each month, or oftener if required by the commissioner, shall forward to the commissioner a statement of the amount of all money so received and the names of the inmates from whom received, accompanied by a check for the amount, payable to the ~~state treasurer~~ commissioner of finance. On receipt of such statement, the commissioner shall transmit the same to the commissioner of finance, together with such check, ~~who shall deliver the same to the state treasurer.~~ Upon the payment of such check, the amount shall be credited to a fund to be known as "Correctional Inmates Fund," for the institution from which the same was received. All such funds shall be paid out by the ~~state treasurer~~ commissioner of finance upon vouchers duly approved by the commissioner of corrections as in other cases. The commissioner may permit a contingent fund to remain in the hands of the executive officer of any such institution from which necessary expenditure may from time to time be made.

Sec. 29. Minnesota Statutes 2000, section 241.10, is amended to read:

241.10 [DISPOSAL OF FUNDS; CORRECTIONAL INSTITUTIONS.]

Every officer and employee of the several institutions under the jurisdiction of the commissioner of corrections shall pay to the accounting officer thereof any funds in the officer's or employee's hands belonging to the institution. Every accounting officer, at the close of each month or oftener, shall forward to the commissioner of corrections a statement of the amount and sources of all money received. On receipt of such statement, the commissioner shall transmit the same to the commissioner of finance, ~~who shall deliver to the state treasurer a draft upon the accounting officer for the same, specifying the funds to which it is to be credited.~~ Upon payment of such draft, the amount shall be so credited.

Sec. 30. Minnesota Statutes 2000, section 241.13, subdivision 1, is amended to read:

Subdivision 1. [CONTINGENT ACCOUNT.] The commissioner of corrections may permit a contingent account to remain in the hands of the accounting officer of any such institution from which expenditures may be made in case of actual emergency requiring immediate payment to prevent loss or danger to the institution or its inmates and for the purpose of paying freight, purchasing produce, livestock and other commodities requiring a cash settlement, and for the purpose of discounting bills incurred, but in all cases subject to revision by the commissioner of corrections. An itemized statement of every expenditure made during the month from such account shall be submitted to the commissioner under rules established by the commissioner. If necessary, the commissioner shall make proper requisition upon the commissioner of finance for a warrant ~~upon the state treasurer~~ to secure the contingent account for each institution.

Sec. 31. Minnesota Statutes 2000, section 244.19, subdivision 7, is amended to read:

Subd. 7. [CERTIFICATE OF COUNTIES ENTITLED TO STATE AID.] On or before January 1 of each year, until 1970 and on or before April 1 thereafter, the commissioner of corrections shall deliver to the commissioner of finance a certificate in duplicate for each county of the state entitled to receive state aid under the provisions of this section. Upon the receipt of such certificate, the commissioner of finance shall draw a warrant ~~upon the state treasurer~~ in favor of the county treasurer for the amount shown by each certificate to be due to the county specified. The commissioner of finance shall transmit such warrant to the county treasurer together with a copy of the certificate prepared by the commissioner of corrections.

Sec. 32. Minnesota Statutes 2000, section 246.15, subdivision 1, is amended to read:

Subdivision 1. The chief executive officer of each institution under the jurisdiction of the commissioner of human services shall have the care and custody of all money belonging to inmates thereof which may come into the chief executive officer's hands, keep accurate accounts

thereof, and pay them out under rules prescribed by law or by the commissioner of human services, taking vouchers therefor. All such money received by any officer or employee shall be paid to the chief executive officer forthwith. Every such executive officer, at the close of each month, or oftener if required by the commissioner, shall forward to the commissioner a statement of the amount of all money so received and the names of the inmates from whom received, accompanied by a check for the amount, payable to the ~~state treasurer~~ commissioner of finance. On receipt of such statement, the commissioner shall transmit the same to the commissioner of finance, together with such check, ~~who shall deliver the same to the state treasurer~~. Upon the payment of such check, the amount shall be credited to a fund to be known as "Inmates Fund," for the institution from which the same was received. All such funds shall be paid out by the ~~state treasurer~~ commissioner of finance upon vouchers duly approved by the commissioner of human services as in other cases. The commissioner may permit a contingent fund to remain in the hands of the executive officer of any such institution from which necessary expenditure may from time to time be made.

Sec. 33. Minnesota Statutes 2000, section 246.18, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as provided in subdivisions 2 and 4, every officer and employee of the several institutions under the jurisdiction of the commissioner of human services who has money belonging to an institution shall pay the money to the accounting officer thereof. Every accounting officer, at the close of each month or oftener, shall forward to the commissioner of human services a statement of the amount and sources of all money received. On receipt of such statement, the commissioner shall transmit the same to the commissioner of finance, ~~who shall deliver to the state treasurer~~ a draft upon the accounting officer for the same specifying the funds to which it is to be credited. Upon payment of such draft, the amount shall be so credited.

Sec. 34. Minnesota Statutes 2000, section 246.21, is amended to read:

246.21 [CONTINGENT FUND.]

The commissioner of human services may permit a contingent fund to remain in the hands of the accounting officer of any such institution from which expenditures may be made in case of actual emergency requiring immediate payment to prevent loss or danger to the institution or its inmates and for the purpose of paying freight, purchasing produce, livestock and other commodities requiring a cash settlement, and for the purpose of discounting bills incurred, but in all cases subject to revision by the commissioner of human services. An itemized statement of every expenditure made during the month from such fund shall be submitted to the commissioner under rules established by the commissioner. If necessary, the commissioner shall make proper requisition upon the commissioner of finance for a warrant ~~upon the state treasurer~~ to secure the contingent fund for each institution.

Sec. 35. Minnesota Statutes 2001 Supplement, section 276.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] As soon as practical after the settlement day determined in section 276.09, the county treasurer shall pay to the ~~state treasurer~~ commissioner of finance or the treasurer of a town, city, school district, or special district, on the warrant of the county auditor, all receipts of taxes levied by the taxing district and deliver up all orders and other evidences of indebtedness of the taxing district, taking triplicate receipts for them. The treasurer or commissioner of finance shall file one of the receipts with the county auditor, and shall return one by mail on the day of its receipt to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall keep the receipt in the clerk's office. Upon written request of the taxing district, to the extent practicable, the county treasurer shall make partial payments of amounts collected periodically in advance of the next settlement and distribution. A statement prepared by the county treasurer must accompany each payment. It must state the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties on the tax. Upon written request of a taxing district, except school districts, the county treasurer shall pay at least 70 percent of the estimated collection within 30 days after the settlement date determined in section 276.09. Within seven business days after the due date, or 28 calendar days after the postmark date on the envelopes containing real or personal property tax

statements, whichever is latest, the county treasurer shall pay to the treasurer of the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district, unless the school district elects to receive 50 percent of the estimated collections arising from taxes levied by and belonging to the school district after making a proportionate reduction to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within seven business days of the due date. The remaining 50 percent of the estimated collections must be paid to the treasurer of the school district within the next seven business days of the later of the dates in the preceding sentence, unless the school district elects to receive the remainder of its estimated collections after a proportionate reduction has been made to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, the remaining 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within 14 days of the due date. The treasurer shall pay the balance of the amounts collected to the state before June 30, or to a municipal corporation or other body within 60 days after the settlement date determined in section 276.09. After 45 days interest at an annual rate of eight percent accrues and must be paid to the taxing district. Interest must be paid upon appropriation from the general revenue fund of the county. If not paid, it may be recovered by the taxing district, in a civil action.

Sec. 36. Minnesota Statutes 2000, section 280.29, is amended to read:

280.29 [PROCEEDS OF SALE, HOW DISTRIBUTED.]

The proceeds of any parcel of land so sold, to the amount of taxes, penalties, interest, and costs charged thereon, shall be distributed as provided by law for the distribution of the like sums upon sales for delinquent taxes. The portion thereof due to the state shall be paid to the ~~state treasurer upon the draft of the~~ commissioner of finance, and the excess, if any, above the taxes, penalties, interest, and costs charged upon the land, shall be included in such draft and be paid in like manner for the benefit of the state. If any parcel be sold for less than the amount charged thereon, the state taxes shall first be paid and the remainder, if any, distributed pro rata to the several funds for which the taxes were levied.

Sec. 37. Minnesota Statutes 2000, section 293.06, is amended to read:

293.06 [CONSIDERATION AND DETERMINATION OF REPORT.]

Upon the receipt of the report provided for in section 293.03, the commissioner shall determine, from information possessed or obtained, whether the same is correct or otherwise. If found correct, the commissioner shall determine therefrom the amount of tax due from such income or annuity recipient, and shall record the amount thereof and shall make a certificate of taxes due thereon from such person; and, on or before the first day of May, of each year, file the same with the commissioner of finance ~~and a duplicate thereof with the state treasurer~~; and the commissioner of revenue shall have power, in case the report is deemed incorrect, to make findings as to the amount of such taxes due after hearing upon notice to the person interested, and the findings shall have the same effect as the determination of the amount of such taxes upon a report made as hereinbefore provided.

Sec. 38. Minnesota Statutes 2001 Supplement, section 299D.03, subdivision 5, is amended to read:

Subd. 5. [FINES AND FORFEITED BAIL MONEY.] (a) All fines and forfeited bail money, from traffic and motor vehicle law violations, collected from persons apprehended or arrested by officers of the state patrol, shall be paid by the person or officer collecting the fines, forfeited bail money or installments thereof, on or before the tenth day after the last day of the month in which these moneys were collected, to the county treasurer of the county where the violation occurred. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), this three-eighths share must be transmitted to the ~~state treasurer~~ commissioner of finance for deposit in the state treasury and credited to the general fund. The other ~~five-eighths~~ of these receipts shall be transmitted by that officer to the ~~state treasurer~~ commissioner of finance and must be credited

to the trunk highway fund. If, however, the violation occurs within a municipality and the city attorney prosecutes the offense, and a plea of not guilty is entered, one-third of the receipts shall be credited to the general revenue fund of the county, one-third of the receipts shall be paid to the municipality prosecuting the offense, and one-third shall be transmitted to the ~~state treasurer~~ commissioner of finance as provided in this subdivision. All costs of participation in a nationwide police communication system chargeable to the state of Minnesota shall be paid from appropriations for that purpose.

(b) Notwithstanding any other provisions of law, all fines and forfeited bail money from violations of statutes governing the maximum weight of motor vehicles, collected from persons apprehended or arrested by employees of the state of Minnesota, by means of stationary or portable scales operated by these employees, shall be paid by the person or officer collecting the fines or forfeited bail money, on or before the tenth day after the last day of the month in which the collections were made, to the county treasurer of the county where the violation occurred. Five-eighths of these receipts shall be transmitted by that officer to the ~~state treasurer~~ commissioner of finance and shall be credited to the highway user tax distribution fund. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), this three-eighths share must be transmitted to the ~~state treasurer~~ commissioner of finance for deposit in the state treasury and credited to the general fund.

Sec. 39. Minnesota Statutes 2000, section 352.05, is amended to read:

352.05 [~~STATE TREASURER~~ COMMISSIONER OF FINANCE TO BE TREASURER OF SYSTEM.]

The ~~state treasurer~~ commissioner of finance is ex officio treasurer of the retirement funds of the system. The general bond to the state shall cover all liability for actions as treasurer of these funds. Funds of the system received by the ~~treasurer~~ commissioner of finance must be set aside in the state treasury to the credit of the proper fund. The ~~treasurer~~ commissioner of finance shall deliver to the director copies of all payroll abstracts of the state together with the commissioner of finance's warrants covering the deductions made on these payroll abstracts for the retirement fund. The director shall have a list made of the commissioner of finance's warrants. These warrants must then be deposited with the ~~state treasurer~~ to be credited to the retirement fund. The ~~treasurer~~ commissioner of finance shall pay out of this fund only ~~on warrants issued by the commissioner of finance,~~ upon abstracts signed by the director, or by the finance officer designated by the director during the disability or the absence of the director from the city of St. Paul, Minnesota. Abstracts for investments may be signed by the executive director of the state board of investment.

Sec. 40. Minnesota Statutes 2000, section 352B.03, subdivision 2, is amended to read:

Subd. 2. [~~DUTIES OF TREASURER~~ COMMISSIONER OF FINANCE.] The ~~state treasurer~~ commissioner of finance is ex officio treasurer of the state patrol retirement fund. The ~~treasurer's~~ commissioner of finance's general bond to the state covers all liability for actions as treasurer of the fund.

All money of the fund received by the ~~treasurer~~ commissioner of finance under this chapter must be set aside in the state treasury and credited to the state patrol retirement fund. The ~~treasurer~~ commissioner of finance shall transmit, monthly, to the director, a detailed statement showing all credits to and disbursements from the fund. The ~~treasurer~~ commissioner of finance shall disburse money from the fund only ~~on warrants issued by the commissioner of finance~~ upon vouchers signed by the director.

Sec. 41. Minnesota Statutes 2000, section 354.06, subdivision 3, is amended to read:

Subd. 3. [~~TREASURER~~ COMMISSIONER OF FINANCE.] The ~~state treasurer~~ commissioner of finance shall be ex officio treasurer of the association and the ~~treasurer's~~ commissioner's general bond to the state shall cover any liabilities for acts as treasurer of the association. The ~~state treasurer~~ commissioner shall receive all moneys payable to the association and pay out the same only ~~on warrants issued by the commissioner of finance~~ upon forms signed by the executive director.

Sec. 42. Minnesota Statutes 2000, section 354.52, subdivision 5, is amended to read:

Subd. 5. The ~~state treasurer~~ commissioner of finance, the several county treasurers, and the treasurers of the various school districts and institutions to which the provisions of this chapter apply shall be officially liable for the receipt, handling, and disbursement of all moneys coming into their hands belonging to the fund and the sureties on the official bonds of each of these treasurers and the commissioner of finance shall be liable for such moneys the same as for all other moneys belonging to the school funds of this state.

Sec. 43. Minnesota Statutes 2000, section 385.05, is amended to read:

385.05 [RECEIPT AND PAYMENT OF MONEY.]

The county treasurer shall receive all moneys directed by law to be paid to the treasurer and pay them out only on the order of the proper authority. All moneys belonging to the county shall be paid out upon the order of the county board, signed by the chair thereof, and attested by the county auditor, or upon the warrant of the county auditor upon the presentation to the auditor of the proper certificate of the person or tribunal allowing the same, and not otherwise. All moneys due the state, arising from the collection of taxes or from other sources, shall be paid upon the draft of the commissioner of finance, ~~drawn in favor of the state treasurer~~, and a duplicate copy of the receipt for payment of such draft shall be forwarded by the ~~state treasurer~~ commissioner of finance to the county auditor, who shall preserve the same, and credit the county treasurer with the amount thereof. The county auditor shall issue a warrant in favor of the state for the amount of such draft and the county treasurer shall pay the warrant forthwith without endorsement thereof by the ~~state treasurer~~ commissioner of finance or other state official, and without expense to the state for collection charges.

Sec. 44. Minnesota Statutes 2000, section 475A.04, is amended to read:

475A.04 [DEBT SERVICE DEFICIENCY LOANS.]

Subdivision 1. [PROCEDURE.] In the event that funds sufficient to pay all of the principal and interest due on any guaranteed bond are not in the hands of the municipal treasurer or the paying agent at least 15 days before the due date, the treasurer or agent shall report the amount of the deficiency to the paying agent and the auditor who shall grant a loan to the issuer in this amount and shall certify to the issuer, the paying agent, and the auditor and treasurer of each county in which property subject to taxation by the issuer is situated, the amount of the loan and interest to accrue thereon to the due date of the loan, and the commissioner of finance shall issue a warrant for the principal amount and ~~the state treasurer~~ shall remit it to the paying agent on or before the due date. If the municipal treasurer fails to deposit funds with the paying agent sufficient to pay all principal and interest due on any guaranteed bond on any date, without having previously given the notice herein required, the paying agent may report the amount of the deficiency to the commissioner of finance, who shall forthwith grant a loan to the issuer for this amount plus interest to accrue thereon for one month at the rate represented by the coupons then due, and the loan shall be certified and remitted as provided above. The paying agent may advance its own funds for the payment of any guaranteed bonds and interest due for which it has not received sufficient funds from the municipality, and may contract with the municipality to make such advances, and shall be entitled to reimbursement therefor from the proceeds of the loan, with interest at the rate represented by the coupons due. The issuing municipality shall give a receipt to the commissioner of finance for the amount of the loan and interest.

Subd. 2. [DUE DATE; INTEREST; PREPAYMENT.] Each loan shall become due on December 31 in the year following the year when a tax is levied for its payment as provided in subdivision 3, and shall bear interest from the date of its disbursement until paid, at a rate determined by the commissioner of finance, not less than the average annual rate payable on state municipal aid bonds most recently issued before such disbursement, and in no event less than 3-1/2 percent per annum. Any loan may be prepaid at any time with interest to the date of prepayment, by remittance to the commissioner of finance, who shall deposit the prepayment with ~~the state treasurer~~ to the credit of the municipal bond guarantee fund and shall issue a receipt to the municipality with a copy to the treasurer of each county in which taxable property within the municipality is situated. Interest on loans not prepaid shall be due at the same time as principal.

Subd. 3. [LEVY.] Before October 1 in each year the state auditor shall certify to the county auditor and treasurer of each county containing taxable property situated within any municipality having an outstanding loan, and to the municipality, the amount, if any, necessary to be levied to produce the total amount of principal and interest to become due in the next ensuing year on such loan plus the amount of any guaranty fee unpaid. After receipt of the certification each county auditor, upon ascertaining the current year's net tax capacity of all taxable property within the municipality which is situated within that county, and upon ascertaining from the county auditors of other counties the net tax capacity of any such property situated within their counties, shall extend upon the tax rolls an ad valorem tax upon all such property within that county, in an amount equal to that proportion of the total amount certified by the secretary which the net tax capacity of such property bears to the net tax capacity of all taxable property within the municipality.

Subd. 4. [FIRST LIEN.] Each loan shall be a first lien and charge on all collections of taxes levied on property by the municipality to which the loan is granted, which are due and payable on and after October 31 in the year in which the loan is due. Unless a receipt for the prepayment thereof has theretofore been filed with the treasurer of each county in which property taxable by the municipality to which the loan was granted is situated, each such treasurer shall deduct from the first such taxes to be distributed to the municipality the full amount of the tax extended pursuant to subdivision 3, and shall remit the same to the commissioner of finance, who shall deposit the remittance ~~with the state treasurer~~ to the credit of the municipal bond guaranty fund and shall issue a receipt to the municipality with a copy to the county treasurer.

Sec. 45. Minnesota Statutes 2000, section 475A.06, subdivision 2, is amended to read:

Subd. 2. [FORMALITIES.] The bonds shall be issued and sold upon sealed bids and upon such notice, at such price, at such times, in such form and denominations, bearing interest at such rate or rates, maturing in such amounts and on such dates, either without option of prepayment or subject to prepayment upon such notice and at such times and prices, payable at such bank or banks within or outside the state, with such provisions for registration, conversion, and exchange and for the issuance of notes in anticipation of the sale or delivery of definitive bonds, and in accordance with such further rules, as the commissioner of finance shall determine, subject to the approval of the attorney general, but not subject to chapter 14, including section 14.386. The bonds shall be executed by the commissioner of finance ~~and attested by the state treasurer~~ under ~~their official seals~~ seal. ~~The signatures~~ signature of the ~~officers~~ commissioner on the bonds and any appurtenant interest coupons and ~~their seals~~ the seal may be printed, lithographed, engraved, or stamped thereon, except that each bond shall be authenticated by the manual signature on its face of ~~one of the officers~~ the commissioner or of an officer of a bank designated by them as authenticating agent. The commissioner of finance shall ascertain and certify to the purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota, subject to the approval of the attorney general.

Sec. 46. Minnesota Statutes 2000, section 481.01, is amended to read:

481.01 [BOARD OF LAW EXAMINERS; EXAMINATIONS; ALTERNATIVE DISPUTE FEES.]

The supreme court shall, by rule from time to time, prescribe the qualifications of all applicants for admission to practice law in this state, and shall appoint a board of law examiners, which shall be charged with the administration of the rules and with the examination of all applicants for admission to practice law. The board shall consist of not less than three, nor more than seven, attorneys at law, who shall be appointed each for the term of three years and until a successor qualifies. The supreme court may fill any vacancy in the board for the unexpired term and in its discretion may remove any member of it. The board shall have a seal and shall keep a record of its proceedings, of all applications for admission to practice, and of persons admitted to practice upon its recommendation. At least two times a year the board shall hold examinations and report the result of them, with its recommendations, to the supreme court. Upon consideration of the report, the supreme court shall enter an order in the case of each person examined, directing the board to



reject or to issue to the person a certificate of admission to practice. The board shall have such officers as may, from time to time, be prescribed and designated by the supreme court. The fee for examination shall be fixed, from time to time, by the supreme court. This fee, and any other fees which may be received pursuant to any rules the supreme court adopts governing the practice of law and court-related alternative dispute resolution practices shall be paid to the ~~state treasurer~~ commissioner of finance and shall constitute a special fund in the state treasury which shall be exempt from section 16A.127. The money in this fund is appropriated annually to the supreme court for the payment of compensation and expenses of the members of the board of law examiners and for otherwise regulating the practice of law. The money in the fund shall never cancel. Payments from it shall be made by the ~~state treasurer, upon warrants of the commissioner of finance~~ commissioner of finance upon vouchers signed by one of the justices of the supreme court. The members of the board shall have compensation and allowances for expenses as may, from time to time, be fixed by the supreme court.

Sec. 47. Minnesota Statutes 2000, section 490.123, subdivision 2, is amended to read:

Subd. 2. [~~TREASURER COMMISSIONER OF FINANCE.~~] The ~~state treasurer~~ commissioner of finance shall be ex officio treasurer of the judges' retirement fund and the ~~treasurer's~~ commissioner's general bond to the state shall be so conditioned as to cover all liability for acting as treasurer of this fund. All moneys received by the ~~treasurer~~ commissioner pursuant to this section shall be set aside in the state treasury to the credit of the judges' retirement fund. The ~~treasurer~~ commissioner shall transmit monthly to the executive director described in section 352.03, subdivision 5, a detailed statement of all amounts so received and credited to the fund. The ~~treasurer~~ commissioner shall pay out the fund only ~~on warrants issued by the commissioner of finance,~~ upon vouchers signed by said executive director; provided that vouchers for investment may be signed by the secretary of the state board of investment.

Sec. 48. Minnesota Statutes 2000, section 525.161, is amended to read:

525.161 [NO SURVIVING SPOUSE OR KINDRED, NOTICES TO ATTORNEY GENERAL.]

When it appears from the petition or application for administration of the estate, or otherwise, in a proceeding in the court that the intestate left surviving no spouse or kindred, the court shall give notice of such fact and notice of all subsequent proceedings in such estate to the attorney general forthwith; and the attorney general shall protect the interests of the state during the course of administration. The residue which escheats to the state shall be transmitted to the attorney general. All moneys, stocks, bonds, notes, mortgages and other securities, and all other personal property so escheated shall then be given into the custody of the ~~state treasurer, who shall notify the commissioner of finance thereof and who shall immediately credit the moneys received to the general fund.~~ The ~~treasurer~~ commissioner of finance shall hold such stocks, bonds, notes, mortgages and other securities, and all other personal property, subject to such investment, sale or other disposition as the state board of investment may direct pursuant to section 11A.04, clause (9). The attorney general shall immediately report to the state executive council all real property received in the individual escheat, and any sale or disposition of such real estate shall be made in accordance with sections 94.09 to 94.16.

Sec. 49. Minnesota Statutes 2000, section 525.841, is amended to read:

525.841 [ESCHEAT RETURNED.]

In all such cases the commissioner of finance shall be furnished with a certified copy of the court's order assigning the escheated property to the persons entitled thereto, and upon notification of payment of the estate tax, the commissioner of finance shall draw a warrant ~~on the state treasurer,~~ or execute a proper conveyance to the persons designated in such order. In the event any escheated property has been sold pursuant to sections 11A.04, clause (9), and 11A.10, subdivision 2, or 94.09 to 94.16, then the warrant shall be for the appraised value as established during the administration of the decedent's estate. There is hereby annually appropriated from any moneys in the state treasury not otherwise appropriated an amount sufficient to make payment to all such designated persons. No interest shall be allowed on any amount paid to such persons.

## Sec. 50. [INSTRUCTION TO REVISOR.]

(a) The revisor shall delete "treasurer," "state treasurer," and "treasurer-elect," as appropriate, and make necessary grammatical changes in the following sections of Minnesota Statutes: 3C.12, subdivision 2; 4.06; 8.02, subdivision 2; 8.05; 10.01; 15.16, subdivision 3; 16A.125, subdivision 5; 16B.05, subdivision 2; 43A.08, subdivisions 1 and 1a; 43A.18, subdivision 4; 89.43; 116.16, subdivision 3; 116.17, subdivision 5; 117.135, subdivision 2; 126C.55, subdivision 3; 161.06, subdivision 1; 167.51, subdivision 2; 174.51, subdivision 5; 204B.11, subdivision 1; 204D.10, subdivision 2; 209.01, subdivision 2; 241.27, subdivision 4; 270.74; 272.68, subdivision 1; 352.01, subdivision 3; 352B.01, subdivision 4; 352C.021, subdivision 2; 352D.02, subdivision 1; 355.621, subdivision 4; and 475A.06, subdivision 5.

(b) The revisor shall delete "state treasurer," "state treasurer's," "treasurer," and "treasurer's" where it refers to the state treasurer, and substitute "commissioner of finance" and "commissioner of finance's" respectively in the following sections of Minnesota Statutes: 6.60; 7.06; 7.09; 7.10; 7.12, subdivision 1; 7.19; 7.193; 7.20; 7.22; 7.24; 7.25; 7.27; 9.031; 11A.04; 11A.07, subdivision 4; 11A.10, subdivisions 1 and 4; 11A.15, subdivisions 3 and 5; 12.24, subdivision 2; 15.73, subdivision 3; 16A.011, subdivision 15; 16A.126, subdivision 3; 16A.127, subdivision 7; 16A.13, subdivisions 1 and 2a; 16A.131, subdivision 1; 16A.27, subdivisions 1 and 2; 16A.45, subdivision 1; 16A.672, subdivision 11; 31.15; 41B.17, subdivision 3; 46.041, subdivision 1; 46.34; 48A.03, subdivisions 2, 4, and 5; 49.24, subdivision 7; 51A.51, subdivisions 1, 2, and 3a; 52.06, subdivision 1; 52.20, subdivision 5; 53.03, subdivisions 1 and 6; 56.02; 60B.47; 60K.03, subdivisions 1, 5, and 6; 60K.13, subdivision 3; 79.34, subdivision 1; 79A.04, subdivisions 5, 6, 7, and 10; 79A.071; 79A.15; 79A.24, subdivision 4; 79A.25, subdivision 3; 82.24, subdivision 8; 82.34, subdivisions 1 and 5; 84.153; 84.415, subdivision 5; 84A.04, subdivisions 3 and 4; 84A.23, subdivision 3; 84A.33, subdivision 4; 85A.05, subdivision 4; 90.173; 92.21, subdivision 1; 92.23; 92.24; 93.17; 93.20, subdivisions 7, 19, and 31; 94.346, subdivision 2; 97A.055, subdivision 2; 97A.065, subdivision 2; 103I.521; 115.77, subdivision 2; 115A.54, subdivision 3; 115A.58, subdivision 4; 116.16, subdivision 8; 116.17, subdivision 4; 116J.64, subdivisions 6, 7, and 10; 116R.11, subdivision 2; 126C.68, subdivision 3; 126C.69, subdivision 14; 127A.09, subdivision 3; 141.25, subdivision 5; 141.26, subdivision 3; 144.09; 144.10; 144.226, subdivision 4; 144.7022, subdivision 4; 149A.06, subdivision 4; 149A.20, subdivision 8; 149A.30, subdivision 2; 149A.40, subdivision 8; 149A.50, subdivision 6; 149A.51, subdivision 7; 149A.97, subdivision 7; 161.04, subdivision 2; 161.05, subdivisions 1, 2, 4, and 5; 161.081, subdivision 2; 161.36, subdivision 5; 161.41, subdivision 3; 162.16; 163.051, subdivision 2; 168.33, subdivision 2; 168.67; 168C.11, subdivision 1; 169.781, subdivision 7; 174.50, subdivision 3; 174.51, subdivision 4; 176.129, subdivisions 1, 7, and 8; 176.181, subdivision 5; 176.421, subdivision 4; 176.591, subdivisions 2 and 3; 193.23, subdivision 1; 214.13, subdivision 1; 222.025; 223.17, subdivision 4; 231.17; 237.11; 240.10; 240.15, subdivision 6; 240.22; 241.09; 243.48, subdivision 1; 245.4932, subdivision 4; 246.16; 246.18, subdivision 2a; 246.41, subdivision 2; 246.51, subdivision 1; 248.07, subdivisions 8 and 12; 256.89; 256.90; 256.92; 256B.041, subdivision 5; 256B.0625, subdivision 20; 256B.0945, subdivision 3; 256F.10, subdivision 10; 257.69, subdivision 2; 260B.331, subdivision 6; 260C.331, subdivision 6; 270.45; 271.12; 273.02, subdivision 6; 282.19; 282.226; 282.33, subdivision 1; 284.28, subdivisions 8 and 9; 290.431; 290.432; 293.08; 293.09; 293.11; 296A.03, subdivision 5; 297E.02, subdivision 3; 298.39; 298.396; 299F.17, subdivision 1; 299F.60, subdivision 4; 300.19; 302A.771; 303.07, subdivision 1; 303.16, subdivision 2; 303.19, subdivision 2; 303.25, subdivision 3; 317A.771; 322B.86; 325A.06, subdivision 3; 325G.415; 332.15, subdivision 4; 332.30; 332.55; 340A.409, subdivision 1; 340A.904, subdivision 2; 341.10; 352.04, subdivision 4; 352B.02, subdivisions 1b and 1d; 353.05; 353B.06, subdivision 1; 354.07, subdivision 4; 357.021, subdivisions 1a, 2, 6, and 7; 357.022; 357.08; 360.017, subdivision 2; 385.20; 446A.085, subdivision 3; 446A.16, subdivisions 1 and 2; 458A.03, subdivision 3; 462A.17, subdivision 3; 462A.18; 469.177, subdivision 11; 475A.06, subdivision 4; 480.058, subdivision 2; 480.175, subdivision 2; 485.018, subdivision 5; 487.31, subdivision 1; 487.32, subdivision 3; 487.33, subdivision 5; 490.102, subdivision 6; 508.75; 508.77; 508.82, subdivision 1; 508A.22, subdivision 3; 508A.77; 508A.82, subdivision 1; 517.08, subdivision 1c; 518.165, subdivision 3; 525.033; 563.01, subdivisions 9 and 10; 574.261, subdivisions 1, 2, and 3; 574.264, subdivision 1; 609.101, subdivisions 3 and 4; 611.20, subdivisions 2 and 3; and 626.85, subdivisions 2 and 3.

(c) The revisor shall recodify Minnesota Statutes, chapter 7, in Minnesota Statutes, chapter 16A.

(d) The revisor shall delete "state treasurer" where it means the state treasurer of Minnesota and substitute "commissioner of finance" in Minnesota Rules.

Sec. 51. [REPEALER.]

Minnesota Statutes 2000, section 7.21, is repealed.

Sec. 52. [EFFECTIVE DATE.]

This article is effective January 6, 2003.

## ARTICLE 20

### DEPARTMENT POLICY PROVISIONS

Section 1. Minnesota Statutes 2000, section 270.063, subdivision 4, is amended to read:

Subd. 4. [FEDERAL TAX REFUND OFFSET FEES; TIME LIMIT FOR SUBMITTING CLAIMS FOR OFFSET.] For fees charged by the department of the treasury of the United States for the offset of federal tax refunds that are deducted from the refund amounts remitted to the commissioner, the unpaid debts of the taxpayers whose refunds are being offset to satisfy the debts are reduced only by the actual amount of the refund payments received by the commissioner. Notwithstanding any other provision of law to the contrary, a claim for the offset of a federal tax refund must be submitted to the department of the treasury of the United States within ten years after the date of the assessment of the tax owed by the taxpayer whose refund is to be offset to satisfy the debt.

[EFFECTIVE DATE.] This section is effective for claims for offset that were submitted before and are pending on the date of final enactment, and for claims submitted on or after the day following final enactment.

Sec. 2. Minnesota Statutes 2001 Supplement, section 270.691, subdivision 8, is amended to read:

Subd. 8. [EXPIRATION DATE.] The program authorized under this section terminates on June 30, 2002 2003.

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

Sec. 3. Minnesota Statutes 2000, section 273.125, subdivision 4, is amended to read:

Subd. 4. [PETITIONS OF GRIEVANCE.] A person who claims that the person's manufactured home has been unfairly or unequally assessed, or that the property has been assessed at a valuation greater than its real or actual value, or that the tax levied against it is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined in court. The determination must be made by the district court of the county in which the tax is levied or by the tax court. A person can request the determination by filing a petition for it in the office of the court administrator of the district court on or before the later of September 1 of the year in which the tax becomes payable or 30 days after the postmark on the envelope containing the property tax statement for the property. A petition for determination under this section may be transferred by the district court to the tax court.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2003 and thereafter.

Sec. 4. Minnesota Statutes 2001 Supplement, section 275.71, subdivision 4, is amended to read:

Subd. 4. [ADJUSTED LEVY LIMIT BASE.] (a) For taxes levied in 2001 and 2002, the adjusted levy limit base is equal to the sum of the levy limit base computed under subdivisions 2 and 3 or section 275.72, plus, in the case of a city, the amount it was certified to receive in calendar year 2001 under section 273.166, multiplied by:

- (1) one plus a percentage equal to the percentage growth in the implicit price deflator;
- (2) one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and
- (3) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 24, except for state-assessed utility and railroad operating property, for the most recent year for which data is available.

(b) For counties only, for taxes levied in 2001 and 2002, the adjusted levy limit base is also reduced by any amount of levy reduction required under section 275.07, subdivision 1, paragraph (b), clause (ii).

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003.

Sec. 5. Minnesota Statutes 2000, section 278.01, subdivision 1, is amended to read:

Subdivision 1. **[DETERMINATION OF VALIDITY.]** (a) Any person having personal property, or any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the (1) city, or (2) county, or (3) in the case of a county containing a city of the first class, the portion of the county excluding the first class city, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined by the district court of the county in which the tax is levied or by the tax court by serving one copy of a petition for such determination upon the county auditor, one copy on the county attorney, one copy on the county treasurer, and three copies on the county assessor. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be forwarded by the assessor to the school board of the school district in which the property is located.

(b) In counties where the office of county treasurer has been combined with the office of county auditor, the county may elect to require the petitioner to serve the number of copies as determined by the county. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A list of petitioned properties, including the name of the petitioner, the identification number of the property, and the estimated market value, shall be sent on or before the first day of July by the county auditor/treasurer to the school board of the school district in which the property is located.

(c) For all counties, the petitioner must file the copies with proof of service, in the office of the court administrator of the district court on or before ~~March 31~~ the later of April 30 of the year in which the tax becomes payable or 30 days after the postmark on the envelope containing the property tax statement for the property. A petition for determination under this section may be transferred by the district court to the tax court. An appeal may also be taken to the tax court under chapter 271 at any time following receipt of the valuation notice required by section 273.121 but prior to ~~April 1 of the year in which the taxes are payable~~ the deadline in this paragraph.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 and thereafter.

Sec. 6. Minnesota Statutes 2000, section 279.01, subdivision 3, is amended to read:

Subd. 3. **[AGRICULTURAL PROPERTY.]** In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2b(3) agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all

such unpaid taxes. Thereafter for class 2b(3) agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 1b agricultural homestead, class 2a, or class 2b(3) agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead, class 2a, or class 2b(3) agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 provided that at least 50 percent of the property's market value is classified class 1b agricultural, class 2a, or class 2b(3) agricultural.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2003 and thereafter.

Sec. 7. Minnesota Statutes 2000, section 289A.19, subdivision 1, is amended to read:

Subdivision 1. [FIDUCIARY INCOME, ENTERTAINMENT TAX, AND INFORMATION RETURNS.] When, in the commissioner's judgment, good cause exists, the commissioner may extend the time for filing entertainment tax returns for not more than six months. ~~If an extension to file the federal fiduciary income tax return or information return has been granted under section 6081 of the Internal Revenue Code, the time for filing the state return is extended for that period. The commissioner may require the taxpayer to file a tentative return when the regularly required return is due, and to pay a tax on the basis of the tentative return at the times required for the payment of taxes on the basis of the regularly required return from the taxpayer. The commissioner shall grant an automatic extension of six months to file a partnership, "S" corporation, or fiduciary income tax return if all of the taxes imposed on the entity for the year by chapter 290 and section 289A.08, subdivision 7, have been paid by the date prescribed by section 289A.18, subdivision 1.~~

**[EFFECTIVE DATE.]** This section is effective for returns due after December 31, 2002.

Sec. 8. Minnesota Statutes 2000, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;

(2) medical assistance payments including payments received directly from the government or from a prepaid plan;

(3) payments received for home health care services;

(4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), (13), or (20);

(5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), (13), or (20);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs ~~under clauses (1), (2), (7), and (8)~~ otherwise exempt under chapter 295;

(7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;

(8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(18) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable;

(19) payments received for services provided by: assisted living programs and congregate housing programs; and

(20) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

**[EFFECTIVE DATE.]** This section is effective for payments received after December 31, 2001.

Sec. 9. Minnesota Statutes 2000, section 295.57, is amended by adding a subdivision to read:

Subd. 5. **[EXEMPTION FOR AMOUNTS PAID FOR LEGEND DRUGS.]** If a hospital or health care provider cannot determine the actual cost or reimbursement of legend drugs under the exemption provided in section 295.53, subdivision 1, paragraph (a), clause (6), the following method must be used:

A hospital or health care provider must determine the amount paid for legend drugs used during the month or quarter and multiply that amount by a ratio, the numerator of which is the total

amount received for taxable patient services, and the denominator of which is the total amount received for all patient services, including amounts exempt under section 295.53, subdivision 1. The result represents the allowable exemption for the monthly or quarterly cost of drugs.

**[EFFECTIVE DATE.]** This section is effective for payments received on or after July 1, 2002.

Sec. 10. Minnesota Statutes 2001 Supplement, section 295.60, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of revenue.

(c) "Furrier" means a retailer that sells clothing made of fur.

(d) "Clothing made of fur" means articles of clothing made of fur on the hide or pelt, and articles of clothing of which such fur is the component material of chief value, but only if such value is more than three times the value of the next most valuable material.

(e) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

(f) "Delivered outside of Minnesota" means fur clothing which the furrier delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not returned to a point within Minnesota, except in the course of interstate commerce.

**[EFFECTIVE DATE.]** This section is effective January 1, 2002.

Sec. 11. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 2a. [EXEMPTIONS.] Payments received by a furrier for clothing made of fur delivered outside of Minnesota are exempt from gross revenues subject to the fur clothing tax.

**[EFFECTIVE DATE.]** This section is effective for payments received on or after January 1, 2002.

Sec. 12. Minnesota Statutes 2001 Supplement, section 297A.61, subdivision 26, is amended to read:

Subd. 26. [PRIVATE COMMUNICATION SERVICE.] "Private communication service" means a ~~communication~~ telecommunication service furnished to a subscriber which ~~that~~ entitles the subscriber customer to:

(1) exclusive or priority use of ~~any~~ a communication channel or group of channels;

~~(2) the use of an intercommunication system for the subscriber's stations, or regardless of whether the channel, group of channels, or intercommunication system may be connected through switching;~~

~~(3) the between or among termination points, regardless of the manner in which the channel or channels are connected, and includes switching capacity, extension lines and, stations, or and any other associated services that are provided in connection with, and are necessary or unique to the use of, the use of the channel or channels or systems described in clause (1); or~~

~~(4) any combination of tunneling, encryption, authentication, and access control technologies and services used to carry traffic over the Internet, a managed Internet provider network or provider's backbone.~~

**[EFFECTIVE DATE.]** This section is effective retroactively for sales and purchases occurring after July 31, 2001.

Sec. 13. Minnesota Statutes 2000, section 297A.68, is amended by adding a subdivision to read:

Subd. 37. [DELIVERY OR DISTRIBUTION CHARGES; PRINTED MATERIALS.] Charges for the delivery or distribution of printed materials, including individual account information, are exempt if (1) the charges are separately stated, (2) the delivery or distribution is to a mass audience or to a mailing list provided at the direction of the customer, and (3) the cost of the materials is not billed directly to the recipients.

**[EFFECTIVE DATE.]** This section is effective retroactive to delivery charges on sales and purchases made after December 31, 2001.

Sec. 14. Minnesota Statutes 2000, section 297G.07, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] The following are not subject to the excise tax:

(1) Sales by a manufacturer, brewer, or wholesaler for shipment outside the state in interstate commerce.

(2) Alcoholic beverages sold or transferred between Minnesota wholesalers.

(3) Sales to common carriers engaged in interstate transportation of passengers, except as provided in this chapter.

(4) Malt beverages served by a brewery for on-premise consumption at no charge, or distributed to brewery employees for on-premise consumption under a labor contract.

(5) Shipments of wine to Minnesota residents under section 340A.417.

(6) Fruit juices naturally fermented or beer naturally brewed in the home for family use.

(7) Sales of wine for sacramental purposes under section 340A.316.

(8) Alcoholic beverages sold to authorized manufacturers of food products or pharmaceutical firms. The alcoholic beverage must be used exclusively in the manufacture of food products or medicines. For purposes of this clause, "manufacturer" means a person who manufactures food products intended for sale to wholesalers or retailers for ultimate sale to the consumer.

(9) Liqueur-filled candy.

(10) Sales to a federal agency, that the state of Minnesota is prohibited from taxing under the constitution or laws of the United States or under the constitution of Minnesota.

(11) Sales to Indian tribes as defined in section 297G.08.

(12) Shipments of intoxicating liquor from foreign countries to diplomatic personnel of foreign countries assigned to service in this state.

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

Sec. 15. Minnesota Statutes 2000, section 298.27, is amended to read:

298.27 [COLLECTION AND PAYMENT OF TAX.]

The taxes provided by section 298.24 shall be paid directly to each eligible county and the iron range resources and rehabilitation board. The commissioner of revenue shall notify each producer of the amount to be paid each recipient prior to February 15. Every person subject to taxes imposed by section 298.24 shall file a correct report covering the preceding year. The report must contain the information required by the commissioner. The report shall be filed on or before February 1. A remittance equal to 100 percent of the total tax required to be paid hereunder shall



be paid by each producer on or before February 24. On or before February 25, the county auditor shall make distribution of the payment received by the county in the manner provided by section 298.28. Reports shall be made and hearings held upon the determination of the tax in accordance with procedures established by the commissioner of revenue. The commissioner of revenue shall have authority to make reasonable rules as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such rules may require the production of such information as may be reasonably necessary or convenient for the determination and apportionment of the tax. All the provisions of the occupation tax law with reference to the assessment and determination of the occupation tax, including all provisions for appeals from or review of the orders of the commissioner of revenue relative thereto, but not including provisions for refunds, are applicable to the taxes imposed by section 298.24 except in so far as inconsistent herewith. If any person subject to section 298.24 shall fail to make the report provided for in this section at the time and in the manner herein provided, the commissioner of revenue shall in such case, upon information possessed or obtained, ascertain the kind and amount of ore mined or produced and thereon find and determine the amount of the tax due from such person. There shall be added to the amount of tax due a penalty for failure to report on or before February 1, which penalty shall equal ten percent of the tax imposed and be treated as a part thereof.

If any person responsible for making a tax payment at the time and in the manner herein provided fails to do so, there shall be imposed a penalty equal to ten percent of the amount so due, which penalty shall be treated as part of the tax due.

In the case of any underpayment of the tax payment required herein, there may be added and be treated as part of the tax due a penalty equal to ten percent of the amount so underpaid.

A person having a liability of \$120,000 or more during a calendar year must remit all liabilities by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

**[EFFECTIVE DATE.]** This section is effective for years beginning after December 31, 2001.

Sec. 16. Minnesota Statutes 2000, section 298.28, subdivision 5, is amended to read:

Subd. 5. [COUNTIES.] (a) ~~16.5~~ 26.05 cents per taxable ton is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).

(b) ~~13~~ 20.525 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to paragraph (c). The apportionment formula prescribed in subdivision 2 is the basis for the distribution.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located.

(d) ~~3.5~~ 5.525 cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in subdivision 2.

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

Sec. 17. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 6, is amended to read:

Subd. 6. [PROPERTY TAX RELIEF.] (a) In 2002 and thereafter, ~~35.9~~ 33.9 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), ~~and less any amount required to be deducted under paragraph (d)~~, must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, ~~.7282~~ .5898 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

~~(d) Two cents per taxable ton must be deducted from the amount allocated to the St. Louis county auditor under paragraph (a).~~

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

Sec. 18. Minnesota Statutes 2001 Supplement, section 298.28, subdivision 10, is amended to read:

Subd. 10. [INCREASE.] Beginning with distributions in 2000, the amount determined under subdivision 9 shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Beginning with distributions in 2003, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

~~The distributions per ton determined under subdivisions 5, paragraphs (b) and (d), and 6, paragraph (b), for distribution in 1988 and subsequent years shall be the distribution per ton determined for distribution in 1987. The distribution per ton under subdivision 6, paragraph (c), for distribution in 2000 and subsequent years shall be 81 percent of the distribution per ton determined for distribution in 1987.~~

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

Sec. 19. Minnesota Statutes 2001 Supplement, section 469.1763, subdivision 6, is amended to read:

Subd. 6. [POOLING PERMITTED FOR DEFICITS.] (a) This subdivision applies only to districts for which the request for certification was made before August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments collected or to be collected from properties located within the district that are available for the calendar year including amounts collected in prior years that are currently available; plus

(iii) total increments from properties located in other districts in the municipality including amounts collected in prior years that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First Special Session chapter 5, or the elimination of the general education tax levy under Laws 2001, First Special Session chapter 5.

(c) A preexisting obligation means:

(1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a binding contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before August 1, 2001, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district; and

(2) binding contracts entered into before August 1, 2001, to the extent that the contracts require payments secured by a pledge of increments from the tax increment financing district.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments including amounts collected in prior years that are currently available for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality. The municipality may use this authority only after it has first used all available increments of the receiving development authority to eliminate the insufficiency and exercised any permitted action under section 469.1792, subdivision 3, for preexisting districts of the receiving development authority to eliminate the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) may only be exercised after obtaining approval of the use of the increments, in writing, by the commissioner of revenue;

(2) is an exception to the restrictions under section 469.176, subdivision 4i, and the other provisions of this section, and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(3) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The authority to transfer increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

**[EFFECTIVE DATE.]** This section is effective retroactively to January 2, 2002, and thereafter.

Sec. 20. Laws 2001, First Special Session chapter 5, article 12, section 95, is amended to read:

## Sec. 95. [REPEALER.]

(a) Minnesota Statutes 2000, sections 297A.61, subdivision 16; 297A.68, subdivision 21; and 297A.71, subdivisions 2 and 16, are repealed effective for sales and purchases occurring after June 30, 2001, except that the repeal of section 297A.61, subdivision 16, paragraph (d), is effective for sales and purchases occurring after July 31, 2001.

(b) Minnesota Statutes 2000, sections 297A.62, subdivision 2, and 297A.64, subdivision 1, are repealed effective for sales and purchases made after December 31, 2005.

(c) Minnesota Statutes 2000, section 297A.71, subdivision 15, is repealed effective for sales and purchases made after June 30, 2002.

~~(d) Minnesota Statutes 2000, section 289A.60, subdivision 15, is repealed effective for liabilities after January 1, 2003.~~

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

## Sec. 21. [REPEALER.]

Minnesota Statutes 2000, section 278.01, subdivision 4, is repealed effective for taxes payable in 2003 and thereafter.

## ARTICLE 21

## DEPARTMENT TECHNICAL PROVISIONS

Section 1. Minnesota Statutes 2001 Supplement, section 69.021, subdivision 5, is amended to read:

Subd. 5. [CALCULATION OF STATE AID.] (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount shall be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, plus the payment amounts received under section 297I.05, subdivision 8, since the last aid apportionment, and reduced by the amount required to pay the costs and expenses of the state auditor for audits or exams of police relief associations. The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations.

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(d) The amount for apportionment in respect to peace officer state aid under paragraph (b) must be further reduced by \$1,779,000 in fiscal year 1999, \$2,077,000 in fiscal year 2000, and \$2,404,000 in fiscal year 2001. These reductions in this paragraph cancel to the general fund.

(e) ~~In addition to the amount for apportionment of police state aid under paragraph (b) is annually increased by an amount equal to the revenues under the tax on automobile risk self-insurance under Minnesota Statutes 2000, section 297I.05, subdivision 8, that were collected in fiscal year 2001, each year \$100,000 shall be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.~~

**[EFFECTIVE DATE.]** This section is effective beginning with fiscal year 2003.

Sec. 2. Minnesota Statutes 2001 Supplement, section 126C.17, subdivision 7a, is amended to read:

Subd. 7a. **[REFERENDUM TAX BASE REPLACEMENT AID.]** For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of children, families, and learning, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the referendum allowance exceeding \$415 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy amount otherwise determined, and must be paid to the district each year that the referendum authority remains in effect. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid after the subtraction must not be less than zero.

For the purposes of this subdivision, the referendum levy with the latest year of expiration is assumed to be at the highest level of equalization, and the referendum levy with the earliest year of expiration is assumed to be at the lowest level of equalization.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2002 and thereafter.

Sec. 3. Minnesota Statutes 2001 Supplement, section 270.69, subdivision 2, is amended to read:

Subd. 2. **[FILING OF LIENS NECESSARY FOR ENFORCEABILITY AGAINST CERTAIN PERSONS; METHODS OF FILING; FEES.]** (a) The lien imposed by subdivision 1 is not enforceable against any purchaser, mortgagee, pledgee, holder of a Uniform Commercial Code security interest, mechanic's lienor, or judgment lien creditor whose interest has been duly perfected or is a conveyance or interest entitled to protection against judgments and attachments under section 507.34 or under any other applicable provisions of state law, until a notice of lien has been filed by the commissioner of revenue in the office of the county recorder of the county in which real property is situated, or in the case of personal property belonging to an individual who is not a resident of this state or to a corporation, partnership, or other organization, in the office of the secretary of state, or in the case of personal property belonging to a resident individual, in the office of the county recorder of the county of residence of the individual.

(b)(1) Notices of liens, and lien releases, transcriptions, and renewals, in a form prescribed by the commissioner of revenue, may be filed with the county recorder or the secretary of state by mail, personal delivery, or by electronic transmission by the commissioner or a delegate into the computerized filing system of the secretary of state. The secretary of state shall transmit the notice electronically to the office of the county recorder, if that is the place of filing, in the county or counties shown on the computer entry. The filing officer, whether the county recorder or the secretary of state, shall endorse and index a printout of the notice in the same manner as if the notice had been mailed or delivered.

(2) County recorders and the secretary of state shall enter information relative to lien notices, transcriptions, renewals, and releases filed in their offices into the central database of the secretary of state. For notices filed electronically with the county recorders, the date and time of receipt of

the notice and county recorder's file number, and for notices filed electronically with the secretary of state, the secretary of state's recording information, must be entered by the filing officer into the central database before the close of the working day following the day of the original data entry by the department of revenue.

The filing and indexing of all notices must be in accordance with the filing and indexing of notices of federal liens, certificates of release, and refiled notices under section 272.483.

(c) Notwithstanding any other law to the contrary, the department of revenue is exempt from payment of fees when a lien, lien renewal, or lien transcription is offered for recording. The recording fees must be paid along with the release fee at the end of the month in which the release of lien is recorded, after receipt of a monthly statement from a county recorder or the secretary of state. The department of revenue shall add the recording fees to the delinquent tax liability of the taxpayer. Notwithstanding any other law to the contrary, the fee for filing or recording a notice of lien, or lien release, transcription, or renewal is \$15.

(d) There is appropriated to the commissioner of revenue an amount representing the cost of payment of recording fees to the county recorders and the secretary of state. The commissioner shall keep a separate accounting of the costs and of payments for recording fees remitted by taxpayers, and make the records available to the legislature upon request.

**[EFFECTIVE DATE.]** As to the protection of interests in property of third parties, this section is effective for liens of record and enforceable as of the day following final enactment, and for liens filed thereafter. As to the place of filing of liens against personal property, this section is effective for liens filed on or after the day following final enactment.

Sec. 4. Minnesota Statutes 2001 Supplement, section 271.01, subdivision 5, is amended to read:

Subd. 5. **[JURISDICTION.]** The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the probate jurisdiction of the district court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the county board of equalization, and in those towns and cities which have not transferred their duties to the county, the town or city board of equalization, except for: (i) those taxpayers whose original assessments are determined by the commissioner of revenue; (ii) those taxpayers appealing a denial of a current year application for the homestead classification for their property and the denial was not reflected on a valuation notice issued in the year; and (iii) any case dealing with property valuation, assessment, or taxation for property tax purposes and meeting the jurisdictional requirements of section 271.21, subdivision 2, paragraph (c) only as provided in section 271.21, subdivision 2. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Laws governing taxes, aids, and related matters administered by the commissioner of revenue, laws dealing with property valuation, assessment or taxation of property for property tax purposes, and any other laws that contain provisions authorizing review of taxes, aids, and related matters by the tax court shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, review under section 274.13, subdivision 1c, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

**[EFFECTIVE DATE.]** This section is effective for petitions filed pertaining to the 2002 assessment, and thereafter.

Sec. 5. Minnesota Statutes 2001 Supplement, section 271.21, subdivision 2, is amended to read:

Subd. 2. [JURISDICTION.] At the election of the taxpayer, the small claims division shall have jurisdiction only in the following matters:

(a) cases involving valuation, assessment, or taxation of real or personal property, if the taxpayer has satisfied the requirements of section 271.01, subdivision 5, and:

(i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property and the denial was not reflected on a valuation notice issued in the year; or

(ii) in the case of nonhomestead property, only one parcel is included in the petition, the entire parcel is classified as homestead class 1a or 1b under section 273.13 and the parcel contains no more than one dwelling unit;

(iii) the entire property is classified as agricultural homestead class 2a or 1b under section 273.13; or

(iv) the assessor's estimated market value of the property included in the petition is less than \$100,000 \$300,000; or

(b) any other case concerning the tax laws as defined in section 271.01, subdivision 5, not involving valuation, assessment, or taxation of real and personal property in which the amount in controversy does not exceed \$5,000, including penalty and interest; or.

(c) cases involving valuation, assessment, or taxation of real or personal property if:

(i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property;

(ii) only one parcel is included in the petition, the entire parcel is classified as homestead 1a or 1b pursuant to section 273.13, and the parcel contains no more than one dwelling unit; or

(iii) the assessor's estimated market value of the property included in the petition is less than \$300,000.

**[EFFECTIVE DATE.]** This section is effective for petitions filed pertaining to the 2002 assessment, and thereafter.

Sec. 6. Minnesota Statutes 2000, section 272.02, subdivision 15, is amended to read:

Subd. 15. [PROPERTY USED TO GENERATE HYDROELECTRIC OR HYDROMECHANICAL POWER.] To the extent provided by section 295.44 Notwithstanding the provisions of subdivision 39, and sections 272.01, subdivision 2, and 273.19, subdivision 1, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the federal government, the state, or a local governmental unit which is and developed and operated pursuant to the provisions of section 103G.535 is exempt from property tax for all years during which the site is developed and operated under the terms of a lease or agreement authorized by section 103G.535.

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

Sec. 7. Minnesota Statutes 2001 Supplement, section 273.121, is amended to read:

273.121 [VALUATION OF REAL PROPERTY, NOTICE.]

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. It shall contain: (1) the market value for the current and prior assessment, (2) the limited market value under section 273.11, subdivision 1a, for the current and prior assessment, (3) the qualifying

amount of any improvements under section 273.11, subdivision 16, for the current assessment, (4) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, (5) the classification of the property for the current and prior assessment, (6) a note that if the property is homestead and at least 35 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office address, and (8) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

**[EFFECTIVE DATE.]** This section is effective for notices required to be mailed in 2002 and thereafter.

Sec. 8. Minnesota Statutes 2001 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) ~~All railroad operating property~~ and All personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), ~~and all railroad operating property~~ has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.



(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2002 and thereafter.

Sec. 9. Minnesota Statutes 2001 Supplement, section 273.1392, is amended to read:

273.1392 [PAYMENT; SCHOOL DISTRICTS.]

The amounts of conservation tax credits under section 273.119; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead and agricultural credits under section 273.1384; aids and credits under section 273.1398; wetlands reimbursement under section 275.295; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the department of children, families, and learning by the department of revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

**[EFFECTIVE DATE.]** This section is effective for aids and credits payable in 2002 and thereafter.

Sec. 10. Minnesota Statutes 2001 Supplement, section 273.1398, subdivision 4c, is amended to read:

Subd. 4c. [TEMPORARY AID; COURT ADMINISTRATION COSTS.] For calendar years 2004 and 2005, each county in a judicial district that has not been transferred to the state by January 1 of that year shall receive additional homestead and agricultural credit aid. This amount is in addition to the amount calculated under subdivision 2 and must not be included in the definition of homestead and agricultural credit base under subdivision 1, paragraph (j). The amount of additional aid is equal to the difference between (1) the amount budgeted for court administration costs in 2001 as determined under subdivision 4b, paragraph (e) (b), multiplied by the maintenance of effort percent for the calendar year as determined under subdivision 4b, paragraph (d) (a), and (2) the amount calculated under subdivision 4b, paragraph (a), for calendar year 2003. This additional aid must be used only to fund court administration expenditures as defined in section 480.183, subdivision 3. This amount must be added to the state court's base budget in the year when the court in that judicial district in which the county is located is transferred to the state.

**[EFFECTIVE DATE.]** This section is effective retroactively to July 1, 2001, and thereafter.

Sec. 11. Minnesota Statutes 2001 Supplement, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state ~~determined portion of the school district levy~~ general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for

the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state determined school general tax, net of the education residential and agricultural homestead credit under section 273.1382 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year;

(ii) the tax change due to spending factors, defined as the proposed tax minus the constant spending tax amount;

(iii) the tax change due to other factors, defined as the constant spending tax amount minus the actual current year tax; and

(iv) the proposed tax amount.

In the case of a town or the state determined school general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) If a statutory or home rule charter city or a town has exercised the local levy option provided by section 473.388, subdivision 7, it may include in the notice of its proposed taxes the amount of its proposed taxes attributable to its exercise of the option. In the first year of the city or town's exercise of this option, the statement shall include an estimate of the reduction of the metropolitan council's tax on the parcel due to exercise of that option. The metropolitan council's levy shall be adjusted accordingly.

**[EFFECTIVE DATE.]** This section is effective for notices of proposed property taxes required in 2002 for taxes payable in 2003, and thereafter.

Sec. 12. Minnesota Statutes 2001 Supplement, section 275.71, subdivision 3, is amended to read:

Subd. 3. [ADJUSTMENTS FOR STATE TAKEOVERS.] (a) The levy limit base for each local unit of government shall be adjusted to reflect the assumption by the state of financing for certain government functions as indicated in this subdivision.

(b) For a county in a judicial district for which financing has not been transferred to the state by January 1, 2001, the levy limit base for 2001 is permanently reduced by the amount of the county's 2001 budget for court administration costs, as certified under section 273.1398, subdivision 4b, paragraph (b), net of the county's share of transferred fines and fees collected by the district courts in the county for the same budget period.

(c) For a governmental unit which levied a tax in 2000 under section 473.388, subdivision 7, the levy limit base for 2001 is permanently reduced by an amount equal to the sum of the

governmental unit's taxes payable 2001 nondebt transit services levy plus the portion of its 2001 homestead and agricultural credit aid under section 273.1398, subdivision 2, attributable to nondebt transit services.

(d) For counties in a judicial district in which the state assumed financing of mandated services costs as defined in section 480.181, subdivision 4, on July 1, 2001, the levy limit base for taxes levied in 2001 is permanently reduced by an amount equal to one-half of the aid reduction under section 273.1398, subdivision 4a, paragraph (g).

**[EFFECTIVE DATE.]** This section is effective retroactively for taxes payable in 2002 and 2003.

Sec. 13. Minnesota Statutes 2001 Supplement, section 275.74, subdivision 2, is amended to read:

Subd. 2. **[AUTHORIZATION FOR SPECIAL LEVIES.]** A local governmental unit may request authorization to levy for unreimbursed costs for other natural disasters under section 275.70, subdivision 5, clause ~~(6)~~ (7). The local governmental unit shall submit a request to levy under section 275.70, subdivision 5, clause ~~(6)~~ (7), to the commissioner of revenue by September 30 of the levy year and the request must include information documenting the estimated unreimbursed costs. The commissioner of revenue may grant levy authority, up to the amount requested based on the documentation submitted. All decisions of the commissioner are final.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2002 and 2003.

Sec. 14. Minnesota Statutes 2001 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **[INTERNAL REVENUE CODE.]** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ February 1, 2002.

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

Sec. 15. Minnesota Statutes 2001 Supplement, section 289A.20, subdivision 2, is amended to read:

Subd. 2. **[WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.]** (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under ~~Treasury Regulation Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001,~~ without regard to the safe harbor or de minimis rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds the amounts established for remitting federal withheld taxes pursuant to the regulations promulgated under section 6302(h) of the Internal Revenue Code, the employer must remit each required deposit for wages paid in the subsequent calendar year by electronic means.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by electronic means as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

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

Sec. 16. Minnesota Statutes 2001 Supplement, section 289A.60, subdivision 2, is amended to read:

Subd. 2. **[PENALTY FOR FAILURE TO MAKE AND FILE RETURN.]** If a taxpayer fails to make and file a tax return within the time prescribed, including an extension, or fails to file an individual income tax return within six months after the due date, a penalty of five percent of the amount of tax not paid by the end of that period is added to the tax.

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

Sec. 17. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. **[NET INCOME.]** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, the provisions of Public Law Number 104-117, the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law Number 106-36, and the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law Number 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law Number 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.

The provisions of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law Number 106-519, shall become effective at the time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999. The provisions of sections 306 and 401 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 2000, shall be in effect for taxable years beginning after December 31, 2000. The provisions of sections 659a and 671 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, and the provisions of sections 104, 105, and 111 of the Victims of Terrorism Tax Relief Act of

2001, Public Law Number 107-134, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ February 1, 2002, shall be in effect for taxable years beginning after December 31, 2001.

The provisions of sections 101 and 102 of the Victims of Terrorism Tax Relief Act of 2001, Public Law Number 107-134, shall become effective at the same time it becomes effective for federal purposes.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

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

Sec. 18. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) ~~contributions made in taxable years beginning after December 31, 1981, and before January 1, 1985, to a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income, less any amount allowed to be subtracted as a distribution under this subdivision or a predecessor provision in taxable years that began before January 1, 2000. This subtraction applies only for taxable years beginning after December 31, 1999, and before January 1, 2001. If an individual's subtraction under this clause exceeds the individual's taxable income, the excess may be carried forward to taxable years beginning after December 31, 2000, and before January 1, 2002;~~

(5) income as provided under section 290.0802;

(6) (5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(7) (6) to the extent not deducted in determining federal taxable income or used to claim the long-term care insurance credit under section 290.0672, the amount paid for health insurance of self-employed individuals as determined under section 162(1) of the Internal Revenue Code, except that the percent limit does not apply. If the individual deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(8) (7) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(9) (8) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;

(10) (9) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500;

(11) (10) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code; and

(12) (11) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit.

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

Sec. 19. Minnesota Statutes 2001 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ February 1, 2002.

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

Sec. 20. Minnesota Statutes 2000, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining



whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

- (1) has a child who has not attained the age of one year at the close of the taxable year;
- (2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) \$2,400 the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2002.

Sec. 21. Minnesota Statutes 2000, section 290.067, subdivision 2a, is amended to read:

Subd. 2a. [INCOME.] (a) For purposes of this section, "income" means the sum of the following:

- (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):
  - (i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A; and

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludible interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2000.

Sec. 22. Minnesota Statutes 2001 Supplement, section 290.0675, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means the sum of the following, to the extent included in Minnesota taxable income:

- (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;
  - (2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and
  - (3) social security benefits as defined in section 86(d)(1) of the Internal Revenue Code.
- (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year minus the sum of (i) the amount for one exemption under section 151(d) of the Internal Revenue Code and (ii) one-half the amount of the standard deduction under section 63(c)(2)(A) and (4) of the Internal Revenue Code.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2000.

Sec. 23. Minnesota Statutes 2001 Supplement, section 290.0675, subdivision 3, is amended to read:

Subd. 3. [CREDIT AMOUNT.] The credit amount is the difference between the tax on the couple's joint Minnesota taxable income under the rates in section 290.06, subdivision 2c, paragraph (a), and the sum of the tax under the rates of section 290.06, subdivision 2c, paragraph (b), on the earned income of the lesser-earning spouse, and the tax under the rates of section 290.06, subdivision 2c, paragraph (b), on the couple's joint Minnesota taxable income, minus the earned income of the lesser-earning spouse.

~~For taxable years beginning after December 31, 2001, The commissioner of revenue shall prepare and make available to taxpayers a comprehensive table showing the credit under this section at brackets of earnings of the lesser-earning spouse and joint taxable income. The brackets of earnings shall not be more than \$2,000.~~

~~For taxable years beginning after December 31, 2002, the commissioner shall update the table as necessary to provide a credit that reflects the relationship between the marginal tax rates imposed under section 290.06, subdivision 2c.~~

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2000.

Sec. 24. Minnesota Statutes 2001 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

- (i) the Minnesota charitable contribution deduction;
- (ii) the medical expense deduction;
- (iii) the casualty, theft, and disaster loss deduction; and
- (iv) the impairment-related work expenses of a disabled person; and
- ~~(v) holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b;~~

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E); and

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1);

less the sum of the amounts determined under the following:

- (1) interest income as defined in section 290.01, subdivision 19b, clause (1);
- (2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; and
- (3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and
- ~~(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clause (4).~~

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in Minnesota Statutes 2000, section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in Minnesota Statutes 2000, section 290.21, subdivision 3, clauses (a) to (e).

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

Sec. 25. Minnesota Statutes 2001 Supplement, section 290.0921, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; ~~charitable contributions under subdivision 5;~~ and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2001.

Sec. 26. Minnesota Statutes 2000, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2), (a)(3), and (a)(4), income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as

defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law Number 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:

(i) the recipient was not a resident of this state for any part of the taxable year in which the wages were received; and

(ii) the wages are for work performed while the recipient was a resident of this state.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) ~~Income from winnings on Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 24, conducted within the boundaries of the state of Minnesota shall be assigned to this state a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).~~

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2001.

Sec. 27. Minnesota Statutes 2000, section 290.17, subdivision 3, is amended to read:

Subd. 3. [TRADE OR BUSINESS INCOME; GENERAL RULE.] All income of a trade or business is subject to apportionment except nonbusiness income. Income derived from carrying on a trade or business must be assigned to this state if the trade or business is conducted wholly within this state, assigned outside this state if conducted wholly without this state and apportioned between this state and other states and countries under this subdivision if conducted partly within and partly without this state. For purposes of determining whether a trade or business is carried on exclusively within or without this state:

(a) A trade or business physically located exclusively within this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state.

(b) A trade or business physically located exclusively without this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts ~~without~~ within this state. The jurisdiction to tax such a business under this chapter must be determined in accordance with sections 290.014 and 290.015.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2001.

Sec. 28. Minnesota Statutes 2000, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the

amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(2) "Income" does not include:

- (a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- (b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;
- (c) surplus food or other relief in kind supplied by a governmental agency;
- (d) relief granted under this chapter;
- (e) child support payments received under a temporary or final decree of dissolution or legal separation; or
- (f) holocaust settlement payments as defined in section 290.01, subdivision 32 restitution payments received by eligible individuals and excludible interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16.

(3) The sum of the following amounts may be subtracted from income:

- (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;
- (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;
- (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;
- (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
- (e) for the claimant's fifth dependent, the exemption amount; and
- (f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported.

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

Sec. 29. Minnesota Statutes 2001 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~June 15, 2001~~ February 1, 2002.

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

Sec. 30. Minnesota Statutes 2001 Supplement, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. [ADDITIONAL REFUND.] (a) ~~Beginning with gross property taxes payable in 2003,~~ If the gross property taxes payable on a homestead increase more than 12 percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16.



The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

**[EFFECTIVE DATE.]** This section is effective beginning with refunds based on gross property taxes payable in 2002.

Sec. 31. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 1a. [USE TAX; CREDIT FOR TAXES PAID.] (a) A person that receives fur clothing for use or storage in Minnesota, other than from a furrier that paid the tax under subdivision 1, is subject to tax at the rate imposed under subdivision 1. Liability for the tax is incurred when the person has possession of the fur clothing in Minnesota. The tax must be remitted to the commissioner in the manner prescribed by subdivision 3.

(b) A person that has paid taxes to another jurisdiction on the same transaction and is subject to tax under this section is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the transaction subject to tax in the other jurisdiction.

**[EFFECTIVE DATE.]** This section is effective for fur clothing purchased and brought into Minnesota on or after January 1, 2002.

Sec. 32. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 1b. [TAX COLLECTION REQUIRED.] A furrier with nexus in Minnesota, who is not subject to tax under subdivision 1, is required to collect the tax imposed under subdivision 1a from the purchaser of the clothing made from fur and give the purchaser a receipt for the tax paid. The tax collected must be remitted to the commissioner in the manner prescribed by subdivision 3.

**[EFFECTIVE DATE.]** This section is effective for fur clothing purchased and brought into Minnesota on or after January 1, 2002.

Sec. 33. Minnesota Statutes 2001 Supplement, section 295.60, is amended by adding a subdivision to read:

Subd. 1c. [TAXES PAID TO ANOTHER JURISDICTION; CREDIT.] A furrier that has paid taxes to another jurisdiction measured by gross revenue and is subject to tax under this section on the same gross revenues is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the gross revenues subject to tax in the other taxing jurisdictions.

**[EFFECTIVE DATE.]** This section is effective for gross revenues received on or after January 1, 2002.

Sec. 34. Minnesota Statutes 2001 Supplement, section 295.60, subdivision 7, is amended to read:

Subd. 7. [APPLICATION OF OTHER CHAPTERS.] Unless specifically provided otherwise by this section, the enforcement, interest, and penalty provisions under chapter 294, appeal provisions in sections 289A.43 and 289A.65, criminal penalties in section 289A.63, and refunds provisions in section 289A.50 chapter 289A, civil penalty provisions applicable to withholding and sales taxes under section 289A.60, and collection and rulemaking provisions under chapter 270, apply to a liability for the taxes imposed under this section.

**[EFFECTIVE DATE.]** This section is effective January 1, 2002.

Sec. 35. Minnesota Statutes 2000, section 296A.18, subdivision 8, is amended to read:

Subd. 8. [AVIATION FUEL TAX STATE AIRPORTS FUND.] The revenues derived from the excise taxes on aviation gasoline and on special fuel received, sold, stored, or withdrawn from storage as substitutes for aviation gasoline, shall be paid into the state treasury and credited to the aviation fuel tax state airports fund. There is hereby appropriated such sums as are needed to carry out the provisions of this subdivision.

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

Sec. 36. Minnesota Statutes 2001 Supplement, section 297A.70, subdivision 3, is amended to read:

Subd. 3. [SALES OF CERTAIN GOODS AND SERVICES TO GOVERNMENT.] (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment; and materials used to construct buildings to house the equipment, if the materials are purchased after June 30, 1998, and before July 1, 2001; and

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10).

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

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

Sec. 37. Minnesota Statutes 2000, section 297I.05, subdivision 11, is amended to read:

Subd. 11. [RETIATORY PROVISIONS.] (a) If any other state or country imposes any taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this state and their agents doing business in another state or country that are in addition to or in excess of those imposed by the laws of this state upon foreign insurance companies and their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses, and fees are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state.

(b) If any conditions precedent to the right to do business in any other state or country are imposed by the laws of that state or country, beyond those imposed upon foreign companies by the laws of this state, the same conditions precedent are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in that state.

(c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or fees" means an amount of money that is deposited in the general revenue fund of the state or other similar fund in another state or country and is not dedicated to a special purpose or use or money deposited in the general revenue fund of the state or other similar fund in another state or country and appropriated to the commissioner of commerce or insurance for the operation of the department of commerce or other similar agency with jurisdiction over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

(1) special purpose obligations or assessments imposed in connection with particular kinds of insurance, including but not limited to assessments imposed in connection with residual market mechanisms; or

(2) assessments made by the insurance guaranty association, life and health guarantee association, or similar association.

(d) This subdivision applies to taxes imposed under subdivisions 1, 3, 4, 6, and 12, paragraph (a), clauses (1) and ~~(3)~~ (2).

(e) This subdivision does not apply to insurance companies organized or domiciled in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits, penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies domiciled in this state.

**[EFFECTIVE DATE.]** This section is effective retroactively to tax years beginning on or after January 1, 2001.

Sec. 38. Minnesota Statutes 2001 Supplement, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. [DEDUCTIONS.] (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable ores are produced, unless the expenses are included in gross income.

(b) The provisions of section 290.01, subdivisions 19c, clauses (6) and ~~(4)~~ (9), and 19d, clauses (7) and (11), are not used to determine taxable income.

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

Sec. 39. Minnesota Statutes 2001 Supplement, section 298.01, subdivision 4c, is amended to read:

Subd. 4c. ~~[SPECIAL DEDUCTIONS; NET OPERATING LOSS.]~~ (a) For purposes of determining taxable income under subdivision 4, ~~the following modifications are allowed:~~

~~(1) the provisions of section 290.01, subdivisions 19c, clauses (6) and (10) (9), and 19d, clauses (7) and (11), are not used to determine taxable income; and~~

~~(2) for assets placed in service before January 1, 1990, the deduction for depreciation will be the same amount allowed under chapter 290, except that after an asset has been fully depreciated for federal income tax purposes any remaining depreciable basis is allowed as a deduction using the straight-line method over the following number of years:~~

~~(i) three-year property, one year;~~

~~(ii) five and seven year property, two years;~~

~~(iii) ten-year property, five years; and~~

~~(iv) all other property, seven years.~~

~~No deduction is allowed if an asset is fully depreciated for occupation tax purposes before January 1990.~~

~~(b) For purposes of determining the deduction allowed under paragraph (a), clause (2), the remaining depreciable basis of property placed in service before January 1, 1990, is calculated as follows:~~

~~(1) the adjusted basis of the property on December 31, 1989, which was used to calculate the hypothetical corporate franchise tax under Minnesota Statutes 1988, section 298.40, including salvage value; less~~

~~(2) deductions for depreciation allowed under section 290.01, subdivision 19e.~~

~~(c) The basis for determining gain or loss on sale or disposition of assets placed in service before January 1, 1990, is the basis determined under paragraph (b), less the deductions allowed under paragraph (a), clause (2).~~

~~(d) (b) The amount of net operating loss incurred in a taxable year beginning before January 1, 1990, that may be carried over to a taxable year beginning after December 31, 1989, is the amount of net operating loss carryover determined in the calculation of the hypothetical corporate franchise tax under Minnesota Statutes 1988, sections 298.40 and 298.402.~~

**[EFFECTIVE DATE.]** This section is effective for taxes payable May 1, 2002, and thereafter.

Sec. 40. Minnesota Statutes 2000, section 477A.011, subdivision 20, is amended to read:

Subd. 20. **[CITY NET TAX CAPACITY.]** "City net tax capacity" means (1) the net tax capacity computed using the net tax capacity rates in section 273.13 for taxes payable in the year of the aid distribution, and the market values for taxes payable in the year prior to the aid distribution plus (2) a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2, paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing city net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The city net tax capacity will be computed using equalized market values.

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2002 and thereafter.

Sec. 41. Minnesota Statutes 2001 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in ~~paragraphs (b) to (e)~~ this subdivision, "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

- (i) the city had a population in 1996 of at least 50,000;
- (ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(g) Beginning in ~~2002~~ 2004, the city aid base for a city is equal to the sum of its city aid base in ~~2001~~ 2003 and the amount of additional aid it was certified to receive under section 477A.06 in ~~2001~~ 2003. For ~~2002~~ 2004 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in ~~2001~~ 2003.

(h) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(i) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(j) The city aid base for a city is increased by \$225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

(4) the city received less than \$30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

(k) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(l) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(m) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(n) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and

(4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(o) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(p) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(q) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2002 and thereafter.

Sec. 42. Minnesota Statutes 2001 Supplement, section 477A.013, subdivision 9, is amended to read:

Subd. 9. [CITY AID DISTRIBUTION.] (a) In calendar year 2002 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) The percentage increase for a first class city in calendar year 1995 and thereafter, except for 2002, shall not exceed the percentage increase in the sum of the aid to all cities under this section in the current calendar year compared to the sum of the aid to all cities in the previous year. For aids payable in 2002 only, the amount of the aid paid to a first class city shall not exceed the sum of its aid amount for calendar year 2001 under this section and its aid payment in calendar year 2001 under section 273.1398, subdivision 2, by more than 2.5 percent.

(c) For aids payable in all years except 2002, the total aid for any city, except a first class city, shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year ~~before any increases or decreases under sections 16A.711, subdivision 5, and 477A.0132~~. For aids payable in 2002 only, the total aid for any city, except a first class city, shall not exceed 40 percent of the sum of (1) 40 percent of its city's net levy for taxes payable in the year prior to the aid distribution plus (2) 40 percent of its total aid in the previous year under section 273.1398, subdivision 2, ~~before any increases or decreases under sections 16A.711, subdivision 5, and 477A.0132~~ plus (3) its total aid in the previous year under this section.

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2002 and thereafter.

Sec. 43. Minnesota Statutes 2001 Supplement, section 477A.07, subdivision 1, is amended to read:

Subdivision 1. [AID AMOUNT.] (a) For aid payable in 2003, each county and city is eligible for aid equal to the amount by which (i) 0.3 percent of the assessment year 2001 taxable market value of class 4a property, plus 0.25 percent of the assessment year 2001 market value of class 4b



property, as defined in section 273.13, subdivision 25, multiplied by the jurisdiction's average tax rate for taxes payable in 2002, exceeds (ii) 0.4 percent of the jurisdiction's total taxable net tax capacity for taxes payable in 2002, multiplied by the jurisdiction's average tax rate for taxes payable in 2002.

(b) For aid payable in 2004, each county and city is eligible for aid equal to the amount by which (i) 0.25 percent of the assessment year 2002 taxable market value of class 4a property, as defined in section 273.13, subdivision 25, multiplied by the jurisdiction's average tax rate for taxes payable in 2003, exceeds (ii) 0.4 percent of the jurisdiction's total taxable net tax capacity for taxes payable in 2003, multiplied by the jurisdiction's average tax rate for taxes payable in 2003.

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2003 and thereafter.

Sec. 44. Minnesota Statutes 2001 Supplement, section 477A.07, subdivision 3, is amended to read:

Subd. 3. [CITY AID.] Each city's 2003 aid amount determined under subdivision 1 must be permanently added to its city aid base under section 477A.011, subdivision 36, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is increased by the same amount for aid payable in 2003. Each city's 2004 aid amount determined under subdivision 1 must be permanently added to its city aid base under section 477A.011, subdivision 36, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is increased by the same amount for aid payable in 2004.

**[EFFECTIVE DATE.]** This section is effective for aids payable in calendar years 2003 and 2004.

Sec. 45. Laws 1993, chapter 375, article 5, section 42, is amended to read:

Sec. 42. [REPORT TO LEGISLATURE.]

By ~~February~~ March 1 of each year, the commissioner of revenue shall make a report to the legislature on the use of limited market value under section 273.13, subdivision 1a, and the valuation exclusion under section 273.13, subdivision 16. For the limited market value provision, the report shall include the total value excluded from taxation by type of property for each city and town. For the valuation exclusion provision, the report shall include the total market value excluded from taxation for each city and town, as well as a breakdown of the excluded improvement amounts by age and value of the property being improved and the amount of the qualifying improvement. The county assessors shall provide the information necessary for the commissioner to compile the report in a manner prescribed by the commissioner.

Sec. 46. Laws 2001, First Special Session chapter 5, article 9, section 3, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2001, except that the amendment to elause clauses (3) is and (12) are effective for tax years beginning after December 31, 2000.

Sec. 47. [EARLY DECERTIFICATION OF TAX INCREMENT DISTRICTS; EFFECTIVE DATE.]

Laws 2001, First Special Session chapter 5, article 15, section 12, is retroactively effective for decertifications occurring on or after July 1, 2001, regardless of the date of the request for certification of the district or any portion of the district.

Sec. 48. [REPEALER.]

(a) Minnesota Statutes 2000, sections 272.02, subdivision 40; 290.01, subdivisions 19g and 32; and 295.44, are repealed effective the day following final enactment.

(b) Minnesota Statutes 2000, section 290.0921, subdivision 5, is repealed effective for taxable years beginning after December 31, 2001.

(c) Minnesota Rules, parts 8130.1400; 8130.2100; 8130.2350; 8130.2600; 8130.3000; 8130.3850; and 8130.5000, are repealed effective the day following final enactment.

## ARTICLE 22

### TELECOMMUNICATIONS

Section 1. Minnesota Statutes 2000, section 125B.25, subdivision 9, is amended to read:

Subd. 9. ~~[EXPIRATION INSUFFICIENT FUNDING.] This section expires on July 1, 2002. If the amount appropriated for purposes of this section is insufficient to fully fund the program, the Minnesota education telecommunications council must allocate the amount available to enable districts or regional clusters to maintain current connections within available funding.~~

Sec. 2. [237.82] [TELECOMMUNICATIONS ACCESS FEE.]

Unless specifically provided otherwise in this section, the terms used in this section have the meanings given in section 297A.61.

A fee equal to one-half of one percent of the gross receipts from sales at retail of telecommunication services that are subject to taxation under chapter 297A, is imposed. The fee must be shown as a separate line item on a bill for the telecommunications services. The fee must be collected by the commissioner of revenue in the same manner, and is subject to the same interest and penalties as the tax imposed under chapter 297A, provided that section 297A.94 does not apply to the revenues derived from the fee. The commissioner of revenue shall deposit the revenues, including interest and penalties, derived from the fee imposed under this section in the state treasury and credit them to the public telecommunication services account.

The fee terminates upon the effective date of the creation of a universal service fund by the public utilities commission or the legislature that addresses a broad range of access and affordability issues, but no later than June 30, 2005.

Sec. 3. [237.83] [PUBLIC TELECOMMUNICATION SERVICES ACCOUNT.]

Subdivision 1. [ACCOUNT ESTABLISHED.] A public telecommunication services account is established in the state treasury. Earnings, such as interest, dividends, and any other earnings arising from fund assets, must be credited to the account.

Subd. 2. [PURPOSE.] The purpose of the account is to provide money to fund the learning network of Minnesota formerly funded through the higher education services office, the telecommunication access revenue program under section 125B.25, regional library telecommunication aid under section 134.47. To the extent money is available after fully funding those programs, the account will be used to fund the hospital emergency telecommunications network under section 237.84.

Subd. 3. [COORDINATED PLAN.] The Minnesota education telecommunications council shall develop a specific funding plan that integrates the funding for education programs under subdivision 2, consistent with the regional distribution method recommended by the permanent funding committee in the report required by the legislature. The council shall submit the plan to the education budget division chairs of the legislature by January 15, 2003. All entities receiving funding under subdivision 2 that are eligible for federal telecommunication aid or discounts must apply for the maximum assistance available and must use the amounts or discounts received to reduce the state aid that may be necessary.

Subd. 4. [ADMINISTRATION.] The commissioner of administration shall award grants from the account, but not manage or operate the programs funded by the grants. The commissioner shall consult with the Minnesota education telecommunications council before making grant decisions related to education networks.

Subd. 5. [COST REDUCTIONS; PERFORMANCE IMPROVEMENTS.] In awarding grants, the commissioner and the technology enterprise board must attempt to obtain cost reductions and performance improvements by encouraging cooperation among education and health care recipients of state telecommunication assistance.

Subd. 6. [CONNECTION COSTS.] Connection costs funded under this section may not be paid to a state agency unless the regional group making the application demonstrates that:

- (1) no other entity submitted bids to provide the connection;
- (2) the state agency had been a recipient of money under a program described in subdivision 2;
- or
- (3) the participation of a state agency is necessary to the interoperability of a network.

Sec. 4. [237.84] [HOSPITAL EMERGENCY COMMUNICATIONS NETWORK.]

The commissioner of administration shall make grants to fund a hospital emergency communications network. The initial grants may be used for hospital telecommunications equipment and connection charges. Subsequent grants are only for connection costs. Applications for the grants must be submitted by regional groups of hospitals. The commissioner must ensure the interoperability of networks among hospitals with the learning network. The commissioner shall establish an application procedure for grants and award grants with the advice of the commissioner of health and the technology enterprise board. Grants may not exceed 80 percent of the cost of the proposal. The hospital network must be redundant to the telephone network and use Internet technology. The network must be designed so that it can also be used for telemedicine and education. All entities that are eligible for federal telecommunication aid or discounts must apply for the maximum assistance available and must use the amounts or discounts received to reduce the state aid that may be necessary. Grants may be used to upgrade existing systems. The goal of the grant program is to connect all hospitals in Minnesota to one interoperable network for the sharing of information.

Sec. 5. Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 2, as amended by Laws 2002, chapter 220, article 2, section 12, is amended to read:

Subd. 2. [BASIC SUPPORT GRANTS.] For basic support grants according to Minnesota Statutes, sections 134.32 to 134.35:

\$8,570,000	.....	2002
\$8,570,000	.....	2003

The 2002 appropriation includes \$857,000 for 2001 and \$7,713,000 for 2002.

The 2003 appropriation includes \$857,000 for 2002 and \$7,713,000 for 2003.

Base level funding for fiscal year 2004 is ~~\$9,823,000~~ \$8,423,000 and ~~\$9,822,000~~ \$8,423,000 for fiscal year 2005.

Sec. 6. Laws 2001, First Special Session chapter 3, article 4, section 5, subdivision 4, as amended by Laws 2002, chapter 220, article 2, section 13, is amended to read:

Subd. 4. [REGIONAL LIBRARY TELECOMMUNICATIONS AID.] For aid to regional public library systems under Minnesota Statutes, section 134.47:

\$1,200,000	.....	2002
\$1,400,000	.....	2003

~~This is a one-time appropriation.~~ Any balance in the first year does not cancel but is available in the second year.

Base level funding for fiscal year 2004 is \$1,400,000 and \$1,400,000 for fiscal year 2005.

Sec. 7. [APPROPRIATIONS.]

\$8,600,000 is appropriated from the public telecommunication services account to the commissioner of children, families, and learning for the fiscal year ending June 30, 2003, for the following purposes:

(1) \$7,800,000 for the telecommunications access revenue program under Minnesota Statutes, section 125B.25; and

(2) \$800,000 for regional library telecommunications aid under Minnesota Statutes, section 134.47, to supplement money previously appropriated from the general fund.

Sec. 8. [REPEALER.]

Minnesota Statutes 2001 Supplement, section 134.47, subdivision 3, is repealed.

Sec. 9. [EFFECTIVE DATE.]

This act is effective January 1, 2003.

#### ARTICLE 23

#### MISCELLANEOUS

Section 1. Minnesota Statutes 2001 Supplement, section 216B.1692, subdivision 2, is amended to read:

Subd. 2. [PROPOSAL SUBMISSION.] A public utility that intends to submit a proposal for an emissions reduction rider under this section, or that is ordered to do so by the commission, must submit to the commission, the department, the pollution control agency, and interested parties its plans for emissions reduction projects at its generating facilities. This submission must be made at least 60 days in advance of a petition for a rider and shall include:

(1) the priority order of emissions reduction projects the utility plans to pursue at its generating facilities;

(2) the planned schedule for implementation;

(3) the analysis and considerations relied on by the public utility to develop that priority ranking;

(4) the alternative emissions reduction projects considered, including but not limited to applications of the best available control technology and repowering with natural gas, and reasons for not pursuing them;

(5) the emissions reductions expected to be achieved by the projects and their relation to applicable standards for new facilities under the federal Clean Air Act; and

(6) the general rationale and conclusions of the public utility in determining the priority ranking.

**[EFFECTIVE DATE.]** This section is effective January 1, 2003.

Sec. 2. Minnesota Statutes 2001 Supplement, section 216B.1692, subdivision 3, is amended to read:

Subd. 3. [FILING PETITION TO RECOVER PROJECT COSTS.] (a) The commission may order a public utility may to petition the commission for approval of an emissions reduction rider to recover the costs of a qualifying emissions reduction project outside of a general rate case proceeding under section 216B.16. A public utility may also voluntarily submit such a petition. In its filing, the public utility shall provide:

(1) a description of the planned emissions reduction project;

(2) the activities involved in the project;

(3) a schedule for implementation;

(4) any analysis provided to the pollution control agency regarding the project;

(5) an assessment of alternatives to the project, including costs, environmental impact, and operational issues;

(6) the proposed method of cost recovery;

(7) any proposed recovery above cost; and

(8) the projected emissions reductions from the project.

(b) Nothing in this section precludes a public utility or interested party from seeking commission guidelines for emissions reduction rider filings; however, commission guidelines are not required as a prerequisite to a public utility-initiated filing.

**[EFFECTIVE DATE.]** This section is effective January 1, 2003.

Sec. 3. Minnesota Statutes 2001 Supplement, section 216B.1692, subdivision 6, is amended to read:

Subd. 6. **[IMPLEMENTATION.]** Within 60 days of a final commission order, the public utility shall ~~notify the commission and the pollution control agency whether it will implement the order and proceed with the project. Nothing in this section commits a public utility to implementing a proposed emissions reduction project if the proposed project or terms of the emissions reduction rider have been either modified or rejected by the commission.~~ A public utility implementing a project under this section will not be required for a period of eight years after installation to undertake additional investments to comply with a new state requirement regarding pollutants addressed by the project at the project generating facility. This section does not affect requirements of federal law. The term of the rider shall extend for the period approved by the commission regardless of any subsequent state or federal requirement affecting any pollutant addressed by the approved emissions reduction project and regardless of the sunset date in subdivision 8.

**[EFFECTIVE DATE.]** This section is effective January 1, 2003.

Sec. 4. Minnesota Statutes 2000, section 270B.01, subdivision 8, is amended to read:

Subd. 8. **[MINNESOTA TAX LAWS.]** For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B (except taxes imposed under sections 115B.21 to 115B.24), 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 295, 297A, and 297H ~~and sections 295.50 to 295.59~~, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees.

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

Sec. 5. Minnesota Statutes 2001 Supplement, section 270B.02, subdivision 3, is amended to read:

Subd. 3. **[CONFIDENTIAL DATA ON INDIVIDUALS; PROTECTED NONPUBLIC DATA.]** (a) Except as provided in paragraph (b), the name or existence of an informer, informer letters, and other data, in whatever form, given to the department of revenue by a person, other than the data subject, who informs that a specific ~~taxpayer person~~ is not or may not be in compliance with tax laws, or nontax laws administered by the department of revenue, including laws other than those relating to property taxes not listed in section 270B.01, subdivision 8, are confidential data on individuals or protected nonpublic data as defined in section 13.02, subdivisions 3 and 13.

(b) Data under paragraph (a) may be disclosed with the consent of the informer or upon a written finding by a court that the information provided by the informer was false and that there is evidence that the information was provided in bad faith. This subdivision does not alter disclosure responsibilities or obligations under the rules of criminal procedure.

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

Sec. 6. Minnesota Statutes 2000, section 270B.02, subdivision 4, is amended to read:

Subd. 4. [PUBLIC DATA.] Information required to be filed by exempt individuals, corporations, organizations, estates, and trusts under section 290.05, subdivisions 1 and 4, or that relates to exempt status under section 290.05, subdivision 2, is public data on individuals or public data not on individuals, as defined in section 13.02, subdivisions 14 and 15. The commissioner may publish a list of organizations exempt from taxation under section 290.05, except that the name or address of any contributor to any organization that is or was exempt, or that has applied for tax exempt status, or any other information that could not be disclosed under section 6104 of the Internal Revenue Code of 1986, as amended through December 31, 1988, is classified as private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12.

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

Sec. 7. Minnesota Statutes 2001 Supplement, section 270B.08, subdivision 2, is amended to read:

Subd. 2. [REVOCATION.] When a taxpayer's sales tax permit has been revoked under section 297A.86, the commissioner may disclose data identifying the holder of the revoked permit and, stating the basis for the revocation, and stating whether the permit has been reinstated.

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

Sec. 8. Minnesota Statutes 2000, section 270B.14, subdivision 8, is amended to read:

Subd. 8. [EXCHANGE BETWEEN DEPARTMENTS OF LABOR AND INDUSTRY AND REVENUE.] The departments of labor and industry and revenue may exchange information as follows:

- (1) data used in determining whether a business is an employer or a contracting agent;
- (2) taxpayer identity information relating to employers and employees for purposes of supporting tax administration and ~~chapter~~ chapters 176, 177, and 181; and
- (3) data to the extent provided in and for the purpose set out in section 176.181, subdivision 8.

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

Sec. 9. Minnesota Statutes 2000, section 297F.05, subdivision 1, is amended to read:

Subdivision 1. [RATES; CIGARETTES.] (a) A tax is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers, at the following rates, subject to the discount provided in this chapter, and subject to paragraph (b):

- (1) on cigarettes weighing not more than three pounds per thousand, 24 40 mills and, after December 31, 2002, 56 mills on each such cigarette; and
- (2) on cigarettes weighing more than three pounds per thousand, 48 80 mills and, after December 31, 2002, 112 mills on each such cigarette.

(b) Before June 1 of 2004 and each subsequent year the commissioner shall recompute and publish the rate for the tax imposed under this subdivision. The new rate must be calculated by multiplying the rate in effect at the time of the calculation by the ratio obtained under paragraph (c).

(c) Divide the annual average U.S. Consumer Price Index for all urban consumers, as determined by the U.S. Department of Labor, for the previous calendar year, by the annual average for the calendar year before the previous year.

(d) The rate calculated under this section must be rounded to the nearest one-half mill.

(e) The new rate calculated under this section is effective for cigarette stamp purchases and for use and storage of cigarettes acquired by consumers after May 31. The determination of the commissioner pursuant to this section must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14.

[EFFECTIVE DATE.] This section is effective for cigarette stamp purchases occurring after April 30, 2002, and for use and storage of cigarettes acquired by consumers after April 30, 2002.

Sec. 10. Minnesota Statutes 2000, section 297F.08, subdivision 7, is amended to read:

Subd. 7. [PRICE OF STAMPS.] The commissioner shall sell stamps to any person licensed as a distributor at a discount of ~~1.0~~ 0.65 percent from the face amount of the stamps for the first \$1,500,000 \$2,400,000 of such stamps purchased in any fiscal year; and at a discount of ~~0.6~~ 0.4 percent on the remainder of such stamps purchased in any fiscal year. The commissioner shall not sell stamps to any other person. The commissioner may prescribe the method of shipment of the stamps to the distributor as well as the quantities of stamps purchased.

[EFFECTIVE DATE.] This section is effective for cigarette stamp purchases occurring after April 30, 2002.

Sec. 11. Minnesota Statutes 2000, section 297H.06, subdivision 2, is amended to read:

Subd. 2. [MATERIALS.] The tax is not imposed upon charges to generators of mixed municipal solid waste or upon the volume of non-mixed-municipal solid waste for waste management services to manage the following materials:

(1) mixed municipal solid waste and non-mixed-municipal solid waste generated outside of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized;

(3) recyclable non-mixed-municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;

(5) mixed municipal solid waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;

(6) recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste, and are collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;

(7) ~~through December 31, 2002,~~ source-separated compostable waste, if the waste is delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the pollution control agency. The first time a facility applies to the agency it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. For each subsequent calendar year, by October 1 of the preceding year, the facility must apply to the agency for certification to renew its exemption for the following year. The application must be filed

according to the procedures of, and contain the information required by, the agency. The commissioner of revenue shall grant the exemption if the commissioner of the pollution control agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:

- (i) generators separate materials at the source;
  - (ii) the separation is performed in a manner appropriate to the technology specific to the facility that:
    - (A) maximizes the quality of the product;
    - (B) minimizes the toxicity and quantity of residuals; and
    - (C) provides an opportunity for significant improvement in the environmental efficiency of the operation;
  - (iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;
  - (iv) process residuals do not exceed 15 percent of the weight of the total material delivered to the facility; and
  - (v) the final product is accepted for use;
- (8) waste and waste by-products for which the tax has been paid; and
- (9) daily cover for landfills that has been approved in writing by the Minnesota pollution control agency.

Sec. 12. Minnesota Statutes 2001 Supplement, section 349.12, subdivision 25, is amended to read:

Subd. 25. [LAWFUL PURPOSE.] (a) "Lawful purpose" means one or more of the following:

(1) any expenditure by or contribution to a 501(c)(3) or festival organization, as defined in subdivision 15a, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 349.154, which standards must apply to both types of organizations in the same manner and to the same extent;

(2) a contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, which is used to relieve the effects of that poverty, homelessness, or disability;

(3) a contribution to an individual for treatment for delayed posttraumatic stress syndrome or a contribution to a program recognized by the Minnesota department of human services for the education, prevention, or treatment of compulsive gambling;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to a scholarship fund for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize humanitarian or military service to the United States, the state of Minnesota, or a community, subject to rules of the board, provided that the rules must not include mileage reimbursements in the computation of the per occasion reimbursement limit and must impose no aggregate annual limit on the amount of reasonable and necessary expenditures made to support:

- (i) members of a military marching or color guard unit for activities conducted within the state;



(ii) members of an organization solely for services performed by the members at funeral services; or

(iii) members of military marching, color guard, or honor guard units may be reimbursed for participating in color guard, honor guard, or marching unit events within the state or states contiguous to Minnesota at a per participant rate of up to \$35 per occasion;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender and the organization complies with section 349.154;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on permitted gambling premises wholly owned by the licensed organization paying the taxes, or wholly leased by a licensed veterans organization under a national charter organized under section 501(c)(19) of the Internal Revenue Code, not to exceed:

(i) for premises used for bingo, the amount that an organization may expend under board rules on rent for bingo; and

(ii) \$35,000 per year for premises used for other forms of lawful gambling;

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency;

(11) a contribution to or expenditure by a nonprofit organization which is a church or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances;

(12) payment of the reasonable costs of an audit required in section 297E.06, subdivision 4, provided the annual audit is filed in a timely manner with the department of revenue;

(13) a contribution to or expenditure on a wildlife management project that benefits the public at-large, provided that the state agency with authority over that wildlife management project approves the project before the contribution or expenditure is made;

(14) expenditures, approved by the commissioner of natural resources, by an organization for grooming and maintaining snowmobile trails and all-terrain vehicle trails that are (1) grant-in-aid trails established under section 85.019, or (2) other trails open to public use, including purchase or lease of equipment for this purpose; or

(15) conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled; or

(16) a contribution to a community arts organization, or an expenditure to sponsor arts programs in the community, including but not limited to visual, literary, performing, or musical arts.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for

one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced; or (v) with respect to an expenditure to bring an existing building into compliance with the Americans with Disabilities Act under item (ii), an organization has the option to apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) a contribution to a statutory or home rule charter city, county, or town by a licensed organization with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.

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

Sec. 13. Minnesota Statutes 2000, section 383A.81, is amended by adding a subdivision to read:

Subd. 8. [PRIORITIES.] Beginning July 1, 2002, the board of county commissioners must give priority to projects that reclaim polluted land for housing and for remediation projects in which other governmental and private sector funds are limited.

Sec. 14. Minnesota Statutes 2000, section 383A.81, is amended by adding a subdivision to read:

Subd. 9. [SOLICITATION OF PROPOSALS.] At least annually, the board of county commissioners must solicit proposals from private sector developers and organizations for projects that qualify pursuant to subdivision 2.

Sec. 15. Minnesota Statutes 2000, section 383A.81, is amended by adding a subdivision to read:

Subd. 10. [REPORT.] Beginning July 1, 2002, and annually thereafter, the board of county commissioners must prepare a report on the amount of the revenues generated by the tax imposed in section 383A.80, and any expenditures made by the fund. The first report will cover the activities of the fund from the date of inception.

Sec. 16. Minnesota Statutes 2000, section 383B.81, is amended by adding a subdivision to read:

Subd. 9. [PRIORITIES.] Beginning July 1, 2002, the board of county commissioners must give

priority to projects that reclaim polluted land for housing and for remediation projects in which other governmental and private sector funds are limited.

Sec. 17. Minnesota Statutes 2000, section 383B.81, is amended by adding a subdivision to read:

Subd. 10. [SOLICITATION OF PROPOSALS.] At least annually, the board of county commissioners must solicit proposals from private sector developers and organizations for projects that qualify pursuant to subdivision 2.

Sec. 18. Minnesota Statutes 2000, section 383B.81, is amended by adding a subdivision to read:

Subd. 11. [REPORT.] Beginning July 1, 2002, and annually thereafter, the board of county commissioners must prepare a report on the amount of the revenues generated by the tax imposed in section 383B.80, and any expenditures made by the fund. The first report will cover the activities of the fund from the date of inception.

Sec. 19. [FLOOR STOCKS TAX.]

Subdivision 1. [CIGARETTES.] (a) A floor stocks tax is imposed on every person engaged in business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on May 1, 2002. The tax is imposed at the following rates:

(1) on cigarettes weighing not more than three pounds a thousand, 16 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds a thousand, 32 mills on each cigarette.

Each distributor, by May 8, 2002, shall file a report with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on May 1, 2002, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable by June 1, 2002, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative shall file a return with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on May 1, 2002, and pay the tax due thereon by July 1, 2002. Tax not paid by the due date bears interest at the rate of one percent a month.

(b) A floor stocks tax is imposed on every person engaged in business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on January 1, 2003. The tax is imposed at the following rates:

(1) on cigarettes weighing not more than three pounds a thousand, 16 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds a thousand, 32 mills on each cigarette.

Each distributor, by January 8, 2003, shall file a report with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on January 1, 2003, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable by February 1, 2003, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative shall file a return with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on January 1, 2003, and pay the tax due thereon by March 1, 2003. Tax not paid by the due date bears interest at the rate of one percent a month.

Subd. 2. [AUDIT AND ENFORCEMENT.] The taxes imposed by this section are subject to the audit, assessment, and collection provisions applicable to the taxes imposed under Minnesota Statutes, chapter 297F. The commissioner may require a distributor to receive and maintain copies of floor stock tax returns filed by all persons requesting a credit for returned cigarettes.

Subd. 3. [DEPOSIT OF PROCEEDS.] The revenue from the taxes imposed under this section shall be deposited by the commissioner in the general fund.

Sec. 20. [REPEALER.]

Minnesota Statutes 2000, sections 383A.80, subdivision 4; and 383B.80, subdivision 4, are repealed."

Amend the title accordingly

Senator Kleis questioned whether the amendment was germane.

The Chair ruled that the amendment was germane.

Senator Kleis appealed the decision of the Chair.

The question was taken on "Shall the decision of the Chair be the judgment of the Senate?"

The roll was called, and there were yeas 37 and nays 27, as follows:

Those who voted in the affirmative were:

Anderson	Hottinger	Marty	Ranum	Stumpf
Berglin	Johnson, Dean	Metzen	Rest	Tomassoni
Betzold	Johnson, Doug	Moe, R.D.	Ring	Vickerman
Chaudhary	Kelley, S.P.	Moua	Sabo	Wiener
Cohen	Kinkel	Orfield	Sams	Wiger
Foley	Krentz	Pappas	Samuelson	
Fowler	Langseth	Pogemiller	Scheid	
Higgins	Lourey	Price	Solon, Y.P.	

Those who voted in the negative were:

Bachmann	Frederickson	Larson	Ourada	Schwab
Belanger	Johnson, Debbie	Lesewski	Pariseau	Stevens
Berg	Kierlin	Lessard	Reiter	Terwilliger
Day	Kiscaden	Limmer	Robertson	
Dille	Kleis	Oliver	Robling	
Fischbach	Knutson	Olson	Scheevel	

So the decision of the Chair was sustained.

Senator Bachmann raised a point of order as to the constitutionality of the Johnson, Doug amendment to H.F. No. 3270.

The Chair ruled the point of order was not in order.

Senator Belanger moved to amend the Johnson, Doug amendment to H.F. No. 3270 as follows:

Pages 149 and 150, delete section 20

Renumber the sections in sequence and correct the internal references

The question was taken on the adoption of the Belanger amendment to the Johnson, Doug amendment.

The roll was called, and there were yeas 40 and nays 27, as follows:

Those who voted in the affirmative were:

Bachmann	Johnson, Dean	Larson	Pariseau	Scheid
Belanger	Johnson, Debbie	Lesewski	Reiter	Schwab
Berg	Kierlin	Lessard	Rest	Solon, Y.P.
Day	Kiscaden	Limmer	Robertson	Stevens
Dille	Kleis	Neuville	Robling	Terwilliger
Fischbach	Knutson	Oliver	Sams	Vickerman
Fowler	Krentz	Olson	Samuelson	Wiener
Frederickson	Langseth	Ourada	Scheevel	Wiger

Those who voted in the negative were:

Anderson	Higgins	Lourey	Orfield	Sabo
Berglin	Hottinger	Marty	Pappas	Stumpf
Betzold	Johnson, Dave	Metzen	Pogemiller	Tomassoni
Chaudhary	Johnson, Doug	Moe, R.D.	Price	
Cohen	Kelley, S.P.	Moua	Ranum	
Foley	Kinkel	Murphy	Ring	

The motion prevailed. So the amendment to the amendment was adopted.

Senator Pogemiller moved to amend the Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 51, line 16, before the period, insert "or by a legislative employer" and after the period, insert "For purposes of this section, "agency" means a legislative employer as well as an agency in the executive branch."

Page 51, line 19, after "agency" insert "or a legislative employer"

The question was taken on the adoption of the Pogemiller amendment to the Johnson, Doug amendment.

The roll was called, and there were yeas 37 and nays 27, as follows:

Those who voted in the affirmative were:

Anderson	Hottinger	Marty	Ranum	Stumpf
Berglin	Johnson, Dean	Metzen	Rest	Tomassoni
Betzold	Johnson, Doug	Moe, R.D.	Ring	Vickerman
Chaudhary	Kelley, S.P.	Moua	Sabo	Wiener
Cohen	Kinkel	Orfield	Sams	Wiger
Foley	Krentz	Pappas	Samuelson	
Fowler	Langseth	Pogemiller	Scheid	
Higgins	Lourey	Price	Solon, Y.P.	

Those who voted in the negative were:

Bachmann	Frederickson	Larson	Olson	Schwab
Belanger	Johnson, Debbie	Lesewski	Ourada	Stevens
Berg	Kierlin	Lessard	Reiter	Terwilliger
Day	Kiscaden	Limmer	Robertson	
Dille	Kleis	Neuville	Robling	
Fischbach	Knutson	Oliver	Scheevel	

The motion prevailed. So the amendment to the amendment was adopted.

Senator Johnson, Doug moved to amend the Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 358, line 20, delete "40" and insert "39" and delete "56" and insert "54"

Page 358, line 23, delete "80" and insert "78" and delete "112" and insert "108"

Page 359, after line 8, insert:

"Sec. 10. Minnesota Statutes 2000, section 297F.05, subdivision 3, is amended to read:

Subd. 3. [RATES; TOBACCO PRODUCTS.] A tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the rate of ~~35~~ 49 percent of the wholesale sales price of the tobacco products. The tax is imposed at the time the distributor:

(1) brings, or causes to be brought, into this state from outside the state tobacco products for sale;

(2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or

(3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

**[EFFECTIVE DATE.]** This section is effective for tobacco products brought into the state, or made or manufactured in the state, or for shipments to retailers in this state occurring after April 30, 2002.

Sec. 11. Minnesota Statutes 2000, section 297F.05, subdivision 4, is amended to read:

Subd. 4. [USE TAX; TOBACCO PRODUCTS.] A tax is imposed upon the use or storage by consumers of tobacco products in this state, and upon such consumers, at the rate of 35 49 percent of the cost to the consumer of the tobacco products.

**[EFFECTIVE DATE.]** This section is effective for use or storage of tobacco products acquired by consumers after April 30, 2002."

Page 359, after line 21, insert:

"Sec. 13. Minnesota Statutes 2000, section 297F.09, subdivision 2, is amended to read:

Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product:

(1) brought, or caused to be brought, into this state for sale; and

(2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month.

Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full tax liability shown, less ~~4.5~~ 1.0 percent of the liability as compensation to reimburse the distributor for expenses incurred in the administration of this chapter.

**[EFFECTIVE DATE.]** This section is effective for tobacco products brought into the state, or made or manufactured in the state, after April 30, 2002."

Page 367, lines 1 and 24, delete "16" and insert "15"

Page 367, lines 3 and 26, delete "32" and insert "30"

Page 368, after line 2, insert:

"Subd. 1a. [TOBACCO PRODUCTS.] A floor stocks tax is imposed at the rate of 15 percent on every person engaged in business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of tobacco products, on the tobacco products in the person's possession or under the person's control at 12:01 a.m. on January 1, 2003.

Each distributor, by January 8, 2003, shall file a report with the commissioner, in the form the commissioner prescribes, showing the tobacco products on hand at 12:01 a.m. on January 1, 2003, and the amount of tax due on the tobacco products. The tax imposed by this section is due and payable by March 1, 2003, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative shall file a return with the commissioner, in the form the commissioner prescribes, showing the tobacco products on hand at 12:01 a.m. on January 1, 2003, and pay the tax due thereon by March 1, 2003. Tax not paid by the due date bears interest at the rate of one percent a month."

Renumber the sections in sequence and correct the internal references

The question was taken on the adoption of the Johnson, Doug amendment to the Johnson, Doug amendment.

The roll was called, and there were yeas 46 and nays 21, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Lessard	Pappas	Schwab
Berg	Hottinger	Lourey	Pogemiller	Solon, Y.P.
Berglin	Johnson, Dave	Marty	Price	Stumpf
Betzold	Johnson, Dean	Metzen	Ranum	Tomassoni
Chaudhary	Johnson, Doug	Moe, R.D.	Rest	Wiener
Cohen	Kelley, S.P.	Moua	Ring	Wiger
Dille	Kinkel	Murphy	Robling	
Foley	Kiscaden	Neuville	Sabo	
Fowler	Krentz	Oliver	Sams	
Frederickson	Langseth	Ourada	Samuelson	

Those who voted in the negative were:

Bachmann	Kierlin	Limmer	Robertson	Vickerman
Belanger	Kleis	Olson	Scheevel	
Day	Knutson	Orfield	Scheid	
Fischbach	Larson	Pariseau	Stevens	
Johnson, Debbie	Lesewski	Reiter	Terwilliger	

The motion prevailed. So the amendment to the amendment was adopted.

Senator Stevens moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 49, after line 13, insert:

"Sec. 3. Minnesota Statutes 2000, section 179A.03, subdivision 7, is amended to read:

Subd. 7. [ESSENTIAL EMPLOYEE.] "Essential employee" means firefighters, peace officers subject to licensure under sections 626.84 to 626.863, 911 system and police and fire department public safety dispatchers, guards at correctional facilities, confidential employees, supervisory employees, assistant county attorneys, assistant city attorneys, principals, and assistant principals. However, for state employees, "essential employee" means all employees in law enforcement, health care professionals, radio communications operators, correctional guards, professional engineering, and supervisory collective bargaining units, irrespective of severance, and no other employees. For University of Minnesota employees, "essential employee" means all employees in law enforcement, nursing professional and supervisory units, irrespective of severance, and no other employees. "Firefighters" means salaried employees of a fire department whose duties include, directly or indirectly, controlling, extinguishing, preventing, detecting, or investigating fires. Employees for whom the state court administrator is the negotiating employer are not essential employees.

**[EFFECTIVE DATE.]** This section is effective July 1, 2002.

Sec. 4. Minnesota Statutes 2001 Supplement, section 179A.10, subdivision 2, is amended to read:

Subd. 2. [STATE EMPLOYEES.] Unclassified employees, unless otherwise excluded, are included within the units which include the classifications to which they are assigned for purposes of compensation. Supervisory employees shall only be assigned to units 12 and 16. The following are the appropriate units of executive branch state employees:

- (1) law enforcement unit;
- (2) craft, maintenance, and labor unit;
- (3) service unit;

- (4) health care nonprofessional unit;
- (5) health care professional unit;
- (6) clerical and office unit;
- (7) technical unit;
- (8) correctional guards unit;
- (9) state university instructional unit;
- (10) state college instructional unit;
- (11) state university administrative unit;
- (12) professional engineering unit;
- (13) health treatment unit;
- (14) general professional unit;
- (15) professional state residential instructional unit; and
- (16) supervisory employees unit; and
- (17) radio communications operators unit.

Each unit consists of the classifications or positions assigned to it in the schedule of state employee job classification and positions maintained by the commissioner. The commissioner may only make changes in the schedule in existence on the day prior to August 1, 1984, as required by law or as provided in subdivision 4.

**[EFFECTIVE DATE.]** (a) This section is effective July 1, 2002. After that date, the commissioner of mediation services must assign employee job classifications to new unit (17). If the commissioner determines that an organization, at that time, is the exclusive representative of more than half of the employees assigned to new unit (17), that organization is the exclusive representative of the employees in unit (17), unless the organization is decertified according to procedures in law. If no organization represents more than half of the employees assigned to new unit (17), the commissioner must accept petitions from exclusive representatives seeking to represent the employees in new bargaining unit (17).

(b) Term and conditions of employment for employees assigned to bargaining unit (17) are those governing the employees in their previous bargaining unit, until the employees are covered by a collective bargaining agreement negotiated by the exclusive representative of unit (17). If employees in unit (17) are not represented by an exclusive representative after June 30, 2003, the employees are covered by the plan developed under Minnesota Statutes, section 43A.18, subdivision 2."

Renumber the sections in sequence and correct the internal references

The question was taken on the adoption of the Stevens amendment to the first Johnson, Doug amendment.

The roll was called, and there were yeas 26 and nays 38, as follows:

Those who voted in the affirmative were:

Bachmann	Frederickson	Larson	Ourada	Stevens
Belanger	Johnson, Debbie	Lesewski	Pariseau	Terwilliger
Berg	Kierlin	Limmer	Reiter	
Day	Kiscaden	Neuville	Robertson	
Dille	Kleis	Oliver	Robling	
Fischbach	Knutson	Olson	Schwab	



Those who voted in the negative were:

Anderson	Hottinger	Marty	Price	Solon, Y.P.
Berglin	Johnson, Dean	Metzen	Ranum	Stumpf
Betzold	Johnson, Doug	Moe, R.D.	Rest	Tomassoni
Chaudhary	Kelley, S.P.	Moua	Ring	Vickerman
Cohen	Kinkel	Murphy	Sabo	Wiener
Foley	Krentz	Orfield	Sams	Wiger
Fowler	Lessard	Pappas	Samuelson	
Higgins	Lourey	Pogemiller	Scheid	

The motion did not prevail. So the amendment to the amendment was not adopted.

Senator Schwab moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 128, after line 1, insert:

"Sec. 27. [CITY OF ALBERT LEA; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Albert Lea may, by ordinance, impose a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise specifically provided, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The proceed of the tax imposed under this section must be used to pay the costs of the following projects:

(1) lake improvement projects, which are specified at least 90 days before the occurrence of the referendum as required by Minnesota Statutes, section 297A.99, subdivision 3; and

(2) downtown improvement projects, which are specified at least 90 days before the occurrence of the referendum as required by Minnesota Statutes, section 297A.99, subdivision 3.

Subd. 3. [REFERENDUM.] If the Albert Lea city council proposes to impose the tax authorized by this section, the question of imposing the tax must be submitted to the voters at the next general election. The tax must not be imposed unless the majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. The question must state that the sales and use tax revenues would be pledged to pay any bonds issued under subdivision 4 and that these bonds are guaranteed by the city's property taxes.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects authorized under subdivision 2. The total amount of bonds issued for the projects listed in subdivision 2 may not exceed \$14,500,000 in aggregate. An election to approve the bonds, as required under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of the bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation.

(d) The tax authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. [TERMINATION OF TAXES.] The tax imposed under this section expires at the earlier of (1) ten years after the tax is first imposed, or (2) when the city council first determines

that the amount of revenues raised to pay for the projects under subdivision 2, shall meet or exceed the sum of \$14,500,000, plus an amount equal to the costs related to the issuance of bonds under subdivision 4. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general funds of the city.

**[EFFECTIVE DATE.]** This section is effective the day after compliance by the governing body of the city of Albert Lea with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 28. [CITY OF CLOQUET; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 3. Except as otherwise specifically provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

- (1) construction and equipment of a senior and community center;
- (2) construction and improvements to park land along the St. Louis river; and
- (3) extension of water and sewer lines and other improvements to city infrastructure for expansion of a city industrial park.

Authorized expenses include, but are not limited to, acquiring property, paying construction, and operating expenses related to the development of the facility, and paying debt service on bonds or other obligations, including lease obligations, issued to finance the construction, expansion, or improvement of the facility.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects described in subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) The sales and use and excise taxes authorized in this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 20 years, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for the acquisition, construction, expansion, and improvement of the facility described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes

imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Cloquet with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. [CITY OF ELY; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3; 477A.016; or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general or special election held after the date of final enactment of this act, the city of Ely may impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from taxes authorized by subdivision 1 must be used by the city to pay the cost of collecting and administering the taxes and to pay all or part of the capital and administrative costs of acquiring, constructing, furnishing, equipping, expanding, improving, and developing city facilities, which the city council finds, by resolution, are related to economic development or job creation, including, but not limited to, the following:

- (1) land acquisition and site development;
- (2) installation of improvements authorized by Minnesota Statutes, chapter 429;
- (3) development or redevelopment activities in the central business district of the city;
- (4) business park development;
- (5) development of a small business incubator;
- (6) development of a technology center; or
- (7) Americans With Disabilities Act compliance improvements to the Ely community center and city hall.

Authorized expenses include, but are not limited to, acquiring and clearing property; paying construction, administrative, and operating expenses related to the development of the facilities listed herein; and paying debt service on bonds or other obligations, including lease obligations, issued to finance the activities listed herein and other compatible and related activities, including, but not limited to, parking, lighting, and landscaping improvements. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes are limited to \$4,000,000 plus an amount equal to the costs related to issuance of the bonds.

Subd. 3. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects described in subdivision 2. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) The aggregate principal amount of bonds plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$4,000,000 plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds.

(e) The taxes may be pledged to and used for the payment of the bonds, and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 4. [TERMINATION OF TAXES.] The taxes imposed under subdivision 1 expire when the city council determines that the amount described in subdivision 3, paragraph (d), has been received from the taxes to finance the activities described in subdivision 2 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3. Any funds remaining after completion of the activities described in subdivision 3 and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 5. [LOCAL APPROVAL; EFFECTIVE DATE.] This section is effective the day following final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Ely.

**Sec. 30. [CITY OF BEAVER BAY; TAXES AUTHORIZED.]**

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law or ordinance, if approved by the voters of the city at the next general election held after the date of final enactment of this act, the city of Beaver Bay may impose by ordinance a sales and use tax at a rate of up to one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The revenues received from taxes authorized by subdivision 1 must be used to pay the bonded indebtedness on the city community building and to provide funding for recreational facilities, the upgrading of the water and sewer system, a fire hall and equipment, and improvement of streets.

Subd. 3. [TERMINATION OF TAXES.] The authority granted under subdivision 1 to the city of Beaver Bay to impose sales and use taxes expires when the city council determines that sufficient funds have been received to pay the costs of the projects described in subdivision 2.

[EFFECTIVE DATE.] This section is effective the day after approval by the governing body of the city of Beaver Bay and compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 31. [CITY OF MEDFORD; SALES AND USE TAX.]**

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Medford may, by ordinance, impose a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise specifically provided, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 must be used to pay for the cost of collecting and administering the tax and to pay all or part of the capital and administrative costs of the construction and improvement of wastewater treatment facilities. Authorized expenses include, but are not limited to, acquiring the property, paying construction and operating expenses related to the development of the facilities, and securing and paying debt service on bonds or other obligations issued to finance construction and improvement of the authorized facilities.

Subd. 3. [REFERENDUM.] If the Medford city council proposes to impose the tax authorized by this section, the question of imposing the tax must be submitted to the voters at the next general election. The tax must not be imposed unless the majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. The question must state that the sales and use tax revenues would be pledged to pay any bonds issued under subdivision 4 and that these bonds are guaranteed by the city's property taxes.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects authorized under subdivision 2. The total amount of bonds issued for the projects listed in subdivision 2 may not

exceed \$5,500,000 in aggregate. An election to approve the bonds, as required under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of the bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation.

(d) The tax authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. [TERMINATION OF TAXES.] The tax imposed under this section expires at the earlier of (1) 20 years after the tax is first imposed, or (2) when the city council first determines that the amount of revenues raised to pay for the projects under subdivision 2 shall meet or exceed the sum of \$5,500,000, plus an amount equal to the costs related to the issuance of bonds under subdivision 4. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general funds of the city.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Medford with Minnesota Statutes, section 645.021, subdivision 3."

Renumber the sections in sequence and correct the internal references

The motion prevailed. So the amendment to the amendment was adopted.

Senator Vickerman moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 49, line 26, delete "\$27,300,000" and insert "\$27,656,000"

Page 63, after line 31, insert:

"[INFORMED CONSENT.] \$172,000 in fiscal year 2002 and \$184,000 in fiscal year 2003 are appropriated to the commissioner to implement Minnesota Statutes, sections 145.4241 to 145.4247."

Page 66, after line 13, insert:

"Sec. 3. [145.4241] [DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] As used in sections 145.4241 to 145.4246, the following terms have the meaning given them.

Subd. 2. [ABORTION.] "Abortion" includes an act, procedure, or use of any instrument, medicine, or drug which is supplied or prescribed for or administered to a woman known to be pregnant with the intention to terminate the pregnancy with an intention other than to increase the probability of live birth, to preserve the life or health of the child after live birth, or to remove a dead fetus.

Subd. 3. [ATTEMPT TO PERFORM AN ABORTION.] "Attempt to perform an abortion" means an act, or an omission of a statutorily required act, that, under the circumstances as the actor believes them to be, constitutes a substantial step in a course of conduct planned to culminate in the performance of an abortion in Minnesota in violation of sections 145.4241 to 145.4246.

Subd. 4. [MEDICAL EMERGENCY.] "Medical emergency" means any condition that, on the basis of the physician's good faith clinical judgment, complicates the medical condition of a pregnant female to the extent that:

- (1) an immediate abortion of her pregnancy is necessary to avert her death; or
- (2) a 24-hour delay in performing an abortion creates a serious risk of substantial injury or impairment of a major bodily function.

Subd. 5. [PHYSICIAN.] "Physician" means a person licensed under chapter 147.

Subd. 6. [PROBABLE GESTATIONAL AGE OF THE FETUS.] "Probable gestational age of the fetus" means what will, in the judgment of the physician, with reasonable probability, be the gestational age of the fetus at the time the abortion is planned to be performed.

Sec. 4. [145.4242] [INFORMED CONSENT.]

(a) No abortion shall be performed in this state except with the voluntary and informed consent of the female upon whom the abortion is to be performed. Except in the case of a medical emergency, consent to an abortion is voluntary and informed only if the female is told the following, by telephone or in person, by the physician who is to perform the abortion, the referring physician, a registered nurse, or a licensed practical nurse, at least 24 hours prior to the abortion:

(1) the particular medical risks associated with the particular abortion procedure to be employed including, when medically accurate, the risks of infection, hemorrhage, breast cancer, danger to subsequent pregnancies, and infertility;

(2) the probable gestational age of the fetus at the time the abortion is to be performed;

(3) the medical risks associated with carrying to term;

(4) that medical assistance benefits may be available for prenatal care, childbirth, and neonatal care;

(5) that the father is liable to assist in the support of her child, even in instances when the father has offered to pay for the abortion;

(6) the availability of a toll-free number and Web site that can provide information on support services during pregnancy and while the child is dependent and offer alternatives to abortion; and

(7) that she has the right to review the printed materials described in section 145.4243, and the printed materials are available on the state Web site.

(b) The physician or the physician's agent shall orally inform the female that the materials have been provided by the state of Minnesota and that they describe the unborn child and list agencies that offer alternatives to abortion.

(c) The physician or the physician's agent shall orally inform the female of the Web site address and toll-free number.

(d) If the female chooses to view the materials, they shall either be given to her at least 24 hours before the abortion or mailed to her at least 72 hours before the abortion by first class mail, or at the woman's request, by certified mail, restricted delivery to addressee, which means the postal employee may only deliver the mail to the addressee. The envelope used by the physician shall not identify the name of the physician or the physician's clinic or business.

(e) If a physical examination, tests, or the availability of other information to the physician subsequently indicates, in the medical judgment of the physician, a revision of the information previously supplied to the patient, that revised information may be communicated to the patient at any time prior to the performance of the abortion.

Sec. 5. [145.4243] [PRINTED INFORMATION.]

Subdivision 1. [MATERIALS.] (a) Within 90 days after the effective date of sections 145.4241 to 145.4246, the department of health shall cause to be published, in English and in each language that is the primary language of two percent or more of the state's population, the printed materials

described in paragraphs (b) and (c) in such a way as to ensure that the information is easily comprehensible.

(b) The materials must be designed to inform the female of the probable anatomical and physiological characteristics of the fetus at two-week gestational increments from the time when a female can be known to be pregnant to full term, including any relevant information on the possibility of the fetus' survival and pictures or drawings representing the development of the fetus at two-week gestational increments, provided that any such pictures or drawings must contain the dimensions of the fetus and must be realistic and appropriate for the stage of pregnancy depicted. The materials must be objective, nonjudgmental, and designed to convey only accurate scientific information about the fetus at the various gestational ages.

(c) The materials must contain objective information describing the methods of abortion procedures commonly employed, the medical risks commonly associated with each procedure, the possible detrimental psychological effects of abortion, and the medical risks commonly associated with carrying a child to term.

Subd. 2. [TYPEFACE; AVAILABILITY.] The materials referred to in this section must be printed in a typeface large enough to be clearly legible. The materials required under this section must be available from the department of health upon request and in appropriate number to any person, facility, or hospital at no cost.

Sec. 6. [145.4244] [PROCEDURE IN CASE OF MEDICAL EMERGENCY.]

When a medical emergency compels the performance of an abortion, the physician shall inform the female, prior to the abortion if possible, of the medical indications supporting the physician's judgment that an abortion is necessary to avert her death or that a 24-hour delay in conformance with section 145.4242 creates a serious risk of substantial injury or impairment of a major bodily function.

Sec. 7. [145.4245] [TOLL-FREE TELEPHONE NUMBER AND WEB SITE.]

Subdivision 1. [RIGHT TO KNOW.] All pregnant women have the right to know information about resources available to assist them and their families. The commissioner of health shall establish and maintain a statewide toll-free telephone number available seven days a week to provide information and referrals to local community resources to assist women and families through pregnancy and childbirth and while the child is dependent.

Subd. 2. [INFORMATION.] The toll-free telephone number must provide information regarding community resources on the following topics:

- (1) information regarding avoiding unplanned pregnancies;
- (2) prenatal care, including the need for an initial risk screening and assessment;
- (3) adoption;
- (4) health education, including the importance of good nutrition during pregnancy and the risks associated with alcohol and tobacco use during pregnancy;
- (5) available social services, including medical assistance benefits for prenatal care, childbirth, and neonatal care;
- (6) legal assistance in obtaining child support; and
- (7) community support services and other resources to enhance family strengths and reduce the possibility of family violence.

Subd. 3. [WEB SITE.] The commissioner shall design and maintain a secure Web site to provide the information described under subdivision 2 and section 145.4243 with a minimum resolution of 72 PPI. The Web site shall provide the toll-free information and referral telephone number described under subdivision 2.

Sec. 8. [145.4246] [ENFORCEMENT PENALTIES.]

Subdivision 1. [STANDING.] A person with standing may maintain an action against the performance or attempted performance of abortions in violation of section 145.4242. Those with standing are:

(1) a woman upon whom an abortion in violation of section 145.4242 has been performed or attempted to be performed; and

(2) the parent of an unemancipated minor upon whom an abortion in violation of section 145.4242 has been, is about to be, or was attempted to be performed; and

(3) attorney general of the state of Minnesota.

Subd. 2. [INJUNCTIONS.] Parties bringing actions against the performance or attempted performance of abortions in violation of section 145.4242 may seek temporary restraining orders, preliminary injunctions, and injunctions related only to the physician or facility where the violation occurred in accordance with the Rules of Civil Procedure. Persons with standing must bring any actions within six months of the date of the performed or attempted performance of abortions in violation of section 145.4242.

Subd. 3. [CONTEMPT.] Any person knowingly violating the terms of an injunction against the performance or attempted performance of abortions in violation of section 145.4242 is subject to civil contempt, and shall be fined no more than \$1,000 for the first violation, no more than \$5,000 for the second violation, no more than \$10,000 for the third violation, and for each successive violation an amount sufficient to deter future violations. The fine shall be the exclusive penalty for a violation. Each performance or attempted performance of abortion in violation of section 145.4242 is a separate violation. No fine shall be assessed against the woman on whom an abortion is performed or attempted.

Subd. 4. [REALLOCATION OF THE FINE.] Any fines collected under this section must be sent to a special account at the Minnesota department of health to be used for materials cited in section 145.4243.

Sec. 9. [145.4247] [CUMULATIVE RIGHTS.]

The provisions of sections 145.4241 to 145.4246 are cumulative with existing law regarding an individual's right to consent to medical treatment and shall not impair any existing right any patient may have under the common law or statutes of this state."

Correct the subdivision and section totals and the summaries by fund accordingly

Renumber the sections in sequence and correct the internal references

Senator Kelley, S.P. questioned whether the amendment was germane.

The Chair ruled that the amendment was germane.

Senator Kelley, S.P. appealed the decision of the Chair.

The question was taken on "Shall the decision of the Chair be the judgment of the Senate?"

The roll was called, and there were yeas 33 and nays 34, as follows:

Those who voted in the affirmative were:

Bachmann	Frederickson	Knutson	Olson	Scheevel
Belanger	Johnson, Dean	Langseth	Ourada	Schwab
Berg	Johnson, Debbie	Larson	Pariseau	Stevens
Day	Johnson, Doug	Lesewski	Reiter	Stumpf
Dille	Kierlin	Lessard	Robling	Vickerman
Fischbach	Kinkel	Limmer	Sams	
Fowler	Kleis	Neuville	Samuelson	



Those who voted in the negative were:

Anderson	Hottinger	Metzen	Pogemiller	Scheid
Berglin	Johnson, Dave	Moe, R.D.	Price	Solon, Y.P.
Betzold	Kelley, S.P.	Moua	Ranum	Terwilliger
Chaudhary	Kiscaden	Murphy	Rest	Tomassoni
Cohen	Krentz	Oliver	Ring	Wiener
Foley	Lourey	Orfield	Robertson	Wiger
Higgins	Marty	Pappas	Sabo	

So the decision of the Chair was not sustained.

Senator Pariseau moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 64, after line 40, insert:

"Section 1. Minnesota Statutes 2000, section 144.343, subdivision 1, is amended to read:

Subdivision 1. [MINOR'S CONSENT VALID.] Any minor may give effective consent for medical, mental and other health services to determine the presence of or to treat pregnancy and conditions associated therewith, venereal disease, alcohol and other drug abuse, and the consent of no other person is required. This section does not preclude parents from having access to the medical records of their unemancipated minor children."

Renumber the sections in sequence and correct the internal references

The question was taken on the adoption of the Pariseau amendment to the first Johnson, Doug amendment.

The roll was called, and there were yeas 31 and nays 35, as follows:

Those who voted in the affirmative were:

Bachmann	Fowler	Langseth	Ourada	Schwab
Belanger	Frederickson	Larson	Pariseau	Stevens
Berg	Johnson, Debbie	Lesewski	Reiter	Vickerman
Chaudhary	Kierlin	Lessard	Robling	
Day	Kinkel	Limmer	Sams	
Dille	Kleis	Neuville	Samuelson	
Fischbach	Knutson	Olson	Scheevel	

Those who voted in the negative were:

Anderson	Johnson, Dave	Marty	Pappas	Scheid
Berglin	Johnson, Dean	Metzen	Pogemiller	Solon, Y.P.
Betzold	Johnson, Doug	Moe, R.D.	Price	Stumpf
Cohen	Kelley, S.P.	Moua	Rest	Terwilliger
Foley	Kiscaden	Murphy	Ring	Tomassoni
Higgins	Krentz	Oliver	Robertson	Wiener
Hottinger	Lourey	Orfield	Sabo	Wiger

The motion did not prevail. So the amendment to the amendment was not adopted.

Senator Berglin moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 64, after line 40, insert:

"Section 1. Minnesota Statutes 2000, section 62J.692, subdivision 4, as amended by Laws 2002, chapter 220, article 15, section 1, is amended to read:

Subd. 4. [DISTRIBUTION OF FUNDS.] (a) The commissioner shall annually distribute medical education funds to all qualifying applicants based on the following criteria:

(1) total medical education funds available for distribution;

- (2) total number of eligible trainee FTEs in each clinical medical education program; and
- (3) the statewide average cost per trainee as determined by the application information provided in the first year of the biennium, by type of trainee, in each clinical medical education program.

(b) Funds distributed shall not be used to displace current funding appropriations from federal or state sources.

(c) Funds shall be distributed to the sponsoring institutions indicating the amount to be distributed to each of the sponsor's clinical medical education programs based on the criteria in this subdivision and in accordance with the commissioner's approval letter. Each clinical medical education program must distribute funds to the training sites as specified in the commissioner's approval letter. Sponsoring institutions, which are accredited through an organization recognized by the department of education or the health care financing administration, may contract directly with training sites to provide clinical training. To ensure the quality of clinical training, those accredited sponsoring institutions must:

(1) develop contracts specifying the terms, expectations, and outcomes of the clinical training conducted at sites; and

(2) take necessary action if the contract requirements are not met. Action may include the withholding of payments under this section or the removal of students from the site.

(d) Any funds not distributed in accordance with the commissioner's approval letter must be returned to the medical education and research fund within 30 days of receiving notice from the commissioner. The commissioner shall distribute returned funds to the appropriate training sites in accordance with the commissioner's approval letter.

(e) The commissioner shall distribute ~~no later than by June 30~~ of each year an amount equal to the funds transferred under section 62J.694, subdivision 2a, paragraph (b), plus five percent interest at a rate equal to the average earnings paid under section 62J.694, subdivision 2a, to the University of Minnesota board of regents for the costs of the academic health center as specified under section 62J.694, subdivision 2a, paragraph (a)."

Page 89, after line 1, insert:

"Sec. 13. Laws 2001, First Special Session chapter 9, article 2, section 74, is amended to read:

Sec. 74. [ELIGIBILITY EXCEPTION TO THE PRESCRIPTION DRUG PROGRAM.]

Notwithstanding the requirements of Minnesota Statutes, section 256.955, subdivision 2, paragraph (d), ~~from March 1, 2001, to June 30, 2002,~~ the definition of a "qualified individual" in the prescription drug program established under Minnesota Statutes, section 256.955, shall include an individual who:

- (1) was enrolled in the prescription drug program prior to March 1, 2001;
- (2) was enrolled in a Medicare risk plan prior to March 1, 2001, to which an annual prescription drug benefit of \$400 was added on March 1, 2001; and
- (3) meets the requirements described in Minnesota Statutes, section 256.955, subdivision 2, paragraph (d), clauses (1) and (5), and subdivision 2a.

The prescription benefit offered by the Medicare risk plan shall be primary to benefits provided under the prescription drug program."

Reorder the sections in sequence and correct the internal references

The motion prevailed. So the amendment to the amendment was adopted.

Senator Kleis moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 39, after line 21, insert:

"Sec. 4. Minnesota Statutes 2001 Supplement, section 609.117, is amended to read:

609.117 [DNA ANALYSIS OF CERTAIN OFFENDERS REQUIRED.]

Subdivision 1. [UPON SENTENCING.] (a) The court shall order an offender to provide a biological specimen for the purpose of DNA analysis as defined in section 299C.155 when:

(1) the court sentences a person charged with violating or attempting to violate any of the following, and the person is convicted of that offense or of any offense arising out of the same set of circumstances:

(i) murder under section 609.185, 609.19, or 609.195;

(ii) manslaughter under section 609.20 or 609.205;

(iii) assault under section 609.221, 609.222, or 609.223;

(iv) robbery under section 609.24 or aggravated robbery under section 609.245;

(v) kidnapping under section 609.25;

(vi) false imprisonment under section 609.255;

(vii) criminal sexual conduct under section 609.342, 609.343, 609.344, 609.345, or 609.3451, subdivision 3;

(viii) incest under section 609.365;

(ix) burglary under section 609.582, subdivision 1; or

(x) indecent exposure under section 617.23, subdivision 3;

(2) the court sentences a person as a patterned sex offender under section 609.108; or

(3) the juvenile court adjudicates a person a delinquent child who is the subject of a delinquency petition for violating or attempting to violate any of the following, and the delinquency adjudication is based on a violation of one of those sections or of any offense arising out of the same set of circumstances:

(i) murder under section 609.185, 609.19, or 609.195;

(ii) manslaughter under section 609.20 or 609.205;

(iii) assault under section 609.221, 609.222, or 609.223;

(iv) robbery under section 609.24 or aggravated robbery under section 609.245;

(v) kidnapping under section 609.25;

(vi) false imprisonment under section 609.255;

(vii) criminal sexual conduct under section 609.342, 609.343, 609.344, 609.345, or 609.3451, subdivision 3;

(viii) incest under section 609.365;

(ix) burglary under section 609.582, subdivision 1; or

(x) indecent exposure under section 617.23, subdivision 3.

The biological specimen or the results of the analysis shall be maintained by the bureau of criminal apprehension as provided in section 299C.155.

(b) The court shall order an offender to provide a biological specimen for the purpose of future DNA analysis as described in section 299C.155 when:

(1) the court sentences a person convicted of committing or attempting to commit a felony offense not described in paragraph (a); or

(2) the juvenile court adjudicates a person a delinquent child for committing or attempting to commit a felony offense not described in paragraph (a).

The biological specimen shall be maintained by the bureau of criminal apprehension as provided in section 299C.155.

Subd. 2. [BEFORE RELEASE.] (a) The commissioner of corrections or local corrections authority shall order a person to provide a biological specimen for the purpose of DNA analysis before completion of the person's term of imprisonment when the person has not provided a biological specimen for the purpose of DNA analysis and the person:

(1) is currently serving a term of imprisonment for or has a past conviction for violating or attempting to violate any of the following or a similar law of another state or the United States or initially charged with violating one of the following sections or a similar law of another state or the United States and convicted of another offense arising out of the same set of circumstances:

(i) murder under section 609.185, 609.19, or 609.195;

(ii) manslaughter under section 609.20 or 609.205;

(iii) assault under section 609.221, 609.222, or 609.223;

(iv) robbery under section 609.24 or aggravated robbery under section 609.245;

(v) kidnapping under section 609.25;

(vi) false imprisonment under section 609.255;

(vii) criminal sexual conduct under section 609.342, 609.343, 609.344, 609.345, or 609.3451, subdivision 3;

(viii) incest under section 609.365;

(ix) burglary under section 609.582, subdivision 1; or

(x) indecent exposure under section 617.23, subdivision 3; or

(2) was sentenced as a patterned sex offender under section 609.108, and committed to the custody of the commissioner of corrections; or

(3) is serving a term of imprisonment in this state under a reciprocal agreement although convicted in another state of an offense described in this subdivision or a similar law of the United States or any other state. The commissioner of corrections or local corrections authority shall forward the sample to the bureau of criminal apprehension.

(b) The commissioner of corrections or local corrections authority shall order a person to provide a biological specimen for the purpose of future DNA analysis as described in section 299C.155 before completion of the person's term of imprisonment when the person has not provided a biological specimen for the purpose of DNA analysis, and the person:

(1) was convicted of committing or attempting to commit a felony offense not described in paragraph (a); or

(2) is serving a term of imprisonment in this state under a reciprocal agreement although convicted in another state of committing or attempting to commit a felony offense not described in paragraph (a).

The commissioner of corrections or local corrections authority shall forward the sample to the bureau of criminal apprehension.

Subd. 3. [OFFENDERS FROM OTHER STATES.] (a) When the state accepts an offender from another state under the interstate compact authorized by section 243.16, the acceptance is conditional on the offender providing a biological specimen for the purposes of DNA analysis as defined in section 299C.155, if the offender was convicted of an offense described in subdivision 1, paragraph (a), or a similar law of the United States or any other state. The specimen must be provided under supervision of staff from the department of corrections or a community corrections act county within 15 business days after the offender reports to the supervising agent. The cost of obtaining the biological specimen is the responsibility of the agency providing supervision.

(b) When the state accepts an offender from another state under the interstate compact authorized by section 243.16, the acceptance is conditional on the offender providing a biological specimen for the purposes of future DNA analysis as described in section 299C.155, if the offender was convicted of committing or attempting to commit a felony offense not described in subdivision 1, paragraph (a). The specimen must be provided under supervision of staff from the department of corrections or a Community Corrections Act county within 15 business days after the offender reports to the supervising agent. The cost of obtaining the biological specimen is the responsibility of the agency providing supervision."

Page 47, line 11, before the period, insert ", except section 4 is effective August 1, 2003, and applies to offenders sentenced, released from incarceration, or accepted for supervision on or after that date"

Renumber the sections in sequence and correct the internal references

Pursuant to Rule 7.7, Senator Berglin raised a point of order as to whether the Kleis amendment was in order.

The Chair ruled the point of order well taken, so the Kleis amendment was not in order.

Senator Kleis appealed the decision of the Chair.

The question was taken on "Shall the decision of the Chair be the judgment of the Senate?"

The roll was called, and there were yeas 35 and nays 24, as follows:

Those who voted in the affirmative were:

Berglin	Hottinger	Lourey	Pappas	Samuelson
Betzold	Johnson, Dean	Marty	Pogemiller	Scheid
Chaudhary	Johnson, Doug	Metzen	Price	Solon, Y.P.
Cohen	Kelley, S.P.	Moe, R.D.	Rest	Stumpf
Foley	Kinkel	Moua	Ring	Tomassoni
Fowler	Krentz	Murphy	Sabo	Vickerman
Higgins	Lessard	Orfield	Sams	Wiener

Those who voted in the negative were:

Bachmann	Fischbach	Kleis	Neuville	Robertson
Belanger	Frederickson	Knutson	Oliver	Scheevel
Berg	Johnson, Debbie	Larson	Olson	Schwab
Day	Kierlin	Lesewski	Pariseau	Stevens
Dille	Kiscaden	Limmer	Reiter	

So the decision of the Chair was sustained.

Senator Berglin moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 45, after line 10, insert:

"Sec. 16. Laws 2001, First Special Session chapter 8, article 11, section 14, as amended by Laws 2002, chapter 220, article 6, section 14, is amended to read:

Sec. 14. [FELONY DWI STUDY.]

By ~~January~~ July 15, 2004, and each year thereafter through ~~January~~ July 15, 2007, the commissioner of corrections must report to the chairs and ranking minority members of the house and senate committees having jurisdiction over criminal justice and judiciary finance issues on the implementation and effects of the felony level driving while impaired offense. The report must include the following information on felony level driving while impaired offenses:

- (1) the number of persons convicted;
- (2) the month and county of conviction;
- (3) the offenders' ages and gender;
- (4) the offenders' prior impaired driving histories and prior criminal histories;
- (5) the number of trials taken to verdict, separating out cases tried to a judge versus cases tried to a jury, and the number of convictions for each;
- (6) the number of offenders incarcerated locally and the term of incarceration;
- (7) the number placed on probation and the length of the probation;
- (8) the number for whom probation is revoked, the reasons for revocation, and the consequences imposed;
- (9) the number given an executed prison sentence upon conviction and the length of the sentence;
- (10) the number given an executed prison sentence upon revocation of probation and the length of sentence;
- (11) the number who successfully complete treatment in prison;
- (12) the number placed on intensive supervision following release from incarceration;
- (13) the number who violate supervised release and the consequences imposed;
- (14) per diem costs, including treatment costs, for offenders incarcerated under the felony sentence provisions; and
- (15) any other information the commissioner deems relevant to estimating future costs.

The commissioner of corrections shall share preliminary information with the commissioner of administration for the purpose of issuance of a request for proposals under section 6.

Sec. 17. Laws 2001, First Special Session chapter 8, article 11, section 17, is amended to read:

Sec. 17. [EFFECTIVE DATE.]

Sections 1 to 11, 13, and 14 are effective ~~August~~ February 1, 2002 2003, and apply to crimes committed on or after that date. However, violations occurring before ~~August~~ February 1, 2002 2003, that are listed in Minnesota Statutes, section 169A.03, subdivisions 20 and 21, are considered qualified prior impaired driving incidents for purposes of this act. The remaining sections are effective July 1, 2001.

Sec. 18. Laws 2001, First Special Session chapter 9, article 19, section 15, is amended to read:

Sec. 15. [FELONY DWI STUDY.]

By ~~January~~ July 15, 2004, and each year thereafter through ~~January~~ July 15, 2007, the commissioner of corrections must report to the chairs and ranking minority members of the house and senate committees having jurisdiction over criminal justice and judiciary finance issues on the

implementation and effects of the felony level driving while impaired offense. The report must include the following information on felony level driving while impaired offenses:

- (1) the number of persons convicted;
- (2) the number of trials taken to verdict, separating out cases tried to a judge versus cases tried to a jury, and the number of convictions for each;
- (3) the number of offenders incarcerated locally and the term of incarceration;
- (4) the number placed on probation and the length of the probation;
- (5) the number for whom probation is revoked, the reasons for revocation, and the consequences imposed;
- (6) the number given an executed prison sentence upon conviction and the length of the sentence;
- (7) the number given an executed prison sentence upon revocation of probation and the length of sentence;
- (8) the number who successfully complete treatment in prison;
- (9) the number placed on intensive supervision following release from incarceration;
- (10) the number who violate supervised release and the consequences imposed; and
- (11) any other information the commissioner deems relevant to estimating future costs.

Sec. 19. Laws 2001, First Special Session chapter 9, article 19, section 16, is amended to read:

Sec. 16. [REPORT ON INSURANCE COVERAGE.]

By ~~February~~ August 1, 2004, the commissioner of corrections shall report to the chairs of the senate and house committees with jurisdiction over criminal justice funding on the number of cases in which a felony DWI offender had private health insurance coverage for chemical dependency treatment, and the results of the commissioner's attempts to obtain coverage for this treatment under Minnesota Statutes, section 62Q.137.

Sec. 20. Laws 2001, First Special Session chapter 9, article 19, section 17, is amended to read:

Sec. 17. [EFFECTIVE DATE.]

Sections 1 to 12 and 14 to 16 are effective ~~August~~ February 1, ~~2002~~ 2003, and apply to crimes committed on or after that date. However, violations occurring before ~~August~~ February 1, ~~2002~~ 2003, that are listed in Minnesota Statutes, section 169A.03, subdivisions 20 and 21, are considered qualified prior impaired driving incidents for purposes of this act. Section 13 is effective July 1, 2001."

Page 47, after line 2, insert:

"Sec. 26. [FELONY DWI APPROPRIATION REDUCTIONS.]

The following dollar amounts are subtracted from the general fund appropriations to the specified agencies for the fiscal year ending June 30, 2003, enacted in Laws 2001, First Special Session chapters 8 and 9, and Laws 2002, chapter 220, article 6, section 3, related to the felony driving while impaired penalty:

- (1) corrections \$(734,000);
- (2) public safety \$(84,000);
- (3) board of public defense \$(125,000); and

(4) attorney general \$(127,000)."

Page 66, after line 13, insert:

"Sec. 3. Minnesota Statutes 2001 Supplement, section 241.021, subdivision 4, is amended to read:

Subd. 4. [HEALTH CARE.] The commissioner of corrections shall provide professional health care to persons confined in institutions under the control of the commissioner of corrections and pay the costs of their care in hospitals and other medical facilities not under the control of the commissioner of corrections. All reimbursements for these health care services shall be deposited in the general fund. The commissioner of corrections is authorized to contract with or reimburse entities, including health care management companies, to provide health care to inmates, at reimbursement rates equal to medical assistance unless otherwise negotiated. With respect to these contracts, these entities shall not be regulated as, or otherwise considered to be, health plan companies as defined in section 62Q.01, subdivision 4."

Renumber the sections in sequence and correct the internal references

The motion prevailed. So the amendment to the amendment was adopted.

Senator Kelley, S.P. moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 51, after line 10, insert:

"Sec. 8. [REPORT ON REDUCTIONS.]

By August 1, 2002, state agencies shall report to the commissioner of finance on how budget cuts and the hiring freeze have been implemented. Reports must identify positions cut and specific programs and services that have been cut back or eliminated. To the extent possible, departments must identify the impact on Minnesotans of the changes made in state programs and services as a result of the 2002-2003 budget agreements. The commissioner of finance must make the reports available to members of the legislature and to the public."

Renumber the sections in sequence and correct the internal references

The motion prevailed. So the amendment to the amendment was adopted.

Senator Berg moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 356, after line 3, insert:

"Sec. 4. Minnesota Statutes 2000, section 270.60, subdivision 1, is amended to read:

Subdivision 1. [TAXES PAID BY INDIANS.] The commissioner of revenue is authorized to enter into a tax refund agreement with the governing body of any federally recognized Indian reservation in Minnesota. The agreement may provide for a mutually agreed upon amount as a refund to the governing body of ny sales or excise tax paid by the total resident Indian population on or adjacent to a reservation into the state treasury, or for an amount which measures the economic value of an agreement by the tribal government to pay the equivalent of the state sales tax on items included in the sales tax base but exempt on the reservation, notwithstanding any other law which limits the refundment of taxes. The total resident Indian population on or adjacent to a reservation shall be defined according to the United States Department of the Interior, Bureau of Indian Affairs, as determined and stated in its Report on Service Population and Labor Force. Refunds of cigarette taxes must be computed based on cigarette tax rates in effect prior to enactment of this act.

[EFFECTIVE DATE.] This section is effective for agreements entered into or renewed after the date of enactment of this act."

Renumber the sections in sequence and correct the internal references



The question was taken on the adoption of the Berg amendment to the first Johnson, Doug amendment.

The roll was called, and there were yeas 29 and nays 32, as follows:

Those who voted in the affirmative were:

Bachmann	Johnson, Debbie	Langseth	Olson	Scheevel
Belanger	Johnson, Doug	Larson	Ourada	Schwab
Berg	Kierlin	Lesewski	Pariseau	Stevens
Day	Kiscaden	Lessard	Reiter	Terwilliger
Dille	Kleis	Neuville	Robertson	Wiener
Fischbach	Knutson	Oliver	Robling	

Those who voted in the negative were:

Anderson	Frederickson	Lourey	Pappas	Solon, Y.P.
Berglin	Higgins	Marty	Pogemiller	Stumpf
Betzold	Hottinger	Metzen	Price	Vickerman
Chaudhary	Johnson, Dave	Moe, R.D.	Rest	Wiger
Cohen	Johnson, Dean	Moua	Ring	
Foley	Kelley, S.P.	Murphy	Sabo	
Fowler	Kinkel	Orfield	Scheid	

The motion did not prevail. So the amendment to the amendment was not adopted.

Senator Anderson moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 50, line 8, after "(3)" insert "a lateral transfer of an employee within an agency;  
(4)"

Page 50, lines 9, 12, and 20, delete "(4)" and insert "(5)"

Page 50, line 11, delete "(5)" and insert "(6)"

The motion prevailed. So the amendment to the amendment was adopted.

Senator Lesewski moved to amend the first Johnson, Doug amendment to H.F. No. 3270 as follows:

Page 137, line 16, reinstate the stricken language

Page 138, line 15, delete "between" and insert "over" and after "and" insert "not more than"

Page 138, line 22, after "(b)" insert "For systems installed or contracted for after January 1, 2002,"

Page 139, line 17, delete "less"

Page 139, line 18, delete the first "than" and after the first "megawatts" insert "or less"

Page 139, line 22, after "scale" insert "wind"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the first Johnson, Doug amendment, as amended.

The roll was called, and there were yeas 34 and nays 30, as follows:

Those who voted in the affirmative were:

Anderson	Cohen	Hottinger	Kelley, S.P.	Lourey
Berglin	Foley	Johnson, Dave	Kinkel	Marty
Betzold	Fowler	Johnson, Dean	Langseth	Metzen
Chaudhary	Higgins	Johnson, Doug	Lesewski	Moe, R.D.

Moua	Pogemiller	Ring	Stumpf	Wiener
Murphy	Price	Sabo	Tomassoni	Wiger
Pappas	Rest	Solon, Y.P.	Vickerman	

Those who voted in the negative were:

Bachmann	Frederickson	Krentz	Olson	Samuelson
Belanger	Johnson, Debbie	Larson	Pariseau	Scheevel
Berg	Kierlin	Lessard	Reiter	Scheid
Day	Kiscaden	Limmer	Robertson	Schwab
Dille	Kleis	Neuville	Robling	Stevens
Fischbach	Knutson	Oliver	Sams	Terwilliger

The motion prevailed. So the first Johnson, Doug amendment, as amended, was adopted.

Senator Neuville moved to amend the first Johnson, Doug amendment to H.F. No. 3270, adopted by the Senate March 25, 2002, as follows:

Page 23, after line 17, insert:

"Sec. 3. Minnesota Statutes 2000, section 125A.65, subdivision 1, is amended to read:

Subdivision 1. [RESPONSIBILITY ALLOCATED.] Responsibility for special instruction and services for a ~~visually disabled blind/visually impaired or hearing impaired deaf/hard of hearing~~ child attending the Minnesota state academy for the deaf or the Minnesota state academy for the blind must be determined in subdivisions 2 to 10.

Sec. 4. Minnesota Statutes 2000, section 125A.65, subdivision 3, is amended to read:

Subd. 3. [EDUCATIONAL PROGRAM; TUITION.] When it is determined pursuant to section 125A.69, subdivision 1 or 2, that the child is entitled to attend either school, the board of the Minnesota state academies must provide the appropriate educational program for the child. The board of the Minnesota state academies must make a tuition charge to the child's district of residence for the cost of providing the program. The amount of tuition charged must not exceed ~~the basic revenue of the district general education revenue formula allowance times the pupil unit weighting factor pursuant to section 126C.05~~ for that child, for the amount of time the child is in the program. ~~For purposes of this subdivision, "basic revenue" has the meaning given it in section 126C.10, subdivision 2.~~ The district of the child's residence must pay the tuition and may claim general education aid for the child. Tuition received by the board of the Minnesota state academies, except for tuition received under subdivision 4, must be deposited in the state treasury as provided in subdivision 8.

Sec. 5. Minnesota Statutes 2000, section 125A.65, subdivision 8, is amended to read:

Subd. 8. [STUDENT COUNT; TUITION.] (a) ~~On May 1 of each year, 1996, and each year thereafter, the board of the Minnesota state academies shall count the actual number of Minnesota resident kindergarten and elementary students and the actual number of Minnesota resident secondary special education eligible students enrolled and receiving education services at the Minnesota state academy for the deaf and the Minnesota state academy for the blind. The board of the Minnesota state academies shall deposit in the state treasury an amount equal to all tuition received less:~~ the amount calculated in paragraph (b).

~~(1) the total number of students on May 1 less 175, times the ratio of the number of kindergarten and elementary students to the total number of students on May 1, times the general education formula allowance; plus~~

~~(2) the total number of students on May 1 less 175, times the ratio of the number of secondary students on May 1 to the total number of students on May 1, times 1.3, times the general education formula allowance.~~

(b) The Minnesota state academies shall credit to their general operation account an amount equal to the tuition received which represents tuition earned for the total number of students over 175 based on:

(1) the total number of enrolled students on May 1 less 175; times

(2) the ratio of the number of students in that grade category to the total number of students on May 1; times

(3) the general education revenue formula allowance; times

(4) the pupil unit weighting factor pursuant to section 126C.05.

Sec. 6. Minnesota Statutes 2000, section 125A.65, subdivision 9, is amended to read:

Subd. 9. [CALCULATION.] The sum provided by the calculation in subdivision 8, ~~clauses (1) and (2),~~ must be deposited in the state treasury and credited to the general operation account of the ~~academy for the deaf and the academy for the blind~~ Minnesota state academy for the deaf and the Minnesota state academy for the blind."

Renumber the sections in sequence and correct the internal references

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend the second Berglin amendment to H.F. No. 3270, adopted by the Senate March 25, 2002, as follows:

Page 4, delete line 10

Page 4, line 11, delete "(2)" and insert "(1)"

Page 4, line 12, delete "(3)" and insert "(2)"

Page 4, line 13, delete "(4)" and insert "(3)"

The motion prevailed. So the amendment was adopted.

The question was taken on the recommendation to pass H.F. No. 3270.

The roll was called, and there were yeas 38 and nays 28, as follows:

Those who voted in the affirmative were:

Anderson	Hottinger	Lourey	Pogemiller	Solon, Y.P.
Berglin	Johnson, Dave	Marty	Price	Stumpf
Betzold	Johnson, Dean	Metzen	Rest	Tomassoni
Chaudhary	Johnson, Doug	Moe, R.D.	Ring	Vickerman
Cohen	Kelley, S.P.	Moua	Sabo	Wiener
Foley	Kinkel	Murphy	Sams	Wiger
Fowler	Langseth	Orfield	Samuelson	
Higgins	Lesewski	Pappas	Schwab	

Those who voted in the negative were:

Bachmann	Frederickson	Krentz	Olson	Scheevel
Belanger	Johnson, Debbie	Larson	Ourada	Scheid
Berg	Kierlin	Lessard	Pariseau	Stevens
Day	Kiscaden	Limmer	Reiter	Terwilliger
Dille	Kleis	Neuville	Robertson	
Fischbach	Knutson	Oliver	Robling	

The motion prevailed. So H.F. No. 3270 was recommended to pass.

On motion of Senator Moe, R.D., the report of the Committee of the Whole, as kept by the Secretary, was adopted.

**INTRODUCTION AND FIRST READING OF SENATE BILLS**

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

**Senator Pogemiller introduced--**

**S.F. No. 3451:** A bill for an act relating to municipal planning; providing a limitation on the conditions for issuing certain permits or approvals; amending Minnesota Statutes 2000, section 462.361, by adding a subdivision.

Referred to the Committee on State and Local Government Operations.

**Senator Higgins introduced--**

**S.F. No. 3452:** A bill for an act relating to assisted reproduction; authorizing embryo agreements and gestational surrogacy agreements; proposing coding for new law as Minnesota Statutes, chapter 257C.

Referred to the Committee on Health and Family Security.

**Senator Wiener introduced--**

**S.F. No. 3453:** A bill for an act relating to human services; providing for release of private data to county human and social services departments, and entities under contract to them, in order to coordinate benefits and services; amending Minnesota Statutes 2000, sections 13.3805, subdivision 1; 13.3806, subdivision 1; 13.384, subdivision 3; 13.461, subdivision 1; 13.85, subdivision 2; 197.603, subdivision 2; Minnesota Statutes 2001 Supplement, section 13.46, subdivision 2.

Referred to the Committee on Health and Family Security.

**RECESS**

Senator Moe, R.D. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

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

**APPOINTMENTS**

Senator Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

S.F. No. 3208: Senators Moe, R.D.; Orfield and Robertson.

S.F. No. 2433: Senators Betzold, Berglin and Neuville.

Senator Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

**MEMBERS EXCUSED**

Senator Neuville was excused from the Session of today from 10:00 a.m. to 3:45 p.m. Senator Robertson was excused from the Session of today from 11:30 a.m. to 2:00 p.m. Senator Anderson was excused from the Session of today from 4:00 to 4:15 p.m. Senator Ranum was excused from the Session of today at 4:30 p.m. Senator Wiger was excused from the Session of today from 5:10

to 5:15 p.m. Senator Krentz was excused from the Session of today from 5:10 to 5:20 p.m. Senator Sams was excused from the Session of today from 5:35 to 5:45 p.m.

**ADJOURNMENT**

Senator Moe, R.D. moved that the Senate do now adjourn until 9:00 a.m., Tuesday, March 26, 2002. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate



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